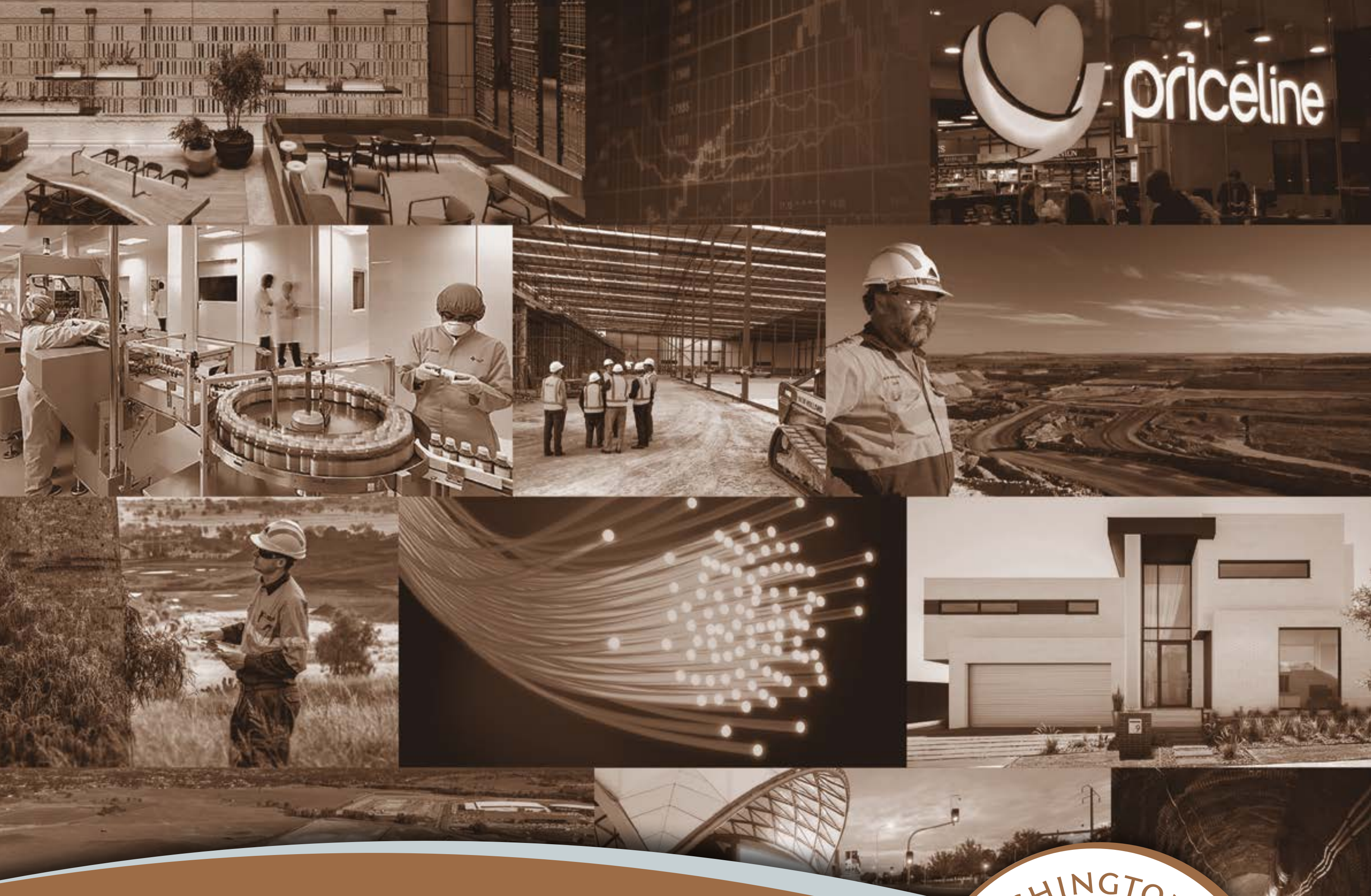


Annual Report 2019

Washington H. Soul Pattinson
and Company Limited

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

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 147 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 mining, building materials, property investment, telecommunications, financial services and other equity investments.

DIVERSIFIED AND UNCORRELATED PORTFOLIO

+

LONG-TERM INVESTOR WITH BROAD MANDATE

+

VALUE FOCUSED AND TRUSTED PARTNER

Calendar

Final Dividend

Record date	18 November 2019
Payment date	9 December 2019

Annual General Meeting

AGM date	6 December 2019
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 and Non-Executive Director
Todd J Barlow	Managing Director and Chief Executive Officer
Tiffany L Fuller	Non-Executive Director
Michael J Hawker	Lead Independent Director and Non-Executive Director
Thomas C D Millner	Non-Executive Director
Warwick M Negus	Non-Executive Director
Robert G Westphal	Non-Executive Director

Company Secretary

Ian D Bloodworth

Auditors

Pitcher Partners Sydney

Contents

Key Highlights

Group Regular NPAT[1]	Group Net Profit After Tax
$307m	$248m
7.2% ▼	7.1% ▼

Pre-tax value of portfolio[2]	Regular cash flow from operations[3]
$5,469m	$170m
0.6% ▲	18.1% ▲

15 Year TSR	20,502 Shareholders
11.6% pa	▲8.9%
2.6% outperformance[4]	Admitted to ASX100

1. *Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in the Consolidated Financial Statements – Note 4, Segment information.*
2. *Refer to page 8 for details of the portfolio valuation.*
3. *Refer to page 6 for details of net regular cash flow from operations.*
4. *Performance compared to the All Ordinaries Accumulation Index.*

Chairman's Review

Dear Shareholders,

I am pleased to present the 2019 Annual Report for Washington H. Soul Pattinson and Company Limited (WHSP, Company) on behalf of the Board of Directors of the Company.

FY19 Key Highlights

Group Regular profit after tax[1]	$307.3 million	– 7.2%
Group Profit after tax	$247.9 million	– 7.1%
WHSP's net asset value (pre-tax)[2] (tax payable if disposed of on 31 July 2019 $1,049 million)	$5.5 billion	+ 0.6%
Net regular cash from operations[3]	$169.6 million	+ 18.1%
Total Dividends (fully franked)	58 cents	+ 3.6%

Regular Cash Flow from Operations Increased by

18.1%

WHSP holds a diversified portfolio of uncorrelated investments across listed equities, private equity, property and loans. Its flexible mandate is a key advantage to generating returns by allowing WHSP to make long-term investment decisions and adjust the portfolio by changing the mix of investment classes over time.

Our objective is to deliver superior returns to our shareholders by creating capital growth along with steadily increasing dividends. Dividends are paid out of the cash generated from our investments, and pleasingly, the Company increased its net regular cash from operations by 18.1% in FY19.

WHSP has a strong track record of delivering outperformance over the long-term[4] along with increased dividends. We continue to attract new shareholders and by the end of FY19 the number of shareholders had grown to 20,502 (up 8.9%). During the year, the Company was also admitted to the ASX100 index which reflects the growing size of the Company and increased liquidity of the stock.

We have experienced some volatility amongst the major investments in the portfolio, which can be expected from time to time. However, we believe that over the long-term the portfolio is well positioned for growth and continued performance.

1. *Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in the Consolidated Financial Statements – Note 4, Segment information.*
2. *Refer to page 8 for details of the portfolio valuation.*
3. *Refer to page 6 for details of net regular cash flow from operations.*
4. *Performance compared to the All Ordinaries Accumulation Index.*

15 Year Total Shareholder Return

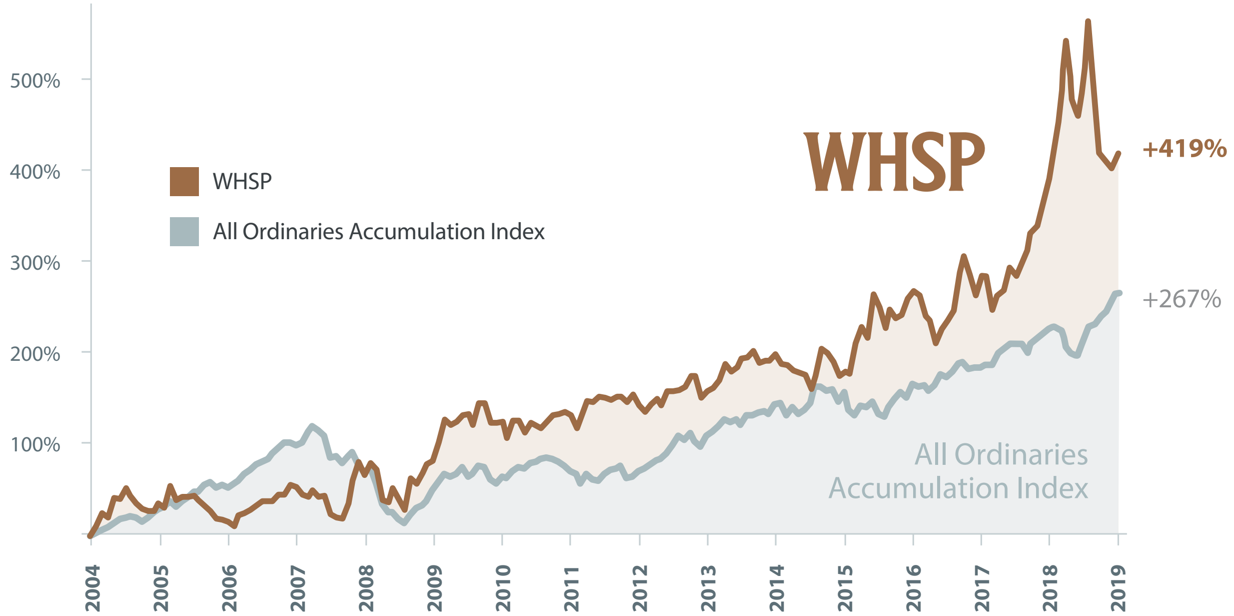
11.6%
per annum

Total Shareholder Returns to 31 July 2019

Annual Return	1 Year	2 Years p.a.	3 Years p.a.	5 Years p.a.	10 Years p.a.	15 Years p.a.
WHSP	**6.5%**	**16.5%**	**12.4%**	**11.8%**	**11.1%**	**11.6%**
All Ordinaries Accumulation Index	12.9%	13.9%	11.4%	8.7%	9.5%	9.0%
Performance	**(6.4%)**	**2.6%**	**1.0%**	**3.1%**	**1.6%**	**2.6%**

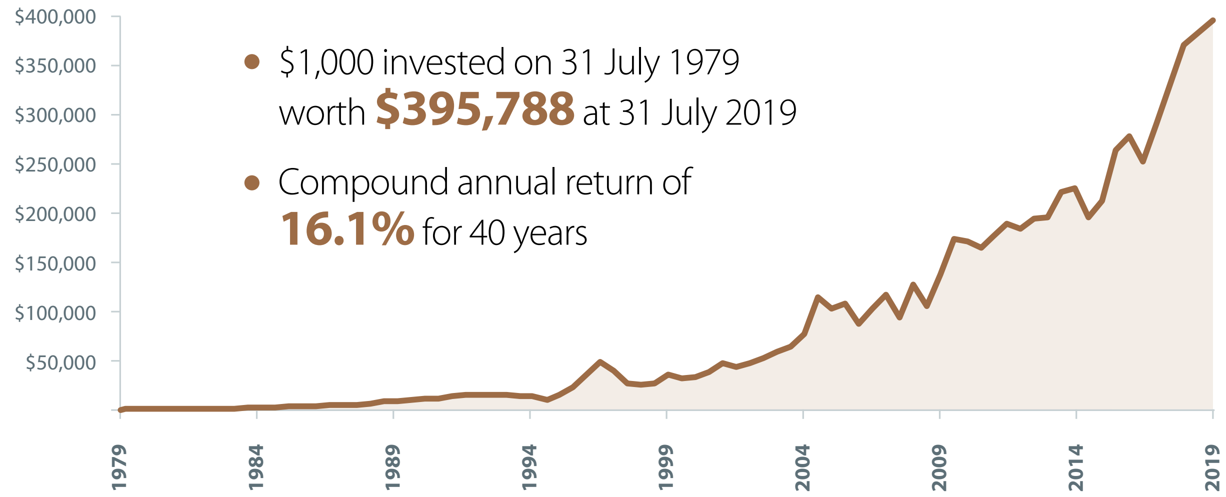
Includes the re-investment of dividends

WHSP is focused on delivering outperformance over the long-term and over the last 15 years has outperformed the All Ordinaries Accumulation Index by 2.6% per annum. This outperformance over the last 15 years means that an investment in WHSP has grown by 419% while the Index has increased 267%.

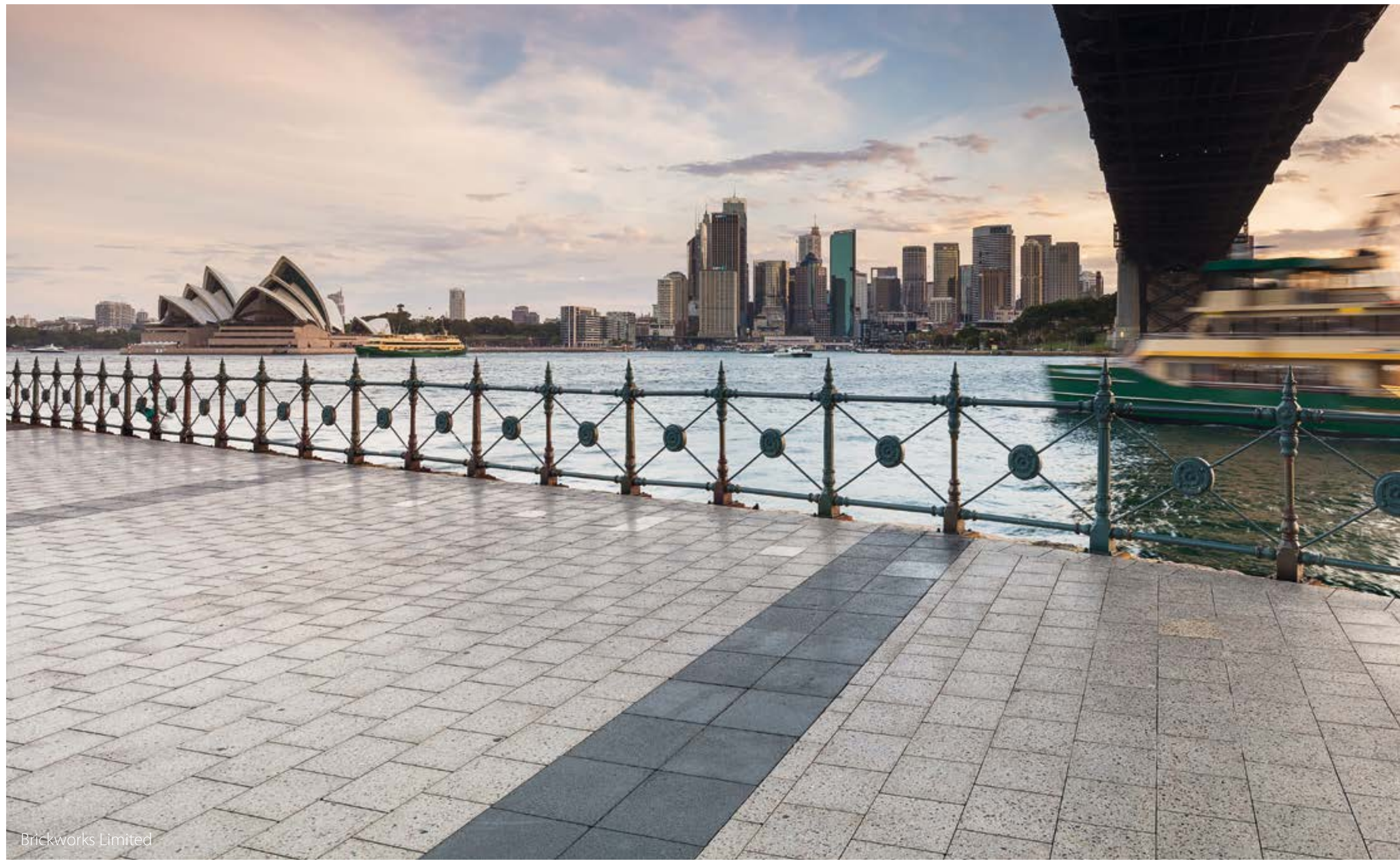


Includes the re-investment of dividends

This performance has been maintained for a long period of time. If a shareholder had invested $1,000 in 1979 and reinvested all dividends, the shareholding would have appreciated to over $395,000 as at 31 July 2019. This equates to a compound annual growth rate of 16.1% year on year for 40 years. This growth does not include the value of the franking credits which have been passed on to shareholders by WHSP.



Includes the re-investment of dividends



20 Year Dividend Growth

10.8%

per annum

Dividends

WHSP has an exceptional history of paying dividends to shareholders. Since 2000, the Company has increased its ordinary dividend every year, one of only two companies in the All Ordinaries Index to do so. The compound annual growth rate of the Company's ordinary dividends over the last 20 years is 10.8%.

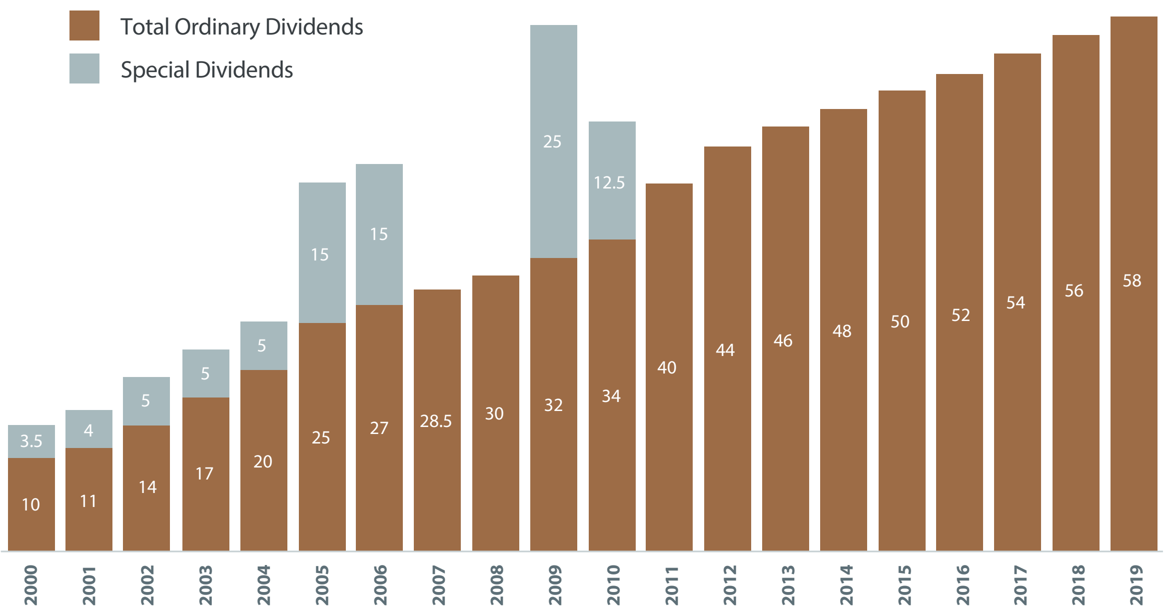
WHSP's diversified portfolio continues to deliver reliable cash returns enabling it to provide increasing fully franked dividends to its shareholders.

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

Net regular cash from operations for the year was $169.6 million, up 18.1% compared to 2018. This increase was mainly due to higher dividend and interest income.

20 Year Dividend History

Cents per Share



Total Dividend for the year

58¢

Final Dividend

The Directors have declared a fully franked final dividend of 34 cents per share in respect of the year ended 31 July 2019 (2018: 33 cents fully franked). This brings total dividends for the year to 58 cents fully franked (2018: 56 cents fully franked).

The record date for the final dividend will be 18 November 2019 with payment due on 9 December 2019. The last day to purchase shares and be eligible for the final dividend is 14 November 2019.

This year WHSP will pay out, as dividends, 81.9% of its net regular cash from operations (2018: 93.4%).

Consolidated Financial Performance

Regular profit after tax

The regular profit after tax[1] for the year ended 31 July 2019 was $307.3 million, 7.2% lower than last year. The result was driven by positive contributions from:

- Brickworks, up by 22.9% due to another strong result from property activities;
- Income from investments (loans and equity portfolios), up by 63.3% due to stronger dividend and interest income;
- the Property Portfolio, up by 157.1% following the completion and sale of projects; and
- the Financial Services Portfolio, up 28.2% primarily due to increased dividend income.

These gains were offset by a disappointing result from Round Oak Minerals which contributed a regular after tax loss of $54.1 million to the Group's result for the year (2018: $9.7 million). In the current year, the increased regular loss after tax arose principally from:

- start-up expenses for new projects and increased corporate overhead, exacerbated by delays caused by extreme weather events causing flooding; and
- a reduction in production volumes and increased operating costs at Jaguar to realign the mining sequence. This realignment is expected to benefit future production.

The contribution from TPG Telecom was down 12.8% due to continuing margin impact from the NBN rollout.

Net profit after tax (including non-regular items)

The profit after tax attributable to shareholders (including non-regular items) for the year ended 31 July 2019 was $247.9 million, 7.1% lower than last year. Profit after tax was impacted by impairments in TPG Telecom and Round Oak Minerals and other non-regular expenses which were partly offset by the Parent Company's gain on the sale of the head office building at 160 Pitt Street.

Comparisons with the prior year are as follows:

	2019 $'000	2018 $'000	% Change
Regular profit after tax[1] attributable to shareholders	307,262	331,143	– 7.2%
Statutory Profit after tax attributable to shareholders	247,943	266,846	– 7.1%
Interim Dividend (paid in May each year)	24 cents	23 cents	+ 4.3%
Final Dividend (payable 9 December 2019)	34 cents	33 cents	+ 3.0%
Total Dividends	58 cents	56 cents	+ 3.6%

1. Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in the Consolidated Financial Statements – Note 4, Segment information.

Net Assets of the Parent Company – WHSP

As at 31 July 2019	WHSP's Holding %	Value of WHSP's Holding $m	12 month Movement $m	12 month Movement %
TPG Telecom[1]	25.3%	1,636	286	21.2%
Brickworks[1]	43.8%	1,100	77	7.5%
New Hope Corporation[1]	50.0%	1,043	(283)	(21.3%)
Financial Services Portfolio[1 & 2]	–	353	(61)	(14.7%)
Pharmaceutical Portfolio[1]	–	265	–	–
Round Oak Minerals[2]	100%	188	34	21.9%
Property Portfolio[2]		89	(93)	(51.1%)
Other Listed Investments Portfolio[1]		564	48	9.3%
Other Unlisted Investments Portfolio[2]		135	43	46.0%
Cash and other net assets (net of liabilities)		96	(20)	(17.3%)
Net asset value (pre-tax)[3 & 4]		**5,469**	**31**	**0.6%**

1 *At market value.*
2 *At cost or Directors' valuations.*
3 *The tax payable if all of these assets had been disposed of on 31 July 2019 would have been approximately $1,049 million.*
4 *Net asset value (pre-tax) is the value of all of WHSP's assets less all of its liabilities (other than the tax payable upon the sale of its assets). Assets are valued at market value, cost or Directors' valuation as shown.*

The assets of WHSP are summarised in this table. The pre-tax value as at 31 July 2019 was $5.5 billion, up $31 million compared to 31 July 2018.

This net increase was mainly attributable to:

- Strong share price performances by TPG Telecom and Brickworks which were largely offset by New Hope Corporation which lost some of its substantial increase from last year.
- The Financial Services Portfolio investment in Ironbark Asset Management was increased to 25.6% and part of the holding in Milton Corporation was realised during the year.
- Further investment was injected into Round Oak Minerals to facilitate the development of its various projects, partly offset by the write down of some development assets.
- The carrying value of the Property Portfolio (net of borrowings) reduced by $93 million during the year. The head office building at 160 Pitt Street, the subdivided Kingsgrove property and the warehouse at Prestons were sold. These sales were partly offset by the repayment of bank debt on the office building at Pennant Hills.

R D Millner
Chairman

Review of Group Entities

as at 31 July 2019

TPG Telecom Limited

Associated entity: **25.3% held** Dividends paid to WHSP: **$9.4 million** Total Market Capitalisation: **$6.48 billion** Value of WHSP's Holding: **$1.64 billion** ASX code: **TPM**	TPG TELECOM

TPG reported the following results for the year ended 31 July 2019 (FY19):

- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) before impairment of $809.4 million;
- Business as usual EBITDA of $823.8 million;
- Net profit after tax attributable to shareholders of $173.8 million; and
- Earnings per share of 18.7 cents.

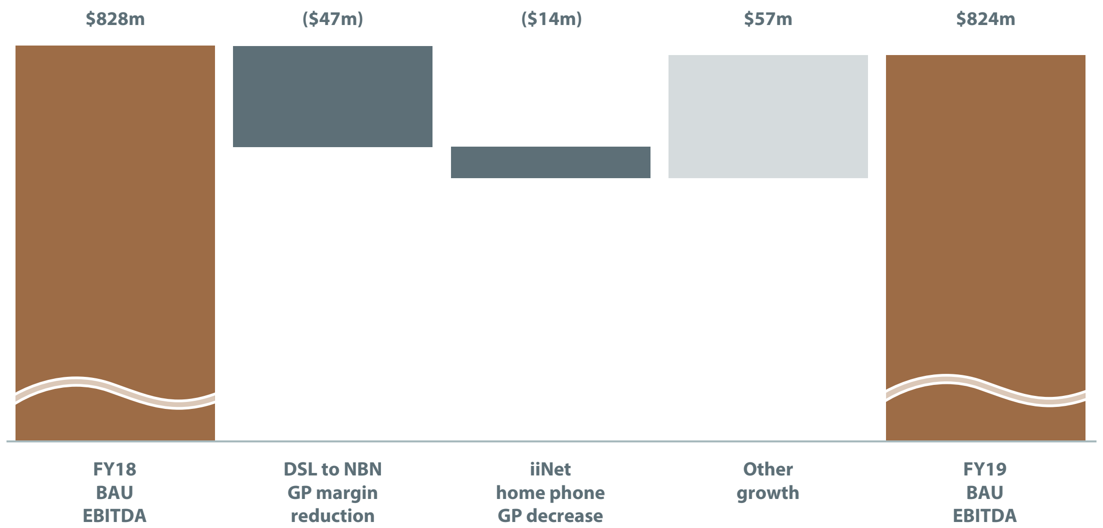
Underlying Results

The FY19 results were heavily impacted by TPG's decision to cease the rollout of its Australian mobile network in January 2019. This gave rise to an impairment expense of $236.8 million and a significant increase in amortisation and interest expense relating to its Australian spectrum licences.

The FY19 results also include $9.0 million of one-off transaction costs relating to TPG's planned merger with Vodafone Hutchison Australia. Excluding the impairment and merger transaction costs, the underlying EBITDA for the year was $818.4 million, a 1% decrease on FY18.

As shown in the chart below, business as usual EBITDA continued to be adversely impacted by the loss of margin as DSL and home phone customers migrate to low margin NBN services.

Bridge between FY18 and FY19 business as usual EBITDA



The $57 million of other EBITDA growth was driven by the Corporate Division.

Segment Results

The Consumer Segment's EBITDA for FY19 was $457.3 million compared to $499.1 million for FY18.

The Corporate Segment achieved EBITDA of $367.1 million for FY19 compared to $329.7 million for FY18.

Dividends paid to WHSP
$9.4 million

Cash Flow, Capital Expenditure and Gearing

TPG's net operating cash flows before tax were again strong, exceeding EBITDA at $836.3 million.

Total capital expenditure for the year of $717.3 million included: a $352.4 million instalment for the 2x10MHz of 700MHz spectrum acquired at auction in 2017; $86.1 million invested in the (now ceased) Australian mobile network build; and $80.1 million in the Singapore mobile network build. The remaining 'business as usual' capital expenditure of $198.7 million was $59.3 million lower than FY18 and within the guidance range of $180 to $220 million provided at the start of FY19.

At the end of FY19 TPG had net debt (including remaining spectrum liabilities payable in early 2020) of $1.94 billion which represents a leverage ratio of approximately 2.4 times underlying FY19 EBITDA.

Singapore Update

TPG continues to densify its mobile network in Singapore with additional sites to increase capacity and deepen indoor coverage. Outdoor service coverage was measured at 99.69% in July 2019. TPG is on track to meet and exceed the indoor service coverage milestone and metro and road tunnel coverage is progressing.

Update on Planned Merger with Vodafone Hutchison Australia

On 30 August 2018, TPG and Vodafone Hutchison Australia (VHA) entered into a Scheme Implementation Deed under which the companies agreed a proposed merger of equals to establish a fully integrated telecommunications operator in Australia.

If the merger proceeds:

- It will be implemented via a TPG Scheme of Arrangement, with the new merged group listed on the Australian Securities Exchange and renamed TPG Telecom Limited in conjunction with implementation of the scheme; and
- TPG shareholders will own 49.9% of the equity of the merged group, with VHA shareholders owning the remaining 50.1%.

The merger is subject to a number of conditions including shareholder and regulatory approvals.

- On 8 May 2019, the ACCC announced it had decided to oppose the proposed merger.
- On 24 May 2019 proceedings were lodged with the Federal Court of Australia by the merger parties seeking orders that the proposed merger will not have the effect, or likely have the effect, of substantially lessening competition.
- The Federal Court hearing concluded on 1 October 2019. The judgement is expected by February 2020.

Dividend

TPG has declared a final dividend of 2 cents per share fully franked, unchanged from 2018. This brings total dividends for the year to 4 cents per share also unchanged from 2018.

Contribution to WHSP

TPG contributed $95.0 million to the Group's regular profit after tax for the year (2018: $109.0 million).

Outlook

TPG expects FY20 to be the year in which it experiences the greatest financial impact from customer migration to the NBN. The combined headwinds from residential DSL and home phone customers moving to the NBN is expected to be around $85 million. In addition, the annualised impact on profitability of existing NBN customers is forecast to create a further NBN headwind for FY20 of approximately $25 million. By the end of FY20 TPG expects to have less than 15% of its residential broadband customer base remaining on ADSL.

TPG expects operating cost efficiency programs to continue to deliver savings and another year of growth is forecast for the Corporate Division. However, given the peak NBN headwinds expected, organic growth for FY20 is not expected to be sufficient to offset the headwinds. TPG expects Business As Usual EBITDA to be in the range of $735 million to $750 million.

Brickworks Limited

Associated entity: **43.8% held** Dividends paid to WHSP: **$36.1 million** Total Market Capitalisation: **$2.51 billion** Value of WHSP's Holding: **$1.10 billion** ASX code: **BKW**	BRICKWORKS LIMITED

Brickworks posted a record underlying Net Profit After Tax (NPAT) from continuing operations of $234 million, up 4% on the prior year.

After including discontinued operations and the impact of significant items, statutory NPAT was down 12% to $155 million. This includes $19 million in costs related to WHSP significant items in the second half.

Brickworks has declared a fully franked final dividend of 38 cents per share for the year ended 31 July 2019, up 6% from 36 cents. Together with the interim dividend of 19 cents per share, this brings the total dividends for the year to 57 cents per share, up 3 cents or 6% on the prior year.

Dividends paid to WHSP

$36.1 million

Brickworks Limited

Building Products Australia

Building Products Australia's Earnings Before Interest and Tax (EBIT) was $57 million, down 27% on the previous corresponding period. Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) was $88 million, down 18%. The decline in earnings was primarily due to the impact of increasing energy prices and a downturn in construction activity across the country.

Austral Bricks earnings declined 17% for the year, with sales revenue down 4% to $428 million.

Austral Masonry earnings were lower, despite a slight increase in sales revenue to $119 million for the year.

Bristile Roofing earnings, including the Fyshwick roof batten mill, were marginally lower for the year, with a 10% decrease in sales revenue to $131 million.

Austral Precast earnings were higher, supported by a 6% increase in revenue to $77 million for the year.

Building Products North America

Building Products North America contributed an EBIT of $6 million and an EBITDA of $12 million for the period since the acquisition of Glen-Gery on 23 November 2018. Business performance has exceeded expectations.

Property

Property delivered an EBIT before significant items of $158 million for the year ended 31 July 2019, a record contribution, and up 68% from the prior year. The improved result was due to higher earnings from the Property Trust.

The record result was also supported by a $35 million profit from land sales, primarily due to the sale of the Punchbowl site in the first half.

The total value of assets held within the Property Trust at 31 July 2019 was $1.756 billion. This includes a 21% increase in the value of leased assets, to $1.411 billion. The Property Trust also holds a further $345 million in land to be developed.

Borrowings of $490 million are held within the Property Trust, giving a total net asset value of $1.266 billion. Brickworks' 50% share of net asset value was $633 million, up $95 million from $538 million at 31 July 2018.

Contribution to WHSP

Brickworks contributed $54.7 million to the Group's regular profit after tax for the year (2018: $44.6 million). This contribution excludes the WHSP profit taken up by Brickworks under the equity accounting method.

Outlook

Building Products Australia – whilst the order book remains strong, particularly in Austral Bricks and Austral Precast, Brickworks anticipates a soft first half for FY20. In the second half, Brickworks expects the market to stabilise, based on the current level of home builder sales. In addition, Brickworks' transition to the wholesale gas market on 1 January 2020 will reduce costs and finally provide some relief from rising energy costs.

Building Products North America – Brickworks believes the growth prospects for Building Products North America are strong. The recent acquisition of Sioux City Brick strengthens Brickworks' leadership position in the architecturally focussed Midwest and Northeast regions of the United States and will provide significant cost synergies once fully integrated.

Property – activity within the Property Trust remains strong with developments at Oakdale South expected to drive growth in rent and asset value over the next few years.

New Hope Corporation Limited

Controlled entity: **50.0% held** Dividends paid to WHSP: **$66.5 million** Total Market Capitalisation: **$2.09 billion** Value of WHSP's Holding: **$1.04 billion** ASX code: **NHC**	NEW HOPE GROUP

New Hope reported net profit before tax and non-regular items of $384.3 million for the year ended 31 July 2019, 3% higher than the 2018 result of $373.2 million.

The net profit after tax, including non-regular items, was $210.7 million for the year, 41% higher than the 2018 result of $149.5 million.

Before non-regular items, basic earnings for 2019 were 32.3 cents per share, compared to 31.5 cents in 2018. After non-regular items, basic earnings were 25.3 cents per share for 2019 against 18.0 cents in 2018.

Compared to last year, the 2019 full year result benefited from:

- Increased production and sales driven by the acquisition of an additional interest in the Bengalla Joint Venture; and
- A lower AUD:USD exchange rate.

Partially offset by:

- Increased cost of sales as the Acland Mine nears the end of the Stage 2 life;
- Increased cost of sales at Bengalla with increased stripping activities combined with timing of major repairs;
- Reduction in interest revenue and increase in interest expenses resulting from borrowings required for the Bengalla acquisitions; and
- Non-regular items including acquisition costs relating to the Bengalla acquisition.

During the year, New Hope generated a strong operating cash surplus of $509.8 million (before acquisition costs, interest and tax) which is an increase of 18% on the 2018 result of $433.9 million.

New Hope has declared a fully franked final dividend of 9 cents per share, up 12.5% from 8 cents last year. This brings the total dividends for the year to 17 cents per share, up 21.4% on 2018.

New Hope

Dividends paid to WHSP

$66.5 million

Coal Operations

The New Hope Group produced 10.9 million tonnes of saleable coal in 2019 which was a 21% increase on 2018. New Hope's two operating mines in South East Queensland (New Acland and Jeebropilly) combined to produce 4.8 million tonnes of saleable coal during the year ended 31 July 2019. New Hope's share of the Bengalla mine (which increased from 40% to 80% during the year) produced 6.0 million tonnes. The total quantity of coal sold in 2019 was 10.9 million tonnes.

New Acland Coal Mine

New Acland produced 4.1 million tonnes of clean coal for the year, down 8% year on year due to operating constraints and the quality of raw coal as operations extract the final coal from the Stage 2 resource area.

The Department of Natural Resources and Mines has certified 349 hectares of progressively rehabilitated land at New Acland. This is the largest single area of certified rehabilitation for at an open cut mine in Queensland.

New Hope remains committed to delivering the New Acland Mine Stage 3 project and will continue to work with the relevant government departments to ensure all necessary approvals are received for the project. Obtaining final approval in a timely manner is critical to ensuring the continuity of operations and therefore employment for approximately 300 employees and 500 contractors currently engaged at the New Acland mine.

Bengalla Joint Venture (New Hope share 80%)

New Hope completed its acquisition of an additional 30% interest in the Bengalla Joint Venture from Wesfarmers on 3 December 2018 and its acquisition of 10% from Mitsui on 25 March 2019 (both with effect from 1 December 2018), bringing New Hope's ownership to 80%.

The Bengalla Mine (100% basis) produced 9.3 million tonnes of coal in 2019 which is in line with the prior year. In the last quarter of the year Bengalla operations achieved an annualised production rate of 10 million tonnes per annum, a level that New Hope believes can be sustained into the future.

Queensland Bulk Handling (QBH)

QBH, New Hope's 100% owned coal terminal at the Port of Brisbane, exported 6.7 million tonnes of coal on 85 vessels in 2019, which was 7% lower than 2018. QBH remains essentially a demurrage free port.

Pastoral Operations

Acland Pastoral has continued its pasture management and supplement feeding strategy on previously mined land. Its success demonstrates that carefully rehabilitated mining land can support productive pastoral operations.

Acland Pastoral successfully managed its breeder herd through a severe drought period with minimal losses and the breeders producing in excess of a 90% calving rate in very trying conditions.

The Acland Pastoral irrigation footprint, utilising water from the Wetalla pipeline, was substantially increased from 26 to 112 hectares, which presents attractive opportunities for future cropping in the area.

Following the increase in ownership of the Bengalla Joint Venture, New Hope's land management experience is being applied to the active management of agricultural land surrounding the Bengalla operations.

Bridgeport Energy Limited

Oil production was 381,474 barrels in 2019, a 2% increase on 2018. Bridgeport's operations have now been lost time injury free for 5 years.

Revenue for the year was $33.9 million against $29.1 million for the prior year, an improvement of 16%. Realised oil sales prices averaged $98 per barrel against the previous year of $88 per barrel.

continued >>>

New Hope Corporation Limited (continued)

Contribution to WHSP

New Hope contributed $134.3 million to the Group's regular profit after tax for the year, being WHSP's 50.0% share (2018: $133.0 million, 52.7% share).

Outlook

The acquisition of the additional 40% stake in Bengalla during the 2019 financial year combined with the increase in Bengalla's production rate to 10 million tonnes per annum provides a profitable and sustainable asset base for New Hope. New Hope will continue to focus on creating synergies and integration efficiencies across all sites by leveraging off the individual strengths of each operation and where possible, applying those across other sites.

Queensland operations are set to record lower production volumes in the year ahead. Acland production will be constrained to mining remnant coal from Stage 2 operations in the absence of receiving Stage 3 approvals. The Jeebropilly mine will cease mining operations in December 2019 once all economically viable reserves have been extracted.

Work will continue on New Hope's development assets at Burton, Lenton and the North Surat, with the Burton coking coal project being the most prospective short-term development opportunity. Final approvals will be sought for the Lenton project, with exploration and feasibility planning ongoing for the North Surat Group of projects.

Coal markets have been, and are likely to remain, volatile in the near term, however, demand for high quality thermal coal remains strong across Asia. For most Asian countries, thermal coal will continue to be a significant component of their energy mix for many years to come, underpinned by continued investment in new coal fired power stations.

New Hope

Financial Services Portfolio

Dividends paid to WHSP: **$19.1 million**
Value of WHSP's Holding: **$353 million***

Listed and unlisted entities

** Market values, costs or Directors' valuations*

Dividends paid to WHSP
$19.1 million

The assets in the Financial Services Portfolio include investments in funds management, corporate advisory and Listed Investment Companies (LICs). This portfolio provides WHSP with exposure to both Australian and international equities.

The market valuations of some of the assets in this portfolio reduced during the year ended 31 July 2019, leading to a reduction for the portfolio as a whole. Despite this, the total value of the portfolio at the end of the year was $353.1 million, significantly higher than its cost base of just over $260 million.

WHSP increased the portfolio's investment in Ironbark Asset Management during the period from 13.9% to 25.6%. Ironbark provides asset management solutions for investors and financial advisers by partnering with best in class investment managers across a range of asset classes.

WHSP realised part of its investment in Milton Corporation during the year producing proceeds of $13.4 million and a gain of $5.3 million.

Pengana Capital Group, in which the portfolio has a 38.6% shareholding, successfully launched its Pengana Private Equity Trust (ASX code: PE1) during the year. PE1 listed on the ASX in April 2019 having raised in excess of $205 million. It provides an opportunity for Australian investors to gain access to a diversified portfolio of global private equity fund investments, with daily liquidity, through a single ASX trade.

As at 31 July 2019	WHSP's Holding %
BKI Investment Company Limited (ASX: BKI)	8.5%
Contact Asset Management Pty Limited	20.0%
Ironbark Asset Management	25.6%
Milton Corporation Limited (ASX: MLT)	3.3%
Pengana Capital Group Limited (ASX: PCG)	38.6%
Pengana International Equities Limited (ASX: PIA)	9.6%
Pitt Capital Partners Limited	100.0%
URB Investments Limited (ASX: URB)	12.4%

Contribution to WHSP

WHSP received dividends of $19.1 million from the Financial Services Portfolio during the year, up 24.1% from $15.4 million in 2018.

The Financial Services Portfolio contributed $23.5 million to the Group's regular profit after tax for the year (2018: $18.3 million).

Pharmaceutical Portfolio

Dividends paid to WHSP: **$9.0 million**
Total Market Capitalisation: **$1.17 billion**
Value of WHSP's Holding: **$265 million**

Listed entities

Dividends paid to WHSP
$9.0 million

The Pharmaceutical Portfolio is made up of Australian Pharmaceutical Industries Limited (API), Palla Pharma Limited (formerly TPI Enterprises Limited) and Apex Healthcare Berhad. API and Palla are listed on the ASX and Apex is listed on the Main Board of Bursa Malaysia.

As at 31 July 2019	WHSP's Holding %
Australian Pharmaceutical Industries Limited (ASX: API)	19.3%
Apex Healthcare Berhad (Bursa Malaysia code: APEX MK)	30.1%
Palla Pharma Limited (ASX: PAL) (formerly TPI Enterprises Limited)	19.9%

API

API's financial year ended on 31 August 2019. The results for the full year are not expected to be released to the market until late October 2019.

For the six months ended 28 February 2019, API reported the following results which are compared to those of the first half last year:

- Total revenue was up 6.6% to $1.98 billion, excluding the impact of Hepatitis C medicine sales and PBS Reforms.
- Earnings before interest and tax of $44.4 million, up 5.8%.
- Net profit after tax (NPAT) of $25.0 million, up 0.2%, including the impact of financing costs associated with the purchase of shares in Sigma Healthcare and the acquisition of Clear Skincare.
- Underlying NPAT of $26.8 million, in line with 2018.

API commented that its performance for the period was solid, with Priceline Pharmacy returning to positive like-for-like sales growth, its Consumer Brands business expanding once again, and the effective bedding in its Clear Skincare acquisition.

api

API has completed the first stage of its acquisition of Clear Skincare Clinics a leading provider of non-invasive aesthetic services such as laser hair removal, skin treatments and cosmetic injectables. Clear Skincare has continued its strong growth trajectory with revenue increasing by 21% over the first half of 2018. Three new clinics were opened during the half, taking the total to 47.

In May 2019, API paid a fully franked interim dividend of 3.75 cents per share, up 7.1% on 2018. This represents a payout ratio of 77.0% for the half and reflects the confidence of the API Board in the future performance of the Company.

Apex Healthcare

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 and is publicly listed on the Main Board of Bursa Malaysia.

While Apex's results are converted to Australian dollars (AUD) in WHSP's results, the percentage movements shown below are based on Malaysian Ringgit (MYR) movements to aid comparison.

For the six months ended 30 June 2019 Apex generated revenue of $116.5 million, an increase of 4.1% in MYR over the previous corresponding six month period. The net profit after tax attributable to shareholders was $8.5 million, a reduction of 8.4% in MYR compared to the first half of 2018. The result was impacted by higher operating and finance costs associated with the start-up of Apex's new manufacturing facility, SPP Novo.

The SPP Novo manufacturing facility in Malacca Malaysia added 19,400 square metres to Apex's manufacturing campus at Cheng Industrial Estate, more than doubling its production floor space. Apex is in the process of transferring its high volume oral dosage products to SPP Novo.

Apex's share price has continued to perform well, increasing by 18.9% in MYR and 27.1% in AUD for the 12 months to 31 July 2019.

Apex has declared an interim dividend of 0.54 cents per share for the six months ended 30 June 2019. After adjusting for the bonus issue in June, this represents an increase of 4.6% over last year in MYR and 7.5% in AUD.

Palla Pharma (formerly TPI Enterprises)

Palla is an internationally licenced narcotic producer supplying pain relief products. It has fully integrated operations taking product from the farm gate to tablet production and has operations in Victoria and Norway.

Palla has developed an innovative, efficient and environmentally sustainable water-based method for extracting narcotic raw material from opium poppies. Its manufacturing cost advantage is central to its strategy to achieve significant market share growth.

For the six months ended 30 June 2019, Palla reported the following results which are compared to those of the first half last year:

- Record revenue of $27.3 million, up 20.3%.
- Gross profit margin of 34.6%, up 126 bps.
- Operating earnings before interest and tax up $2.1 million, to $0.3 million.
- Underlying net loss of $2.3 million (2018 $3.9 million loss).

Increases in Narcotic Raw Material extraction rates and Active Pharmaceutical Ingredient production led to a substantial improvement in operational efficiencies and an enhanced gross profit margin. Palla plans to increase its Active Pharmaceutical Ingredient production by a further 50% by the end of its 2019 financial year.

Contribution to WHSP

WHSP received dividends of $9.0 million from the Pharmaceutical Portfolio during the year, up 12.2% from $8.0 million in 2018.

WHSP has equity accounted Apex's and Palla's results for the 12 months to 30 June 2019 and API's result for the 12 months to 28 February 2019.

The Pharmaceutical Portfolio contributed $15.0 million to the Group's regular profit after tax for the year (2018: $13.3 million).

Round Oak Minerals Pty Limited

Controlled entities: **100% held** Value of WHSP's Holding: **$188 million*** Unlisted entity ** Directors' valuation*	Round Oak MINERALS

Round Oak is a mining and exploration company focused primarily on the production of copper, zinc and gold. Round Oak has several assets throughout Australia which are currently in production or under development.

Queensland assets

Commissioning of the gold processing facilities at Cloncurry was completed in the second half of 2018 with first gold production in December. This facility processes ore from Round Oak's portfolio of satellite open pit gold mines which will feed the plant over an initial two year period.

The Mt Colin underground copper mine commenced mining activities in July 2018 with underground mine development on schedule. The first ore was produced in May 2019, having been delayed by activities at the mine being slowed in January and February 2019 by the impacts of an extreme weather event which caused wide scale flooding in north-west Queensland. Copper ore from Mt Colin will be toll treated at Glencore's Ernest Henry operation commencing in October 2019.

Development of the Barbara open pit copper mine commenced in February 2019, with first ore produced in June 2019. As with Mt Colin, production was delayed by the extreme weather event in January and February. Copper ore from Barbara will be toll treated at Glencore's Mt Isa operation commencing in October 2019.

Round Oak Minerals

Western Australian assets (Jaguar)

Ore production from the Bentley underground mine at Jaguar reduced in the latter part of 2018 as the focus shifted to completing mine development to open up additional mining fronts, including the new high grade Bentayga ore lens, to enable higher production rates in FY20. A new lens (Pegasus) was discovered in 2019 and will significantly add to the Bentley mineral inventory.

Work on the Definition Phase Study (DPS) for the development of the Triumph resource at Jaguar commenced in 2019 with this project having the potential to both increase production capacity and extend the life of Jaguar beyond its current four year mine life. The DPS is expected to be completed in the second half of 2019.

Victorian assets (Stockman)

The Stockman copper-zinc project in north-east Victoria, acquired in 2017, continued through its approval and permitting phase with the final primary approval (the Mine Work Plan) granted in April 2019. A Selection Phase Study was completed in 2019.

Exploration

Exploration activities are continuing in north-west Queensland on a number of prospective targets for the purpose of identifying additional copper and gold resources for future mining activities within the operating radius of the Cloncurry processing facilities.

An exploration programme aimed at increasing the mineral resource base at Stockman continued with the testing of both new and existing targets. This has resulted in two additional mineral resources (Eureka and Big Foot) being added to the mineral inventory in early 2019.

Exploration activities continued on two fronts at Jaguar: Brownfields exploration aimed at identifying additional near-mine base metals resources; and Greenfields exploration testing base metals and gold targets further from the current mining operations. Early results have been encouraging and these programmes will continue into FY20.

Contribution to WHSP

Round Oak contributed a regular after tax loss of $54.1 million to the Group's result for the year (2018: $9.7 million). In the current year, the increased regular loss after tax arose principally from:

- Start-up expenses for new projects and increased corporate overhead, exacerbated by delays caused by extreme weather events causing flooding; and
- A reduction in production volumes and increased operating costs at Jaguar to realign the mining sequence. This realignment is expected to benefit future production.

The statutory loss after tax of $73.5 million includes a non-regular impairment charge of $18.0 million following a reassessment of the carrying values of development and exploration assets.

Property

In August 2018 WHSP completed the sale of its head office building at 160 Pitt Street Sydney for $95.0 million. The non-regular gain on sale of $69.0 million after tax was taken up during the year.

The redevelopment and subdivision of the Kingsgrove property was completed during the year. All of the subdivided lots have been sold and the project finalised.

Construction of the warehouse and distribution centre at Prestons was completed during the year and the tenanted property sold.

WHSP has maintained its ownership of: the office building at Pennant Hills; the industrial property at Castle Hill; and its 50.1% interest in Penrith shopping centre and hotel.

The carrying value of the Property Portfolio (net of borrowings) reduced by $93 million during the year. The reduction due to the sales discussed above was partly offset by the repayment of bank debt. No property values were written down during the year.

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

Contribution to WHSP

Property contributed $11.0 million to the Group's regular profit after tax for the year (2018: $4.3 million).

Other Investments

As at 31 July 2019	WHSP's Holding %
Listed	
Bailador Technology Investments Limited	19.1%
Clover Corporation Limited	21.7%
Heritage Brands Limited	25.1%
Lindsay Australia Limited	18.7%
Novonix Limited	12.5%
Unlisted	
Ampcontrol Pty Limited	42.9%
Aquatic Achievers	100%
Dimeo Cleaning Services	16.1%
Seven Miles Coffee Roasters Pty Limited	40.0%
Specialist Oncology Property Pty Limited	17.6%
Verdant Minerals Limited	33.4%

Sustainability Report

Sustainable Investment

WHSP has a proud history of focussing on our investors and delivering strong net returns over the long-term and thinking, behaving and investing responsibly underpins this approach. Our single overarching purpose is to hold a diversified portfolio of assets, which generate a growing income stream for distribution to shareholders in the form of fully franked dividends and to provide capital growth in the value of shareholders' investments.

We recognise the evolving expectations of our key stakeholders in considering relevant environmental, social and governance-related (ESG) factors in our investment philosophy. While consideration of ESG factors has been a cornerstone of our investment approach and we pride ourselves on the sustainable nature of our investment operations, we understand the need to increase our transparency on the ways in which we consider these factors across the lifecycle of our investment portfolio.

In line with this, in FY19 we undertook a strategic review of our current approach to sustainable investment, consideration of climate-related risks and opportunities, and human rights issues across our own operations and investment footprint. The exercise resulted in the development of WHSP's inaugural Sustainable Investment, Climate Change and Human Rights Policies. These policies, which have been approved by the Board, are informed by leading frameworks and guidelines, with the objective of ensuring WHSP is aligned with industry peers in our approach to managing these issues.

Case Study #1

Insights from stakeholder perception survey

To keep abreast with stakeholders' expectations with regards to ESG factors, WHSP engaged an external consultant in FY19 to review the current perceptions of WHSP in the market. Key insights from this exercise include:

- Investors appreciate WHSP's key strengths, including the consistency of dividends and a strong, high-calibre management team; and,
- Investors are expecting an increased level of disclosure and engagement with the market around ESG issues and climate change in particular.

These results support the need to increase WHSP's disclosures in relation to the way sustainable investing and climate change issues are considered across the breadth of our portfolio, and across the investment lifecycle.

Our approach to Sustainable Investment

Approved by the Board in September 2019, the Sustainable Investment Policy articulates how our investment approach is informed by the proactive consideration of ESG factors and their impacts on our investment portfolio in order to achieve enhanced investment outcomes over the long-term.

Our values are central to our culture and to the long-term investment success of the company. At the core of our approach are three values:

- **We are custodians of shareholders' wealth** – we aim to deliver superior returns to our shareholders in a cost efficient manner. We also aim to influence and encourage our investees, where possible, to be cost effective in what they do.
- **We are long-term and disciplined investors** – we believe that shareholders' wealth is enhanced by investing with a long-term outlook, which requires making disciplined investment decisions which will deliver strong returns over the long-term. This may require investment decisions which are contrarian and/or counter cyclical in nature.
- **We value our reputation** – trust and reputation are at the heart of our brand. Our reputation as an ethical, trusted and respected company underpins our long-term success. We seek to be an investor of choice to create sustainable investments which make a positive contribution to their stakeholders.

Investment principles

Our purpose is defined by five core principles which we believe are fundamental to achieving long-term sustainable returns. These are:

- **Make sensible decisions**: we bring an in-depth understanding of the sector in which capital is being deployed, including ESG factors, demand and supply dynamics, competitive environment and regulation; we evaluate opportunities based on facts and information; we focus on downside risks to any investment, but also look at avenues for mitigating these risks; we are active owners.
- **Think outside the box**: while WHSP has historically been an equity investor, our unconstrained mandate means that we can invest in anything; we look for value in sectors and/or asset classes which are not on the radar of other investors.
- **Have the courage to act**: we have confidence in WHSP's ability to make the right investments at the right time; we do not conform to the market's opinions.
- **Think long-term and have patience for the right opportunity**: WHSP can afford to take a long-term view as we do not need to deploy capital within a specified timeframe and we have a strong track record as a long-term investor.
- **Be different**: we leverage WHSP's reputation as an investor of choice and flexible source of capital to differentiate ourselves from other investors; we look for opportunities where these characteristics add value in any transaction.

ESG investment approach

Our ESG investment approach is in turn guided by three core beliefs:

- Attention to ESG performance can improve the quality and consistency of long-term value creation.
- As an active owner, we are well positioned to provide counsel and independent challenge to our investees in relation to their approaches for managing ESG risks, and taking advantage of ESG opportunities, therefore enhancing returns.
- Our actions and decisions can affect practices in the entities in which we invest. We have both a duty and an interest in managing this influence to maximise long-term value for our investee companies and our investors.

ESG governance and oversight

The Board is responsible for making investment decisions and considers ESG issues in relation to new and existing investments on an ongoing basis.

The management team are tasked with reporting to the Board on issues affecting the sustainability of its investments and it is a requirement of every new investment proposal to specifically address ESG risks and opportunities.

Case Study #2

Our sustainable investment approach in action

Brickworks

Year invested: 1969

Brickworks is one of Australia's leading providers of building products and has a sustainable vision for the future of the built environment. Over recent years, Brickworks has committed to increasing its level of disclosures in relation to ESG. In FY19 Brickworks developed a Sustainability Framework to link their sustainability commitments with their business strategy and purpose of creating beautiful products that last forever. Delivering on this strategy is underpinned by the following key topics: People, Community, Environment and Responsible Business.

During FY20 Brickworks will be formally incorporating ESG issues into the charter of the Audit and Risk Committee as well as into their five-year Sustainability Strategy.

Case Study #3

Our sustainable investment approach in action

Kangaroo Island Plantation Timbers

Year invested: 2017

KIPT is Australia's only listed timberland company with a market capitalisation of $110m+. The company owns and manages 25,000 hectares of land on Kangaroo Island, South Australia, with 14,200 hectares planted with hardwood and softwood. The remaining 7,300 hectares is remnant native vegetation that is home unique to endangered wildlife. KIPT also owns Kangaroo Island's sawmill and a potential seaport site which is going through final approvals prior to the commencement of construction in order to export the mature plantation timber.

Having originally invested in KIPT in May 2017, WHSP is the third largest shareholder and views this investment as not only an opportunity for portfolio diversification, but an investment that offers sustainable returns in the longer term. Timber as an asset class is viewed as having significant growth potential with stable, predictable returns.

KIPT is committed to being a responsible and prominent part of the local Kangaroo Island community and to maintaining the highest standards of environmental stewardship. Apart from providing stable jobs and sustainable industry, KIPT supports Kangaroo Island through a range of sponsorships and community engagement. Construction of the Seaport will create employment opportunities and is expected to generate 10% extra island residences. The company has conducted numerous environmental studies and is committed to the conservation and protection of the natural environment and its wildlife.

Refer to our *Sustainable Investment Policy*. (see www.whsp.com.au/corporate-governance/)

Climate Change in the context of our business

Climate change is an important issue for our environment, economy and society, which is affecting regulation and driving changes in demand for products and services. We acknowledge that climate change may affect the performance of our investment portfolio to varying degrees across our investee companies, sectors and through time, as a consequence of regulatory changes and the physical and social and transition impacts of climate change. We recognise that from an investment perspective, climate change will lead to both risks and opportunities.

WHSP's portfolio as at 31 July 2019 based on Net Asset Value has an estimated exposure to climate-related risks in the following areas:

- 19% of our portfolio is invested in energy producers; and
- At a minimum, 38% of our portfolio is invested in large energy users.

Our climate change commitments

We are committed to assessing the resilience of our investment portfolio against climate-related risks and opportunities, identifying any associated financial impacts and providing relevant disclosures to our stakeholders. This will increasingly include reference to climate-risk disclosures published by our current and potential investees prepared in accordance with the Taskforce on Climate-related Financial Disclosures (TCFD) Recommendations.

Building on our approach to date, our future climate change commitments will focus on the following four themes:

- We will consider climate-related impacts in our investment decision-making and ongoing engagement, including at the Board and Senior Executive levels, as they relate to WHSP's portfolio.
- We will work to understand and assess how climate-related impacts (both risks and opportunities) on our investment portfolio will develop over time and take this into account when making strategic decisions on behalf of our investors.
- We will continue integrating ESG risk considerations, including climate change risks, into our investment decisions and ensuring our active ownership engagement and pivoting activities consider climate-related impacts material to the companies in which we invest.
- We will progressively engage with our investee companies to provide disclosures on their respective greenhouse gas emissions footprint and other key climate-related metrics and leverage these disclosures to inform our assessment of the carbon intensity associated with our investment portfolio to understand the risks may lie across our portfolio and to provide our investors and other stakeholders with climate-related information.

Refer to our *Climate Change Policy*. (see www.whsp.com.au/corporate-governance/)

Case Study #4

New Hope and the future of coal

New Hope Corporation Limited

Year invested: 1970

We recognise that a transition to a low carbon global economy is under way, which will impact demand for traditional energy sources. Consequently, there is growing interest from capital markets, including investors and regulators, on climate-related risks and opportunities relevant to fossil fuel based businesses that may have longer term financial impacts.

Given the nature of New Hope's business, we have engaged with New Hope's board and management over the past year to understand how they are identifying and managing climate-related impacts.

Alongside this, we also continue to assess reputable external sources to inform our understanding of broader macro trends over the short, medium and long-term. In relation to coal in particular, while global demand is expected to decline over the long-term as the global economy transitions away from traditional, fossil-fuel intensive energy sources, demand for higher-quality coal, particularly among key Asian markets, is expected to either grow or remain stable based on the International Energy Agency's (IEA) 2018 World Energy Outlook.[1]

IEA Scenario Analysis[2]

WHSP has analysed the outlook for coal based on the IEA's three most commonly referenced scenarios. In the New Policies Scenario, the proportion of coal in the primary energy mix declines from 27% to approximately 22%, however the gross demand for coal will remain relatively static. The New Policies Scenario sees Australian coal demand increase by 0.6% per annum (CAAGR[3]) to 2040 and in the Sustainable Development Scenario, coal consumption decreases steeply to account for only a less than 12% share of global primary energy (a reduction of 3.6% CAAGR to 2040). Under any scenario, WHSP believes that:

- new supply will be constrained by regulatory risk and capital availability;
- many existing mines will come to an end as coal is fully depleted or high cost mines are no longer economic; and,
- the market will demand higher quality coal to reduce carbon emissions.

As the global economy transitions towards a lower carbon future, demand for coal will continue to play a role in providing reliable and affordable energy. New Hope, with its supply of low-cost and high-quality coal, is well positioned to meet this demand.

Case Study #5

New Hope environment and community engagement

New Hope is a leader in the best practice rehabilitation of open-cut coal mines and is committed to the progressive rehabilitation of disturbed land across its operations. New Hope have an extensive rehabilitation program and strive to return mined land to productive use post-mining. New Hope uses industry leading progressive rehabilitation techniques and have achieved considerable success in returning rehabilitated land to cattle grazing. In FY2019 the Queensland State Government certified 349 hectares of rehabilitated land at New Acland Mine. This is the largest single area of certified rehabilitation for an open cut coal mine in the State.

New Hope aims to be an integral and accepted part of the communities in which it operates. To achieve this, New Hope engages directly and actively with stakeholders and invests local communities, giving time, skills and financial support. Examples include:

- The New Acland Community Investment Fund assists not-for-profit community groups and organisations through providing grants to support community based initiatives and projects which develop long-term positive outcomes for the communities around the New Acland mine.
- The Bengalla mine works closely with the Upper Hunter community through support for local schools and students providing opportunities for work experience, apprenticeships and scholarships; participating in school careers days and STEM activities and, hosting school tours of the mine. The mine also supports academic enrichment for Aboriginal students, providing financial and in-kind assistance to community organisations, groups and clubs and, has implemented voluntary Planning Agreement with the Muswellbrook Shire Council.

1 International Energy Agency 2018, World Energy Outlook 2018. Available at: https://www.iea.org/weo2018/
2 Source: IEA, World Energy Outlook 2018, chapter 5
3 CAAGR = compound annual average growth rate

New Hope sponsorship of CareFlight

Our approach to Human Rights and Modern Slavery preparedness

We support the fundamental principles of human rights across our business and our investment portfolio. Our respect for the protection and preservation of human rights is guided by the principles outlined in recognised international standards and frameworks.

We recognise that as an investment company, our responsibility in respecting human rights spans the following three domains:

- **Our role as an employer:** we are committed to respecting the human rights of our employees through our internal employment policies and practices, such as our Diversity Policy and Remuneration Committee Charter. The promotion of fair work, equity, diversity and inclusivity are key components of our corporate culture, and we aim to ensure all our employees work in a safe and professional work environment.
- **Our role as a buyer:** we expect our suppliers to respect human rights in their own operations and related supply chains. We encourage our suppliers to undertake human rights due diligence and adopt similar principles with their own key suppliers.
- **Our role as an investor:** we integrate the consideration of ESG factors, including human rights, in our investment decision making and ongoing portfolio management processes. As active owners, this includes engagement with our investee companies where we seek to incorporate respect for human rights and demonstrate a commitment to fundamental principles of human rights through our various engagement avenues.

Modern Slavery Legislation

Following the introduction of the Australian Modern Slavery Act (2018), we will be required to publish our inaugural Modern Slavery Statement outlining our actions to identify, assess and manage modern slavery risks in our direct operations, investments and supply chain.

Refer to our *Human Rights Policy*. (see www.whsp.com.au/corporate-governance/)

Our future focus

Building on our activities in FY19, we are committed to evolving our approaches across these areas and providing further transparency on our progress, challenges encountered and future commitments.

In FY20, WHSP will:

- Actively implement our Sustainable Investment, Climate Change and Human Rights Policies on our own operations and through active engagement with our investee companies.
- In preparation for issuing our inaugural Modern Slavery Statement following the completion of FY19 reporting, we will complete a risk assessment across our direct operations, investments and direct suppliers to inform future actions. This will enable us to disclose a preliminary perspective on our key modern slavery risks.
- We will build on our existing analysis of our climate-related risks and opportunities to further quantify these factors in relation to current portfolio and potential investments. We will use the output of this exercise in conjunction with feedback from our investors and our active engagement with our investees, to encourage our investees where possible, to adopt climate risk disclosures prepared in accordance with the TCFD Recommendations.

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 2019.

Directors

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

- **Mr R D Millner** *Chairman*
- **Mr T J Barlow** *Managing Director*
- **Mrs T L Fuller**
- **Mr M J Hawker** *Lead Independent Director*
- **Mr T C D Millner**
- **Mr W M Negus**
- **Mr R G Westphal**

Principal Activities

WHSP is an investment company with a diversified portfolio of assets across a range of industries. The principal activities of the entities in the Consolidated Entity during the course of the financial year were: equity investment; mining; and property investment. 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 2018	33	79,000	100%	10 December 2018
Interim ordinary dividend 2019	24	57,455	100%	9 May 2019
Dealt with in the financial report as dividends	57	136,455		
Declared after the end of the year				
Final ordinary dividend 2019	34	81,394	100%	9 December 2019

Review of Operations

The profit after tax attributable to shareholders for the year ended 31 July 2019 was $247.9 million, 7.1% lower than last year.

The result was driven by increased dividend and interest income and increased contributions from Brickworks, New Hope, the Property Portfolio and the Financial Services Portfolio.

These gains were offset by a disappointing result from Round Oak Minerals principally due to:

- start-up expenses for new projects and increased corporate overhead, exacerbated by delays caused by extreme weather events causing flooding; and
- a reduction in production volumes and increased operating costs at Jaguar to realign the mining sequence. This realignment is expected to benefit future production.

The contribution from TPG Telecom decreased due to the continuing margin impact from the NBN rollout and impairments.

Comparison with the prior year is as follows:

	2019 $000	2018 $000	Change %
Revenue from continuing operations	1,615,888	1,174,748[1]	+ 37.6%
Profit after tax attributable to shareholders	247,943	266,846	– 7.1%
Interim Dividend (paid in May each year)	24 cents	23 cents	+ 4.3%
Final Dividend (payable 9 December 2019)	34 cents	33 cents	+ 3.0%
Total Dividends	**58 cents**	**56 cents**	**+ 3.6%**

1. Comparative figure has been restated to present the impact of the discontinued operations as outlined in note 8 of the Consolidated Financial Statements.

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

State of Affairs

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

Financial Position, Financial Instruments and Going Concern

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

Details of financial risk management objectives and policies are set out in note 23 of the consolidated financial statements.

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

Events Subsequent to the Reporting Date

The Directors are not aware of any other event or circumstance since the end of the financial year not otherwise dealt with in this report or the consolidated financial statements that has or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent years. Refer to note 9 of the consolidated financial statements.

Likely Developments, Business Strategy and Prospects

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

Corporate Governance Statement

The Parent Company's Corporate Governance Statement may be viewed in the Corporate Governance section of the Company's web site at http://www.whsp.com.au/whsp/wp-content/uploads/2019/10/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 2019 with the Workplace Gender Equality Agency on 27 May 2019.

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 2017/18 report to the Greenhouse and Energy Data Officer on 29 October 2018. The report was resubmitted on 31 July 2019 with minor amendments.

New Hope Group (NHG)

NHG was not prosecuted for any breach of environmental laws during the 2019 financial year.

A Penalty Infringement Notice was received during 2019 for an environmental compliance matter regarding noise at its New Acland operations. No environmental harm was caused by the environmental compliance matter, however NHG has taken corrective actions to minimise the likelihood of reoccurrence.

Environmental performance

NHG's businesses include coal mining operations and exploration activities in Queensland and New South Wales (NSW), the Queensland Bulk Handling coal export port facility and oil and gas operations and exploration activities in Queensland.

The key pieces of Queensland environmental legislation are the *Environmental Protection Act 1994*, the *Water Act 2000*, and the *Nature Conservation Act 1992*. The principle environmental legislation in NSW is: *Environmental Planning and Assessment Act 1979*; *Protection of the Environment Operations Act 1997*; and *Water Management Act 2000*.

The main Commonwealth environmental legislation is the *Environment Protection and Biodiversity Conservation Act 1999*, which operates across Australian states and territories in the interests of the protection of matters of national environmental significance.

NHG's operations continue to undertake proactive initiatives to improve their environmental performance. During 2019 NHG received official certification for 349 hectares of progressive rehabilitation at its New Acland operations.

Environmental systems

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

Environmental reporting

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

Round Oak Minerals Pty Limited (Round Oak)

Round Oak Minerals Pty Limited operates in four state government jurisdictions, regulated under each state's environmental legislation and polices.

Round Oak's Queensland Operations consist of 22 Exploration Tenements (EPMs) and 11 Mining Leases (MLs), with one ML in application at year end. The mining operations and exploration tenements are environmentally regulated by the Department of Environment and Science (DES) under Queensland's Environmental Protection Act (1994). Mining operations and exploration tenements each function under an Environmental Authority that permit and condition site activities. All activities on EPMs have been reported as compliant in the past year.

A third Queensland site, the Barbara open pit copper mine, transitioned to operation during 2019, joining the Great Australia Operations (including the Wallace South gold mine and Cloncurry processing facilities); and the Mt Colin underground copper mine.

DES has concerns with respect to the Great Australia Operations' legacy groundwater quality. Round Oak continues to manage and consult with DES regarding these concerns. Four Penalty Infringement Notices were issued for Round Oak's Queensland operations, two of which related to groundwater monitoring at the Great Australia Operation, one relating to water storage capacity at Mt Colin, and one related to the late submission of a post land use plan for Wallace South, all of which were rectified during the reporting period. Water remains a key management and compliance aspect for the Queensland operations.

Round Oak's White Dam Gold Mine, in South Australia, is regulated by the Department of Premier and Cabinet and the Environmental Protection Authority S.A. under state legislation. Only processing and rehabilitation activities were undertaken in 2019. Round Oak received approval of its updated Program of Environmental Protection and Rehabilitation (PEPR) which details closure and rehabilitation activities. The updated PEPR included the proposed installation and operation of the SART (Sulphurisation, Acidification, Recycling and Thickening) processing option, which may also assist with mine closure activities. Regulatory approvals necessary to undertake SART processing have now been obtained with no changes to the existing EPA licence (25543) required. Round Oak conducts environmental monitoring and annual compliance reporting in accordance with its MLs and PEPR, and the operation has complied with all conditions of approval, applicable compliance standards and required outcomes in 2019.

The Jaguar base metals operation in Western Australia, acquired by Round Oak in June 2018, is regulated by the Department of Mines, Industry Regulation and Safety and the Department of Water and Environment Regulation under state legislation. The operation is required to submit a revised Mine Closure Plan (MCP) by September 2020 reflecting an extension to the current mine life.

The Stockman base metals project in north-east Victoria, acquired by Round Oak in December 2017, is regulated by the Earth Resources Regulation branch of the Department of Economic Development, Transport and Resources, the Environmental Protection Authority Victoria and the Department of Environment, Land, Water and Planning. Following Round Oak being granted an Infrastructure Mining Licence over the historic tailings facility in July 2018, the Stockman Project had its Work Plan approved in 2019.

Directors

Information regarding the Directors of the Parent Company.

Robert Dobson Millner FAICD

Chairman

Non-executive Director since 1984, appointed Chairman 1998.

Member of the Nomination, Remuneration and Risk Committees

Mr Millner has extensive experience in the investment industry.

Other current listed company directorships:

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

Former listed company directorships in the past three years:

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

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

Managing Director since 2015

Member of the 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:

- New Hope Corporation Limited – Appointed 2015
- Palla Pharma Limited – Appointed 2015

Former listed company directorships in the past three years:

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

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

Non-executive Director since 2017

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

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

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

Other current listed company directorships:

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

Former listed company directorships in the past three years:

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

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

Lead Independent Director

Non-executive Director since 2012

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

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

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

Other current listed company directorships:

- Macquarie Group Limited – Appointed 2010

Former listed company directorships in the past three years:

- Aviva PLC – Appointed 2010, Resigned 2019

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

Non-executive Director since 2011

Member of the Nomination, Remuneration and Risk Committees

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

Mr Millner's experience includes: 17 years within the financial services industry, including 15 years in active portfolio management of Australian equities; 9 years as a CEO of an Australian listed company, BKI; and 8 years as a Director of Australian listed companies.

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

Other current listed company directorships:

- New Hope Corporation Limited – Appointed 2015

Former listed company directorships in the past three years:

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

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

Non-executive Director since 2014

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

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

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

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

Other current listed company directorships:

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

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

Non-executive Director since 2006

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

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

Company Secretary

Ian David Bloodworth

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

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	–	–	2	2	1	1	2	2	8	8
Mr T J Barlow	I,Ri	13	13	–	–	2	2	–	–	–	–	8	8
Mrs T L Fuller	A,N,Re,Ri	13	13	7	7	–	–	1	1	2	2	8	8
Mr M J Hawker	A,N,Re,Ri	13	13	7	7	–	–	1	1	2	2	8	8
Mr T C D Millner	I,N,Re,Ri	13	13	–	–	2	2	1	1	2	2	8	8
Mr W M Negus	A,I,N,Re,Ri	13	13	7	7	2	2	1	1	2	2	8	8
Mr R G Westphal	A,N,Re,Ri	13	13	7	7	–	–	1	1	2	2	8	8

A Member of the Audit Committee of Directors during the year.
I Member of the Investment Committee of Directors during the year. This Committee ceased as a committee of the Board in October 2018 following the appointment of portfolio managers.
N Member of the Nomination Committee of Directors during the year.
Re Member of the Remuneration Committee of Directors during the year.
Ri Member of the Risk Committee of Directors during the year.

Directors' Interests

Ordinary Shares

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

	Ordinary Shares
Mr R D Millner	19,575,093
Mr T J Barlow	20,523
Mrs T L Fuller	1,800
Mr M J Hawker	35,300
Mr T C D Millner	18,872,977
Mr W M Negus	47,000
Mr R G Westphal	23,739

Rights to Deferred Shares	Rights to Deferred Shares
Mr T J Barlow	244,903

Refer to the following Remuneration Report for further information.

Interests in Contracts

Co-investment agreement with URB Investments Limited (URB)

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

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

Mr R D Millner is a director of both WHSP and Contact.

Mr T C D Millner is a director of both WHSP and Contact and is a 40% shareholder of Contact.

WHSP is a 20% shareholder of Contact.

Investment Management Agreement with Contact

In November 2018 WHSP entered into an Investment Management Agreement with Contact. Under this contract Contact is responsible for managing WHSP's Large Caps investment portfolio and providing reports on the performance of that portfolio to WHSP.

Fixed monthly fees totalling $247,500 were paid to Contact under the contact in respect of the year ended 31 July 2019. No performance fees are payable to Contact under the contract.

The Directors, excluding Mr T C D Millner, reviewed the terms of the contact and concluded that it was more favourable to WHSP than an arm's length agreement for similar services.

Mr R D Millner is a director of both WHSP and Contact.

Mr T C D Millner is a director of both WHSP and Contact and is a 40% shareholder of Contact.

WHSP is a 20% shareholder of Contact.

For further information regarding the above contracts refer to note 36 of the consolidated financial statements.

Remuneration Report

Letter from the Chair of the Remuneration Committee

Dear Shareholders,

On behalf of the Board I am pleased to present to you WHSP's Remuneration Report for the financial year ended 31 July 2019. The Company's remuneration policy is designed with a number of things in mind:

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

The financial results for WHSP in 2019 continued the positive trend that has characterised this Company over many years. Ordinary dividends were increased for the 19th consecutive year on the back of strong generation of profits and cashflow. Our post-tax Net Asset Value (NAV), after adding back dividends paid to Shareholders, increased by 4.6% and our total shareholder return (TSR) over the three years ending 31 July was an impressive 12.4% per annum.

In addition to the financial results there were a number of other milestones achieved worthy of mention. WHSP was admitted into the ASX100. The number of shareholders in WHSP increased to over 20,500 (vs less than 19,000 last year). Finally, after more than a century in the same building, the Company moved its head office which, apart from historical significance, also provided an opportunity to undertake a broad upgrade of systems.

Last year, the feedback from shareholders and their representatives about the remuneration structure and policies at WHSP was largely positive. As a result, we did not see a need for change. It continues to challenge management and incentivise outcomes that are strongly aligned with our shareholders.

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

In 2019, the Company delivered a strong result against cash flow but did not achieve a growth in NAV (after tax) that kept pace with the ASX200 Accumulation Index. Consequently, the STI awards for 2019 were less than 2018.

At the 2017 Annual General Meeting Shareholders endorsed a change to our LTI plan which became operational in the 2018 financial year. LTI now rewards achievement in two areas: TSR and long term absolute growth in our NAV. Over the long-term our Shareholders want their TSR to be no worse than the performance of the market. The LTI requires this to be achieved over the measurement period (3 years). We have also set management a hurdle of growing the overall value of the Company at a rate that is consistent with the risk taken. The LTI rewards growth over the measurement period of 3% or more. The first vesting, if these hurdles are met, will be shortly after the end of the 2020 financial year. If vesting occurs then the shareholder outcomes will have been positive.

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

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

The Board of WHSP will continue to periodically review the Company's remuneration structure. We constantly seek input from our Shareholders, from our advisors and from management themselves. We are conscious of the findings of the Financial Services Royal Commission in relation to both remuneration and how non-financial risks and outcomes affect compensation.

In making remuneration decisions the Board of WHSP considers a wide range of measures such as ethical behaviours, operating within the law and meeting community expectations on environmental, social and governance standards. Whilst our remuneration is set using financial measures, the Board of WHSP is able to exercise its right to make changes to remuneration should outcomes fall short of expectations in these areas. In confirming the remuneration for this year, the Board is also explicitly confirming that management has met those standards.

Yours sincerely,

W M Negus
Non-Executive Director
Chair of the Remuneration Committee

Scope of Report

WHSP is an investment company with a diversified portfolio of assets across a range of industries. WHSP manages all of these assets as investments irrespective of its level of ownership. It does not manage the operations of its investee companies and there are no operational reporting lines from the management of investee companies to WHSP management.

WHSP has reassessed the KMP of the WHSP Group for FY19 and concluded that the KMP of WHSP's investee companies are not KMP of the WHSP Group as the KMP of WHSP's investee companies do not have authority or responsibility for the planning, directing or controlling the investing activities of WHSP. As a result, the KMP of New Hope, who were previously included in this Remuneration Report, have been excluded for FY19. The comparative financial information for FY18 has been retained.

WHSP does not determine the remuneration of New Hope's KMP. New Hope is publicly listed, it has its own Remuneration Committee and produces its own Remuneration Report in accordance with the *Corporations Act 2001*. That report is voted upon by New Hope's shareholders and can be found within New Hope's Annual Report.

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
NAPSG	Net assets per share growth
New Hope	New Hope Corporation Limited
NHRC	New Hope Remuneration Committee
STI	Short-term incentive
TSR	Total shareholder return
VWAP	Volume weighted average price
WHSPRP	Washington H. Soul Pattinson and Company Limited Rights Plan

Structure of Report

This report is structured as follows:

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

1. KMP included in this report

Non-executive Directors

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

Executive Directors

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

Other key management personnel of the Parent Company and Consolidated Entity

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

Employees of New Hope included in KMP up to 31 July 2018

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

The New Hope KMP are not included in this Remuneration Report for FY19, refer to 'Scope of Report' above. The comparative financial information for FY18 has been retained. Details of remuneration paid by New Hope can be found in New Hope's Remuneration Report within its Annual Report.

2. Remuneration policy and framework

Remuneration Governance

The Remuneration Committee of the Board 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 Director, 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. No remuneration advice was received during the year.

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

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

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

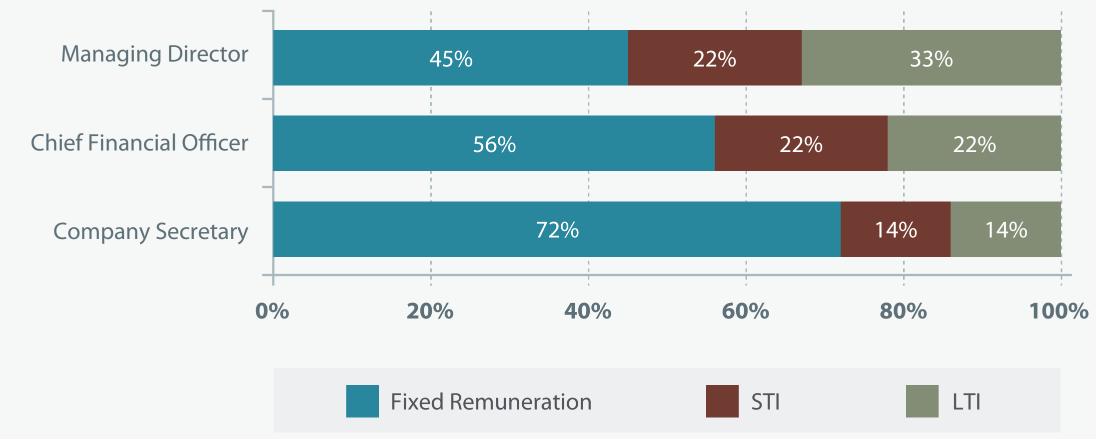
The Remuneration Committee attempts to benchmark remuneration against the 50th percentile for ASX listed companies with a market capitalisation between $3.5 billion and $7.5 billion. To the extent that an executive's remuneration is materially below the benchmark data, the Remuneration Committee will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

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 2019 was:

Target Remuneration Mix



3. Elements of remuneration

Non-executive Directors

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

The Remuneration Committee reviews market data annually to assist in setting Non-executive Director remuneration. Based on this data the remuneration received by Non-executive Directors for the year ended 31 July 2019 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 a general meeting and is currently set at $2,000,000 per annum. Approval for this aggregate amount was given at the 2016 Annual General Meeting.

During the year ended 31 July 2019 remuneration of the Non-executive Directors by the Parent Company and unlisted controlled entities amounted to $1,381,553.

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 Robert Millner is the only Director entitled to a retiring allowance.

Executive Directors and Senior Executives

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.

STIs

Structure of STIs for the KMP

Feature	Description				
STI pool	Based on target performance	50% of Managing Director's fixed remuneration			
		40% of Chief Financial Officer's fixed remuneration			
		20% of Company Secretary's fixed remuneration			
		10% of the fixed remuneration of other participants in the plan			
	The size of the pool is determined by the performance metrics below, in the event that the targets are exceeded (performance metrics exceed 100%) the pool will be increased as set out below.				
Determination of STI pool	The pool determination metrics align with WHSP's strategic goals to maximise shareholders' returns.				
	Objective	**Weighting**	**Threshold (80%)**	**Target (100%)**	**Outperformance**
	Regular cash to the parent company net of regular expenses	50%	> 0% and < 4% higher than previous year	4% to < 5% higher than previous year	5% to < 6% = 110%
					6% to < 7% = 120%
					7% to < 8% = 130%
					8% to < 9% = 140%
					9% and higher = 150%
	As dividends are paid out of parent company cash, increasing net cash inflows enable the payment of increasing dividends.				
	Adjusted net asset value (post tax) per share (adjusted by adding back dividends paid by the parent company)	50%	> 0% and < 2% higher than ASX200 Accumulation Index	2% to < 3% higher than ASX200 Accumulation Index	3% to <4% = 110%
					4% to < 5% = 120%
					5% to < 6% = 130%
					6% to < 7% = 140%
					7% and higher = 150%
	Increases in net asset value per share drive increases in the WHSP share price.				
Entitlement to the STI pool	Once the STI Pool is established by the financial measures described above, the Remuneration Committee determines each participating Executive's entitlement to an STI based on individual performance. Individual Executive STIs are determined having regard to achievements throughout the year against a number of Key Performance Indicators (KPIs). The KPIs encompass a range of financial and non-financial objectives relevant to each Executive's role. The total of all STIs determined by the Remuneration Committee cannot exceed the STI pool.				
Delivery of STI	100% of the STI awarded is paid in cash following release of the year end results.				
Board Discretion	The Board retains discretion to increase or decrease, including to nil, the STI pool, if it forms the view that not doing so would present a risk of a "strike" against the Company's Remuneration Report issued pursuant to Section 300A of the Corporations Act. In exercising this discretion the Board shall take into account, amongst other factors it considers relevant, Company performance from the perspective of Shareholders over the relevant year.				

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

LTIs

WHSPRP (current plan) – in place for the years ended 31 July 2018 and 31 July 2019

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

Feature	Description		
Opportunity/ Allocation	75% of Managing Director's fixed remuneration 40% of Chief Financial Officer's fixed remuneration 20% of Company Secretary's fixed remuneration		
Number of Performance Rights	Number of Rights = Stretch LTI Value ÷ Right Value Where: Stretch LTI Value = Fixed Remuneration x Target LTI % ÷ Target Vesting % Target vesting = 50% Right Value = Share Price – (Annual Dividend x Measurement Period in Years) Share Price = The volume weighted average share price over the 14 days prior to the fifteenth day following the announcement of the previous financial year results of the Company. As 100% of Rights to be granted will only vest when stretch performance goals are achieved, it is expected that a lesser percentage will actually vest unless exceptional performance is achieved.		
TSR rights	50% of rights issued are subject a TSR performance condition – tranche 1		
NAPSG rights	50% of rights issued are subject a NAPSG performance condition – tranche 2		
TSR performance hurdle	The TSR incentive is designed to focus executives on delivering sustainable long-term Shareholder returns. The vesting of TSR Performance Rights will be determined by comparing the Company's TSR over the Measurement Period with the movement in the All Ordinaries Accumulation Index over the Measurement Period. If the Company's TSR is negative then nil vesting will apply to this Tranche. Otherwise the following vesting scale will be applied, subject to an overriding discretion held by the Board:		
	Performance Level	**Company's TSR Compared to the All Ordinaries Accumulation Index**	**Vesting % of Tranche**
	Below Threshold	<100% of Index	0%
	Target & Threshold	**100% of Index**	**50%**
	Between Target and Stretch	>100% & < 100% of Index Plus 3% CAGR	Pro-rata
	Stretch	≥100% of Index Plus 3% CAGR	100%
	TSR is the sum of Share price appreciation and dividends (assumed to be reinvested in Shares) during the Measurement Period expressed as a growth percentage.		

NAPSG performance hurdle	This incentive is designed to focus executives on growing the value of the Company's assets which increases Shareholder wealth. The vesting of Tranche 2 NAPSG Performance Rights will be determined by reference to the following scale:

Performance Level	CAGR in Net Assets Per Share during the Measurement Period	Vesting % of Tranche
Below Threshold	<3%	0%
Threshold	3%	25%
Between Threshold and Target	>3% & <5%	Pro-rata
Target	**5%**	**50%**
Between Target and Stretch	>5% & <10%	Pro-rata
Stretch	≥10%	100%

NAPSG performance hurdle (continued)	CAGR is compound annual growth rate. Net Assets Per Share at the end of the Measurement Period will be calculated by adding all dividends paid during the Measurement Period to the closing Net Assets of the Company at the end of the Measurement Period and then dividing by the number of issued shares at the end of the Measurement Period.
Payable by participants	Nil – No amounts are payable by the participants upon the granting or the exercising of the Rights.
Vesting of Performance Rights	Upon the satisfaction of the Vesting Conditions, the value of Rights that vest will be evaluated and will be paid in Shares, cash or a combination of cash and Shares based on the then Share price.
Measurement Periods	The Measurement Period will be the three financial years from 1 August 2018 to 31 July 2021. Retesting will only apply if nil vesting occurs for the tranche at the end of the initial Measurement Period. The Extended Measurement Period, if applicable, will only occur once, from 1 August 2018 to 31 July 2022.
Cessation of Employment	On termination of employment a portion of Performance Rights granted in the financial year in which the termination occurs will be forfeited. The proportion is that which the remainder of the financial year following the termination represents of the full financial year. This provision recognises that grants of Performance Rights are part of the remuneration for the year of grant and that if part of the year is not served then some of the Performance Rights will not have been earned.
Terms and Conditions	The Board of the Company has the discretion to set the terms and conditions on which it will grant Rights under the WHSPRP, including the Vesting Conditions and modification of the terms and conditions as appropriate to ensuring the plan operates as intended. All Performance Rights granted are subject to Vesting Conditions which are intended to be challenging and linked to growth in shareholder value. The terms and conditions of the WHSPRP include those aspects legally required as well as a method for calculating the appropriate number to vest in the circumstances of a change of control, a major return of capital to shareholders and the treatment of Rights in the circumstances of various forms of termination.
Lapse and Forfeiture of Performance Rights	Performance Rights will lapse if the prescribed Vesting Conditions are not satisfied within the prescribed Measurement Period, subject to retesting.
Board Discretion and Clawback	The Board retains discretion to increase or decrease, including to nil, the vesting percentage in relation to each Tranche of Performance Rights, if it forms the view that not doing so would present a risk of a "strike" against the Company's Remuneration Report issued pursuant to Section 300A of the Corporations Act. In exercising this discretion the Board shall take into account, amongst other factors it considers relevant, Company performance from the perspective of Shareholders over the relevant Measurement Period. The Board also has discretion to clawback any incentive remuneration (including unvested or vested Rights and Restricted Shares) in the event of any error in accounting resulting in a miscalculation of incentives or acts of serious negligence or bad faith on the part of an LTI participant.

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

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

Some of the rights issued under this plan are still held by participants and may vest in the future.

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

Structure of LTIs for the KMP of the Parent Company

Feature	Description
Opportunity/ Allocation	50% of Managing Director's fixed remuneration 40% of Chief Financial Officer's fixed remuneration 20% of Company Secretary's fixed remuneration The above amounts are divided by the VWAP of WHSP shares for the 30 trading days prior to 1 August each year to determine 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 was 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.
Service Condition	The participant is to have been in the continuous employment of WHSP from the beginning of the financial year in which the rights are granted to the relevant vesting date.
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 2017 year expire on 30 November 2021.

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

Total Remuneration Package

The total value of each remuneration package is approved by the Remuneration Committee and reflects the executives' role, responsibilities and market data. Based on this data the remuneration packages of Executive KMP for the year ended 31 July 2019 were below or in line with the 50th percentile for ASX listed Companies with a market capitalisation between $3.5 billion and $7.5 billion.

4. Performance indicators

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	Higher than last year by more than 9% Out performance	150% of target STI pool awarded
Adjusted net asset value (post tax) per share	2% higher than ASX200 Accumulation Index	Below the ASX200 Accumulation Index Below threshold	No amount added to the STI pool
Entitlement to the STI pool	The Remuneration Committee determines each participating Executive's entitlement to an STI based on individual performance. Individual Executive STIs are determined having regard to achievements throughout the year against a number of Key Performance Indicators (KPIs). The KPIs encompass a range of financial and non-financial objectives relevant to each Executive's role. The total of all STIs determined by the Remuneration Committee cannot exceed the STI pool.		
LTI	First vesting of December 2015 rights in September 2018. 50% of rights were eligible to vest.		
TSR performance hurdle	3% higher than ASX All Ordinaries Accumulation Index	Higher than ASX All Ordinaries Accumulation Index Out performance	Vesting of 50% of TSR rights.
EPS performance hurdle	Regular EPS CAGR higher than 5%	Higher than 10% Out performance	Vesting of 50% of EPS rights.

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

	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000
Consolidated Entity					
Regular profit after tax	162,405	177,222	282,019	331,143	**307,262**
Parent Company					
Net regular cash from operations	136,204	137,435	143,511	143,596	**169,583**
Share price at year end	$13.70	$17.43	$17.64	$21.82	**$22.71**
Ordinary dividends paid/declared	50 cents	52 cents	54 cents	56 cents	**58 cents**

5. Remuneration expenses for KMP (statutory remuneration)

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

Table is shown on the pages 46–47.

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

	Fixed Remuneration		At Risk – STI		At Risk – LTI	
	2019	2018	2019	2018	2019	2018
Parent Company						
T J Barlow	37%	40%	14%	24%	49%	36%
M R Roderick	–	57%	–	0%	–	43%
D R Grbin	52%	55%	16%	24%	32%	21%
I D Bloodworth	67%	67%	9%	15%	24%	18%
New Hope Corporation Limited						
S O Stephan	–	72%	–	17%	–	11%
A L Boyd	–	79%	–	15%	–	6%
M J Busch	–	78%	–	12%	–	10%

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 ended 31 July 2019

2019	Target STI $	Awarded %	Forfeited %
Parent Company			
T J Barlow	600,000	75%	25%
D R Grbin	191,667	78%	22%
I D Bloodworth	72,000	69%	31%

5. Remuneration expenses for KMP (statutory remuneration)

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

	WHSP and unlisted controlled entity[1]								Listed controlled entity[2] New Hope Corporation Limited						Consolidated Entity
	Short-term Benefits			Post-Employment Benefits	Long-term Benefits		Share-based Payments		Short-term Benefits		Post-Employment Benefits	Long-term Benefits	Share-based Payments		
	Salary & Fees $	STI $	Non-monetary[3] $	Super-annuation $	Long Service Leave $	Termination Benefits $	LTI Rights[4] $	Total $	Salary, Fees & non-monetary[3] $	STI $	Super-annuation $	Long Service Leave $	LTI Rights[4] $	Total $	Total $
Non-executive Directors – 2019															
R D Millner	352,920	–	25,606	25,321	–	–	–	403,847	304,704	–	20,590	–	–	325,294	729,141
T L Fuller	175,654	–	–	16,687	–	–	–	192,341	–	–	–	–	–	–	192,341
M J Hawker	184,787	–	–	17,555	–	–	–	202,342	–	–	–	–	–	–	202,342
T C D Millner	159,672	–	–	15,169	–	–	–	174,841	140,392	–	13,337	–	–	153,729	328,570
W M Negus	185,700	–	–	17,641	–	–	–	203,341	–	–	–	–	–	–	203,341
R G Westphal	187,069	–	–	17,772	–	–	–	204,841	–	–	–	–	–	–	204,841
								1,381,553							1,860,576
Executive Directors – 2019															
T J Barlow	1,229,429	448,076	4,637	25,321	19,580	–	1,611,878	3,338,921	140,392	–	13,337	–	–	153,729	3,492,650
Other KMP – 2019															
D R Grbin	458,595	150,292	2,254	20,571	–	–	295,996	927,708	–	–	–	–	–	–	927,708
I D Bloodworth	329,872	49,468	14,962	24,960	10,258	–	138,204	567,724	–	–	–	–	–	–	567,724
Total	3,263,698	647,836	47,459	180,997	29,838	–	2,046,078	6,215,906	585,488	–	47,264	–	–	632,752	6,848,658
Non-executive Directors – 2018															
R D Millner	344,628	–	25,406	24,842	–	–	–	394,876	297,272	–	20,106	–	–	317,378	712,254
T L Fuller – appointed 1 Dec 2017	115,197	–	–	10,944	–	–	–	126,141	–	–	–	–	–	–	126,141
M J Hawker	181,103	–	–	17,205	–	–	–	198,308	–	–	–	–	–	–	198,308
T C D Millner	151,266	–	5,023	14,520	–	–	–	170,809	136,968	–	13,012	–	–	149,980	320,789
W M Negus	182,016	–	–	17,292	–	–	–	199,308	–	–	–	–	–	–	199,308
R G Westphal	183,386	–	–	17,422	–	–	–	200,808	–	–	–	–	–	–	200,808
D E Wills – retired 31 Oct 2017	42,889	–	–	4,074	–	–	–	46,963	–	–	–	–	–	–	46,963
								1,337,213							1,804,571
Executive Directors – 2018															
T J Barlow	1,229,947	697,522	(53,902)	24,842	19,678	–	1,033,180	2,951,267	136,968	–	13,012	–	–	149,980	3,101,247
M R Roderick – ceased 12 April 2018	468,085	–	–	18,720	–	355,243	363,413	1,205,461	–	–	–	–	–	–	1,205,461
Other KMP – 2018															
D R Grbin – commenced 16 Apr 2018	125,637	59,098	3,195	5,901	–	–	50,721	244,552	–	–	–	–	–	–	244,552
I D Bloodworth	322,247	76,792	(5,226)	24,960	5,106	–	94,788	518,667	–	–	–	–	–	–	518,667
S O Stephan – New Hope	–	–	–	–	–	–	–	–	1,319,244	320,000	20,169	32,632	211,674	1,903,719	1,903,719
A L Boyd – New Hope	–	–	–	–	–	–	–	–	713,393	140,000	20,468	20,504	65,385	959,750	959,750
M J Busch – New Hope	–	–	–	–	–	–	–	–	605,395	100,900	20,325	23,084	79,378	829,082	829,082
Total	3,346,401	833,412	(25,504)	180,722	24,784	355,243	1,542,102	6,257,160	3,209,240	560,900	107,092	76,220	356,437	4,309,889	10,567,049

1. Unlisted controlled entity, Pitt Capital Partners Limited is a wholly owned subsidiary of WHSP.
2. Listed controlled entity, WHSP's holding in New Hope Corporation Limited as at 31 July 2018 and 31 July 2019 was 50.0%.
3. Non-monetary remuneration includes fringe benefits provided and movements in annual leave provisions. When annual leave provided for in prior years is utilised, a negative non-monetary amount will result.
4. The LTI remuneration is determined by expensing the fair value of the rights as set out in item 8 Share-based Compensation *on page 50 of this report.*

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

The tables below provide summaries of the remuneration received by KMP of WHSP during the 2019 and 2018 financial years. This information differs from the statutory tables in item 5 above which present remuneration in accordance with accounting standards.

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

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

LTI Vested The value of shares received upon vesting of performance rights during the year.

	WHSP and unlisted controlled entity[1]		WHSP and unlisted controlled entity[1]			Listed controlled entity[2] New Hope Corporation Limited			Consolidated Entity
	Total Fixed Remuneration $	**STI Paid** $	**LTI Vested** $	**Termination Payments** $	**Total Remuneration** $	**Total Fixed Remuneration** $	**Other Remuneration** $	**Total Remuneration** $	**Total Remuneration** $
Non-executive Directors – 2019									
R D Millner	403,847	–	–	–	403,847	325,294	–	325,294	729,141
T L Fuller	192,341	–	–	–	192,341	–	–	–	192,341
M J Hawker	202,342	–	–	–	202,342	–	–	–	202,342
T C D Millner	174,841	–	–	–	174,841	153,729	–	153,729	328,570
W M Negus	203,341	–	–	–	203,341	–	–	–	203,341
R G Westphal	204,841	–	–	–	204,841	–	–	–	204,841
Executive Directors – 2019									
T J Barlow	1,254,750	697,522	465,512	–	2,417,784	153,729	–	153,729	2,571,513
Other KMP – 2019									
D R Grbin	479,166	59,098	–	–	538,264	–	–	–	538,264
I D Bloodworth	365,515	76,792	74,492	–	516,799	–	–	–	516,799
Total	3,480,984	833,412	540,004	–	4,854,400	632,752	–	632,752	5,487,152
Non-executive Directors – 2018									
R D Millner	394,876	–	–	–	394,876	317,378	–	317,378	712,254
T L Fuller – appointed 1 Dec 2017	126,141	–	–	–	126,141	–	–	–	126,141
M J Hawker	198,308	–	–	–	198,308	–	–	–	198,308
T C D Millner	170,809	–	–	–	170,809	149,980	–	149,980	320,789
W M Negus	199,308	–	–	–	199,308	–	–	–	199,308
R G Westphal	200,808	–	–	–	200,808	–	–	–	200,808
D E Wills – retired 31 Oct 2017	46,963	–	–	–	46,963	–	–	–	46,963
Executive Directors – 2018									
T J Barlow	1,254,750	343,570	–	–	1,598,320	149,980	–	149,980	1,748,300
M R Roderick – ceased 12 April 2018	486,805	138,195	–	355,243	980,243	–	–	–	980,243
Other KMP – 2018									
D R Grbin – commenced 16 Apr 2018	131,538	–	–	–	131,538	–	–	–	131,538
I D Bloodworth	360,000	40,078	–	–	400,078	–	–	–	400,078
Total	3,570,306	521,843	–	355,243	4,447,392	617,338	–	617,338	5,064,730

1. Unlisted controlled entity, Pitt Capital Partners Limited is a wholly owned subsidiary of WHSP.
2. Listed controlled entity, WHSP's holding in New Hope Corporation Limited as at 31 July 2018 and 31 July 2019 was 50.0%.

7. Contractual arrangements for Executive KMP

	Term of agreement and notice period[1]	Base remuneration including Superannuation[2]	Termination Payments[3]
T J Barlow	No fixed term 6 months notice period	$1,200,000	nil
D R Grbin	No fixed term 3 months notice period	$500,000	nil
I D Bloodworth	No fixed term 3 months notice period	$370,000	nil

1. *This notice applies equally to either party. The employer may make a payment in lieu of notice.*
2. *Base remuneration including Superannuation as at 31 July 2019.*
3. *Base salary payable if the company terminates employees with notice, and without cause (e.g. for reasons other than unsatisfactory performance).*

8. Share-based compensation

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

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

Rights outstanding at balance date affecting the remuneration of KMP in the current or future periods:

WHSP	Vesting Date				Grant Date Value
Grant Date	If met over 3 years		If re-tested over 4 years		$
TSR Rights					
December 2015	30%	August 2019	30%	September 2019	11.08
	20%	August 2020	20%	August 2020	10.87
EPS Rights					
December 2015	30%	August 2019	30%	September 2019	13.86
	20%	August 2020	20%	August 2020	13.86
TSR Rights					
December 2016	50%	September 2019	50%	September 2020	5.22
	30%	August 2020	30%	September 2020	3.25
	20%	August 2021	20%	August 2021	2.56
EPS Rights					
December 2016	50%	September 2019	50%	September 2020	13.10
	30%	August 2020	30%	September 2020	13.10
	20%	August 2021	20%	August 2021	13.10
TSR Rights					
December 2017	100%	September 2020	100%	September 2021	6.16
NAPSG Rights					
December 2017	100%	September 2020	100%	September 2021	7.70
TSR Rights					
December 2018	100%	September 2021	100%	September 2022	22.11
NAPSG Rights					
December 2018	100%	September 2021	100%	September 2022	17.28

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

WHSP		Rights to deferred shares							Maximum value in future periods[1]
		Balance at start of year	Granted during the year	Vested		Forfeited		Balance at end of year	
	Grant Date	Number	Number	Number	%	Number	%	Number	$
T J Barlow	Dec 2015	31,045	–	15,523	50%	–	–	15,522	–
	Dec 2016	29,398	–	–	–	–	–	29,398	38,805
	Dec 2017	124,839	–	–	–	–	–	124,839	–
	Dec 2018	–	75,144	–	–	–	–	75,144	–
M R Roderick	Dec 2017	26,747	–	–	–	–	–	26,747	–
D R Grbin	Apr 2018	7,319	–	–	–	–	–	7,319	–
	Dec 2018	–	15,029	–	–	–	–	15,029	–
I D Bloodworth	Dec 2015	4,967	–	2,484	50%	–	–	2,483	–
	Dec 2016	4,116	–	–	–	–	–	4,116	5,433
	Dec 2017	9,987	–	–	–	–	–	9,987	–
	Dec 2018	–	6,012	–	–	–	–	6,012	–

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

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

9. Other statutory information

Shareholdings of KMP

The following tables show the number of:

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

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

Shares in WHSP	Balance at start of year	Purchased/ (sold)	Received on the vesting of LTI rights	Other changes during the Year	Balance at end of year
Directors of WHSP					
R D Millner	19,440,093	135,000	–	–	19,575,093
T J Barlow	5,000	–	15,523	–	20,523
T L Fuller	1,800	–	–	–	1,800
M J Hawker	35,300	–	–	–	35,300
T C D Millner	18,737,977	135,000	–	–	18,872,977
W M Negus	47,000	–	–	–	47,000
R G Westphal	28,739	–	–	–	28,739
Other key management personnel					
I D Bloodworth	–	–	2,484	–	2,484

Shares in New Hope Corporation Limited	Balance at start of year	Purchased/ (sold)	Received on the vesting of LTI rights	Other changes during the Year	Balance at end of year
Directors of WHSP					
R D Millner	3,937,774	220,000	–	–	4,157,774
T J Barlow	19,900	–	–	–	19,900
T C D Millner	3,774,368	200,000	–	–	3,974,368
R G Westphal	40,000	–	–	–	40,000

Pitt Capital Partners Limited Class RP01 Preference Shares	Balance at start of year	Purchased/ (sold)	Received on the vesting of LTI rights	Other changes during the Year	Balance at end of year
Directors of WHSP					
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 or other KMP.

Other transactions with KMP

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

Reliance on external remuneration consultants

No remuneration advice was received during the year.

Voting on the 2018 Remuneration Report

The Parent Company's Remuneration Report for the 2018 financial year was adopted at its 2018 Annual General Meeting on a show of hands with with fewer than 25% of votes cast against.

This is the end of the Remuneration Report

Shares Under Option

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 2001*, 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 to the Court for leave 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 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 audit duties. An entity associated with Pitcher Partners Sydney was paid $162,305 for providing tax compliance and other services in respect of the Group. Details of the amounts paid to the auditors are disclosed in note 39 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 2019 has been received and is included on page 55.

Rounding of Amounts

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

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

R D Millner
Director – Chairman

T J Barlow
Managing Director

Dated this 22nd day of October 2019.

Auditor's Independence Declaration

PITCHER PARTNERS

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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 2019, 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.

M A Alexander
Partner

Pitcher Partners
Sydney

21 October 2019

Financial Report

for the year ended 31 July 2019

About this report

The financial report is for the Consolidated Entity consisting of Washington H. Soul Pattinson and Company Limited and its subsidiaries for the year ending 31 July 2019. Throughout the report, the Consolidated Entity is also referred to as the 'Group'.

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

Consolidated Entity perspective

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

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

Investments in which the Parent Entity or a subsidiary has significant influence but does not have control are termed 'associate entities'. Unlike subsidiaries, 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 profit or loss.

Parent Entity perspective

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

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

Washington H. Soul Pattinson and Company Limited
Level 14, 151 Clarence 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 21 October 2019.

Contents

Consolidated Statement of Comprehensive Income

for the year ended 31 July 2019

	Notes	2019 $'000	*Restated 2018 $'000
Revenue from continuing operations	18	1,615,888	1,174,748
Other income	19	117,409	98,588
Expenses			
Cost of sales		(967,001)	(565,502)
Selling and distribution expenses		(196,107)	(167,183)
Administration expenses		(74,043)	(48,721)
Acquisition costs expensed		(46,041)	(5,662)
Impairment expense		(60,450)	(113,908)
Other expenses	20	(21,675)	(14,976)
Finance costs		(27,857)	(5,424)
Share of results from equity accounted associates	12	134,343	161,661
Profit before income tax expense from continuing operations		**474,466**	**513,621**
Income tax expense	21	(115,197)	(140,490)
Profit after income tax expense from continuing operations		**359,269**	**373,131**
Profit/(loss) after income tax expense from discontinued operations	8	220	(37,831)
Profit after income tax expense for the year		**359,489**	**335,300**
Profit for the year is attributable to:			
Owners of Washington H. Soul Pattinson and Company Limited		**247,943**	**266,846**
Non-controlling interest		111,546	68,454
		359,489	335,300
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax		28,211	–
Disposal of long term equity investments, net of tax		(19,299)	(7,107)
Net movement in capital profit reserves, net of tax		22,815	–
Items that may be reclassified subsequently to profit or loss			
Net movement in the fair value of long term equity investments, net of tax		–	9,065
Net movement in hedge reserve, net of tax		(15,251)	(14,649)
Net movement in foreign currency translation reserve, net of tax		2,275	1,897
Net movement in equity reserve, net of tax		(913)	238
Total other comprehensive income/(loss) for the year, net of tax		17,838	(10,556)
Total comprehensive income for the year		**377,327**	**324,744**
Total Comprehensive income for the year is attributable to:			
Owners of Washington H. Soul Pattinson and Company Limited		**264,304**	**263,211**
Non-controlling interest		113,023	61,533
		377,327	324,744

• *Comparative figures have been restated to present the impacts of the discontinued operations (as outlined in note 8) as well as other reclassifications on the consolidated statement of comprehensive income to better reflect the disclosures in the current year.*

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

Consolidated Statement of Comprehensive Income

for the year ended 31 July 2019

	2019 Cents	*Restated 2018 Cents
Earnings per share from continuing operations attributable to the Owners of Washington H. Soul Pattinson and Company Limited		
Basic earnings per share	103.48	127.27
Diluted earnings per share^	103.48	127.27
Earnings per share from discontinued operations attributable to the Owners of Washington H. Soul Pattinson and Company Limited		
Basic earnings per share	0.09	(15.8)
Diluted earnings per share^	0.09	(15.8)
Earnings per share attributable to the Owners of Washington H. Soul Pattinson and Company Limited		
Basic earnings per share	103.57	111.47
Diluted earnings per share^	103.57	111.47

	No. of shares	No. of shares
Weighted average number of shares used in calculating basic and diluted earnings per share (refer to note 38d)	**239,395,320**	239,395,320

^ *Diluted EPS is equal to the basic earnings per share as any long-term incentive plan rights that vest in future financial years are expected to be satisfied by purchasing shares on market.*

* *Comparative figures have been restated to present the impacts of the discontinued operations (as outlined in note 8) as well as other reclassifications on the consolidated statement of comprehensive Income to better reflect the disclosures in the current year.*

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 2019

	Notes	31 July 2019 $'000	31 July 2018 $'000
Current assets			
Cash and cash equivalents	17	**125,445**	337,933
Term deposits	16	**1,470**	206,044
Trade and other receivables	31	**162,258**	131,723
Inventories	32	**120,471**	93,236
Assets classified as held for sale		**53**	1,407
Trading equities	13	**77,148**	69,930
Total current assets		**486,845**	**840,273**
Non-current assets			
Trade and other receivables	31	38,588	53,525
Equity accounted associates	12	1,603,610	1,517,125
Long term equity investments	14	785,135	732,298
Other financial assets		–	17,571
Derivative financial instruments	25	190	–
Investment properties	15	106,281	158,254
Property, plant and equipment	28	2,351,799	1,520,573
Exploration and evaluation	29	333,623	310,798
Deferred tax assets	22	56,669	71,567
Intangibles	30	114,479	73,553
Total non-current assets		**5,390,374**	**4,455,264**
Total assets		**5,877,219**	**5,295,537**
Current liabilities			
Trade and other payables	33	158,874	131,521
Contract liabilities		591	–
Interest bearing liabilities	26	32,537	25,267
Derivative financial instruments	25	10,774	3,353
Current tax liabilities		9,234	81,091
Provisions	34	93,029	71,219
Total current liabilities		**305,039**	**312,451**
Non-current liabilities			
Trade and other payables	33	**15,989**	30,033
Interest bearing liabilities	26	**370,213**	19,790
Deferred tax liabilities	22	**422,445**	405,270
Provisions	34	**252,064**	186,388
Total non-current liabilities		**1,060,711**	**641,481**
Total liabilities		**1,365,750**	**953,932**
Net assets		**4,511,469**	**4,341,605**
Equity			
Share capital	6	**43,232**	43,232
Reserves	5	**176,603**	605,865
Retained profits		**3,301,831**	2,718,057
Parent entity interest		**3,521,666**	**3,367,154**
Non-controlling interest		**989,803**	974,451
Total equity		**4,511,469**	**4,341,605**

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 2019

Year ended 31 July 2019	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 2018	**43,232**	**2,718,057**	**605,865**	**3,367,154**	**974,451**	**4,341,605**
Effect of initial adoption of AASB 9 (note 3)	–	52,687	(53,892)	(1,205)	–	(1,205)
Effect of initial adoption of AASB 15 (note 3)	–	1,174	–	1,174	–	1,174
Restated balance at the beginning of the year – 1 August 2018	**43,232**	**2,771,918**	**551,973**	**3,367,123**	**974,451**	**4,341,574**
Net profit for the year after tax	**–**	**247,943**	**–**	**247,943**	**111,546**	**359,489**
Other comprehensive income for the year						
Net movement in asset revaluation reserve, net of tax	–	–	9,260	9,260	(348)	8,912
Net movement in hedge reserve, net of tax	–	–	(12,720)	(12,720)	(2,531)	(15,251)
Net movement in foreign currency translation reserve, net of tax	–	–	2,275	2,275	–	2,275
Net movement in equity reserve, net of tax	–	–	(913)	(913)	–	(913)
Net movement in general reserve, net of tax*	–	402,206	(402,206)	–	–	–
Net movement in capital gains reserve, net of tax	–	(8,715)	27,174	18,459	4,356	22,815
Total comprehensive income for the year	**–**	**641,434**	**(377,130)**	**264,304**	**113,023**	**377,327**
Transactions with owners						
Dividends declared and paid	–	**(111,726)	–	(111,726)	(75,096)	(186,822)
Net movement in share based payments reserve	–	205	1,760	1,965	361	2,326
Return of capital	–	–	–	–	(22,936)	(22,936)
Total equity at the end of the year – 31 July 2019	**43,232**	**3,301,831**	**176,603**	**3,521,666**	**989,803**	**4,511,469**

* *The General reserve historically recorded funds set aside for future requirement of the Group and related to the Parent Entity. This reserve was created by transferring from retained profits in prior years. The majority of this balance has been transferred back to retained profits in the current year.*

** *After the elimination of a proportion of the Parent Entity dividend paid to Brickworks Limited (2019: 43.8%)*

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

Consolidated Statement of Changes in Equity

for the year ended 31 July 2019

Year ended 31 July 2018	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 2017	**43,232**	**2,603,186**	**611,226**	**3,257,644**	**780,666**	**4,038,310**
Net profit for the year after tax	**–**	**266,846**	**–**	**266,846**	**68,454**	**335,300**
Other comprehensive income for the year						
Net movement in asset revaluation reserve, net of tax	–	–	2,006	2,006	(48)	1,958
Net movement in hedge reserve, net of tax	–	–	(7,776)	(7,776)	(6,873)	(14,649)
Net movement in foreign currency translation reserve, net of tax	–	–	1,897	1,897	–	1,897
Net movement in equity reserve, net of tax	–	–	238	238	–	238
Total comprehensive income for the year	**–**	**266,846**	**(3,635)**	**263,211**	**61,533**	**324,744**
Transactions with owners						
Dividends declared and paid	–	*(106,943)	–	(106,943)	(46,933)	(153,876)
Net movement in share-based payments reserve	–	74	1,781	1,855	41	1,896
Return of capital	–	–	–	–	(5,968)	(5,968)
Transactions with non-controlling interests	–	(1,238)	(3,507)	(4,745)	180,457	175,712
Tax on partial disposal of controlling entity to non-controlling interests	–	(43,868)	–	(43,868)	–	(43,868)
Equity transfer from members on issue of share capital in a subsidiary	–	–	–	–	4,655	4,655
Total equity at the end of the year – 31 July 2018	**43,232**	**2,718,057**	**605,865**	**3,367,154**	**974,451**	**4,341,605**

* *After the elimination of a proportion of the Parent Entity dividend paid to Brickworks Limited (2018: 43.8%)*

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

Consolidated Statement of Cash Flows

for the year ended 31 July 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,563,833	1,171,513
Payments to suppliers and employees (inclusive of GST)		(1,077,978)	(725,384)
		485,855	**446,129**
Dividends received		89,723	76,325
Interest received		14,607	9,465
Acquisition costs expensed	7	(46,041)	(5,662)
Finance costs		(12,561)	(1,452)
Income taxes paid		(165,581)	(17,245)
Net cash inflow from operating activities	17	**366,002**	**507,560**
Cash flows from investing activities			
Proceeds from sale of debt to third party		8,000	–
Payments for property, plant and equipment and intangibles		(165,243)	(110,863)
Proceeds from sale of property, plant and equipment		96,255	3,159
Payments for capitalised exploration and evaluation activities		(29,591)	(38,294)
Net proceeds from / (payments to) term deposits		204,574	(205,629)
Payments for acquisition and development of investment properties		(32,577)	(16,088)
Proceeds from sale of investment properties		100,068	29,059
Payments for equity investments		(95,025)	(94,941)
Proceeds from sale of equity investments		94,882	88,485
Proceeds from part sale of a subsidiary		–	175,736
Payments to acquire equity accounted associate		(11,172)	(1,430)
Payments for acquisition of businesses, net of cash acquired	7	(839,086)	(48,349)
Loan advanced		(56,911)	(58,218)
Loan repayments		29,084	7,697
Net cash outflow from investing activities		**(696,742)**	**(269,676)**
Cash flows from financing activities			
Dividends paid to WHSP shareholders	2	(136,455)	(131,667)
Dividends paid by subsidiaries to non-controlling interests		(74,997)	(47,119)
Repayments of external borrowings	26	(425,272)	(42,356)
Proceeds from external borrowings	26	790,000	12,017
Payment for establishment costs of debt/guarantee facilities	26	(12,802)	–
Proceeds from issue of equity		–	4,524
Payments for return of capital		(22,937)	(5,968)
Payments for shares acquired for the employee long term incentive plan		(569)	–
Net cash inflow/(outflow) from financing activities		**116,968**	**(210,569)**
Net (decrease)/increase in cash and cash equivalents		**(213,772)**	**27,315**
Cash and cash equivalents at the beginning of the financial year		337,933	301,275
Effects of exchange rate changes on cash and cash equivalents		1,284	9,343
Cash and cash equivalents at the end of the financial year	17	**125,445**	**337,933**

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 2018;
- does not adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective (such as AASB 16 Leases). Refer to Note 3(b) for more information;
- has been prepared on a historical cost basis except for certain items, which are measured on an alternative basis, identified in the accounting policies.
- where Parent Entity 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 its equity accounted associates. A diagram is set out in note 4, listing the main subsidiaries and associates.

i. Subsidiaries

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

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

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 profit or loss and its share of post-acquisition other comprehensive income is recognised in the consolidated statement of 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 unrealised gains, but only to the extent that there is no evidence of impairment. Where practical, accounting policies of the associates have been changed to ensure consistency with the policies adopted by the Group.

Other accounting policies

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

Key judgements and estimates

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

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Parent Entity Information

1

NOTE 1
PARENT ENTITY 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 Entity's investments and regular profit and the cash flows generated by these investments.

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

Accounting policies

Parent Entity

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

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The classification of income and expenses as regular or non-regular is consistent with the Consolidated entity's measurement of segment results. This is a non-statutory measure and a reconciliation to the Parent Entity's statutory profit after tax is provided. The Director's 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.

Statement of Financial Position

	As at 31 July 2019 $'000	As at 31 July 2018 $'000
Current assets		
Cash and term deposits	**38,830**	41,946
Assets held for sale	**53**	1,407
Other current assets	**120,483**	98,525
Total current assets	**159,366**	141,878
Non-current assets		
Long term equity investments – measured at market value	**739,587**	688,576
Other financial assets		
Listed controlled and associated entities – measured at the lower of cost or impaired value	**547,325**	552,950
Unlisted entities – measured at the lower of cost or impaired value	**456,827**	381,363
Other non-current assets	**85,209**	108,202
Total non-current assets	**1,828,948**	1,731,091
Total assets	**1,988,314**	1,872,969
Total current liabilities	**33,171**	2,495
Total non-current liabilities	**106,593**	92,662
Total liabilities	**139,764**	95,157
Net assets	**1,848,550**	1,777,812
Equity		
Share capital	**43,232**	43,232
Reserves	**187,934**	620,952
Retained profits	**1,617,384**	1,113,628
Total equity	**1,848,550**	1,777,812

Statement of Comprehensive Income

	2019 $'000	2018 $'000
Profit after tax	**164,903**	164,903
Less: Non-regular items after tax		
Net gain on sale of property	**(68,968)**	–
Net gain on disposal of investments	**–**	(140,278)
Non cash unfranked dividend on demerger of listed investment	**(3,592)**	–
Net impairment expense on investments	**82,451**	3,413
Net impairment expense on associates	**(4,327)**	–
Other	**4,270**	2,737
Regular profit after tax	**174,737**	138,851
Other comprehensive income		
Net movement in the fair value of the listed investment portfolio	**(25,521)**	1,881

Market value of listed investments as at 31 July 2019
(based on ASX closing prices 31 July 2019)

		$'000
Long term equity investments		
Milton Corporation Limited		107,971
BKI Investment Company Limited		107,025
Clover Corporation Limited		83,028
Commonwealth Bank of Australia		53,586
Woolworths Limited		31,698
Macquarie Group Limited		27,562
Pengana International Equities Limited		26,320
Bailador Technology Investments Limited		24,265
Magellan Financial Group Limited		22,184
Brambles Limited		21,248
Wesfarmers Limited		19,646
Other listed entities		215,054
Market value of long term equity investments		**739,587**
Listed controlled and associated entities	**Holding**	**$'000**
TPG Telecom Limited	25.3%	1,636,085
New Hope Corporation Limited	50.0%	1,043,398
Brickworks Limited	43.8%	1,099,556
Australian Pharmaceutical Industries Ltd	19.3%	137,374
Pengana Capital Group Limited	38.6%	59,742
Apex Healthcare Berhad	30.1%	106,076
Palla Pharma Limited (formerly TPI Enterprises)	19.9%	21,352
Market value of listed controlled and associated entities		**4,103,583**
Total value of WHSP's listed investments		**4,843,170**

Tax payable if WHSP's listed investments were disposed of:

WHSP is a long term equity investor.

If WHSP had disposed of all of its assets on 31 Jul 2019, a capital gains tax liability of approximately $1,121.1 million would have arisen based on market values as at 31 Jul 2019. Of this amount, only $103.98 million has been recognised in the Parent company accounts at 31 Jul 2019.

The market values of the listed investments are based on the last sale prices as quoted on the ASX on 31 Jul 2019 and are therefore subject to price fluctuations.

Regular Profit after Tax and Regular Operating Cash Flows

For the year ended 31 July 2019	Year ended 31 July 2019 $'000
Interest income (from cash and loans)	**16,854**
Dividend and distribution income	
Milton Corporation Limited	5,127
BKI Investment Company Limited	5,507
Clover Corporation Limited	671
Commonwealth Bank of Australia	3,841
Woolworths Limited	934
Macquarie Group Limited	1,231
Pengana International Equites Limited	1,706
Magellan Financial Group Limited	265
Brambles Limited	470
Wesfarmers Limited	1,604
Other listed entities	11,464
TPG Telecom Limited	9,376
New Hope Corporation Limited	66,511
Brickworks Limited	36,105
Australian Pharmaceutical Industries Ltd	7,368
Pengana Capital Group Limited	4,182
Apex Healthcare Berhad	1,612
Other controlled and associates	14,023
Total dividend and distribution income	**171,997**
Net pharmacy profit	**–**
Other revenue	**165**
Realised and fair value (losses)/gains on equities	**6,700**
Other expenses	**(14,325)**
Finance costs	**(774)**
Regular profit before tax	**180,617**
Income tax (expense)	**(5,880)**
Regular profit after tax	**174,737**
Non-cash fair value (gains)/loss on equities	**(6,700)**
Net movements in working capital	**1,546**
Regular operating cash flows	**169,583**
The Board declares dividends having regard to the Parent company's regular operating cash flows.	
Dividends paid/payable	
Interim of 24 cents per share paid 9 May 2019	57,455
Final of 34 cents per share payable 9 Dec 2019	81,394
Total dividends paid/payable	**138,849**
Payout ratio	
Dividends as a percentage of regular operating cash flows	81.88%

Parent Entity Information

1

NOTE 1
PARENT ENTITY FINANCIAL INFORMATION (continued)

Accounting policies

Parent Entity >>> *continued from page 68*

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

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

a) Interest bearing liabilities of the Parent Entity

During the year, the Parent Entity utilised short term bank finance. At 31 July 2019, the debt owing was $30 million (2018: $nil) and is included within current liabilities in the statement of financial position. The debt is secured by certain long term equities of the Parent Entity, is repayable upon either the bank or the Parent Entity providing 30 days' notice, and incurs interest at a variable rate. The interest rate at 31 July 2019 was 1.76% per annum. Refer to note 26.

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

b) Guarantees entered into by the Parent Entity

The Parent Entity provides cash backed guarantees for environmental bonds that are required by the 100% owned subsidiary, Round Oak Minerals Pty Limited. As at 31 July 2019 these guarantees totalled $22.678 million (2018: $16.413 million).

c) Contingent liabilities of the Parent Entity

The Parent Entity did not have any contingent liabilities as at 31 July 2019 or 31 July 2018.

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

The Parent Entity's contractual commitments for property, plant or equipment as at 31 July 2019 are $44.000 million (2018: $nil).

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

The Parent Entity entered into a seven year non-cancellable operating lease for its new office premise at Barrack Place, Sydney. The lease commenced on the 1 April 2019. Other commitments include an operating lease for office equipment.

Operating Leases	**2019** $'000	**2018** $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
– Within one year	1,234	399
– Later than one year but not later than five years	5,468	5,177
– Later than five years	2,519	3,953
	9,221	**9,529**

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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 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.

	2019 $'000	**2018** $'000
a) Dividends paid during the year		
Final dividend for the year ended 31 July 2018 of 33 cents (2017: 32 cents) per fully paid ordinary share paid on 10 December 2018 (2017: 11 December 2017) fully franked based on tax paid at 30%	79,000	76,606
Interim dividend for the year ended 31 July 2019 of 24 cents (2018: 23 cents) per fully paid ordinary share paid on 9 May 2019 (2018: 10 May 2018) fully franked based on tax paid at 30%	57,455	55,061
Total dividends paid	**136,455**	**131,667**
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 34 cents per fully paid ordinary share, (2018: 33 cents) fully franked based on tax paid at 30%	81,394	79,000

This dividend is due to be paid on 9 December 2019 (2018: 10 December 2018) out of retained profits as at 31 July 2019, and has not been recognised as a liability at year end.

c) Franking of dividends

	2019 $'000	2018 $'000
The final dividend for 31 July 2019 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 2019.		
Franking credits available for future dividend payments		
Franking credits available for subsequent years based on an Australian company tax rate of 30% (2018: 30%).	554,977	547,947
The above franking credits represent the balance of the franking account as at the end of the 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 9 December 2019 (2018: 10 December 2018)..	(34,883)	(33,857)
Balance of franking credits available after payment of the final dividend	**520,094**	**514,090**

New Accounting Standards

3

NOTE 3
NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

(a) New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

The following new and amended Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

(i) AASB 15 Revenue from Contracts with Customers

AASB 15 is the new standard for recognition of revenue and replaces AASB 118 which covered revenue arising from the sale of goods and the rendering of services and AASB 111 which covered construction contracts. The Group adopted AASB 15 from 1 August 2018 which resulted in minor changes in accounting policies and adjustments to amounts previously recognised in the financial statements. In accordance with the transition provisions in AASB 15, the Group adopted the modified retrospective method of implementation and comparative figures were not restated.

The standard established new principles and models for revenue to be allocated in accordance with the satisfaction of the performance obligation of a contract. It addresses revenue derived from provision of goods, services and customer contracts. Revenue is recognised when the control of goods or services are transferred to customers and for the amount to which the company expects to be entitled, either over time or at a point in time.

Revenue recognition

The Group recognises sales revenue related to the transfer of promised goods or services when the performance obligations under the contract have been satisfied. The amount of revenue recognised reflects the consideration to which the Group is or expects to be entitled for satisfying the performance obligation.

Revenue from contracts with customers is recognised for the major business activities as follows:

- Coal sales revenue is recognised at a point in time when control of the products have been transferred to the customer in accordance with the sales terms, in this instance when the risks and benefits of ownership has transferred. The legal title, risks and rewards, and therefore the fulfilment of performance obligations normally occurs at the time of loading the shipment for export sales, and generally at the time the coal is delivered to the customer for domestic sales.
- Oil sales revenue is recognised at the point in time when control of the products have been transferred to the customer in accordance with the sales terms, in this instance when the risks and benefits of ownership have transferred. This is normally when the oil is delivered to the customer.
- Copper, zinc, silver and gold sales revenue is initially recognised at its estimated sales value when control and the risks of ownership of the product are passed onto the customer. Adjustments are made for changes in commodity prices, assays, weight and currency between the time of the sale and the time of the final settlement of the sales proceeds.
- Service fee income, including consulting and management fee income, is recognised as revenue over time as the services are performed.

Performance obligation for domestic and export sales

For domestic sales, the performance obligation is satisfied upon delivery of the products to the customer.

For export sales, the revenue contracts are on Free On Board (FOB) basis. The performance obligation is satisfied when the product is loaded on a ship.

Provisional pricing arrangements

Sales contracts for commodities often incorporate provisional pricing. Provisional pricing might arise for a variety of reasons:

Sale of coal

- The time taken to transport the product might mean that the customer wishes to pay the market price at the date of eventual delivery at the final destination – in those situations, a provisional price is charged on the date control of the product initially transfers.
- The final quality and volume of the component commodities will not be known until further testing at its final destination.

Sale of copper, zinc, silver and gold metals

Sales revenue on copper, zinc, silver and gold metals are recognised in three stages:

- First provisional invoice for 90% of the transaction value is issued based on the market price, quality and quantity of the metals at date when control is passed to the buyer at the port of loading. The payment is due on the day of loading.
- Second provisional invoice for 10% of the metal value is issued based on the latest known market price, quality and quantity of the metals. The payment is due between 90 and 180 days of delivery.
- Final invoice is issued when adjustments are made for changes in commodity prices, assays, weight and currency, which is generally 90-180 days after sales was initially recognised.

Key judgement and estimates

Judgement is required by management to determine the amount of revenue recognised for each shipment at the port of loading. Such estimates are determined using either the 'expected value' or 'most likely amount' method. If provisional pricing results in variable consideration, further judgement will be required to determine whether the estimated revenue is subject to significant reversal. This might be particularly relevant where the final quality of products delivered will not be known until testing at its destination.

Adoption of AASB 15 by Associates

The associates of the Consolidated Entity have adopted AASB 15 which resulted in the changes in their accounting policies for set-up revenue, brand fee income received from franchisees, subscriber acquisition costs, sales commission costs and rebates agreements. These costs were previously expensed as incurred. Under the new AASB 15, these costs are capitalised as contract costs and amortised over the anticipated contract period. The associates have adopted AASB 15 using the modified retrospective approach. Therefore, the net impact of the change in the associates' accounting policy on the Consolidated Entity's financial statement was a $1.174 million restatement to opening retained profit and a corresponding increase in the Consolidated Entity's share on net assets of the associates. The adoption of AASB 15 by the associates did not have an impact on the consolidated statement of comprehensive income.

Impact of adoption of AASB 15

The Group has reviewed its current policies in relation to the amounts and timing of revenue recognised from its contractual arrangements. As the Group's revenue is derived primarily from the sales of minerals on a free on board basis in which the transfer of the risks and rewards coincides with the fulfilment of performance obligations and transfer of control as defined by AASB 15, there was no quantitative change in respect of the timing and amount of revenue the Group currently recognises.

Fees in advance, totalling $0.591 million as at 31 July 2019 (2018: $0.387 million), which were previously included in trade and other payables, are now disclosed separately as contract liabilities in accordance with AASB 15.

(ii) AASB 9 Financial Instruments

This standard includes new requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting of financial instruments. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. The Group has adopted AASB 9 and related amendments from 1 August 2018. Comparative results are not restated as permitted by the standard.

Classification and measurement

The Group has performed a comprehensive assessment of its financial instruments based on the Group's business model for managing financial assets. Debt assets, derivatives and equity holdings are first tested against the "contractual cash flow characteristics test".

New Accounting Standards

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NOTE 3
NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Financial assets at amortised cost

AASB 9 introduces a new Expected Credit Loss (ECL) model. This model is a forward looking method for impairment of debt or derivative financial assets, measured at amortised cost or Fair Value through Other Comprehensive Income (FVOCI). Debt based financial assets include loans, intercompany loans and receivables.

Under the old standard, the impairment existed when a default event occurred. An impairment loss was recognised as a separate provision against the gross value of the receivable. Under the new AASB 9, the Group measures the loss allowance for a financial asset using a three-stage impairment model based on whether or not a significant change in credit risk has occurred since initial recognition.

Where the financial assets credit risk has not significantly increase since initial recognition, the Group will measure the loss allowance under Stage 1 Performing financial assets, based on 12 month ECL. For the assets with a significant increase in credit risk since initial recognition, a loss allowance will be provided under Stage 2 Underperforming or Stage 3 Non-performing financial assets based on lifetime ECL for credit losses expected over the life of the exposure.

The Group classifies its financial assets as at amortised cost only if both the following criteria are met:

- the assets is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Trade receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement between 30 and 45 days and therefore are all classified as current. Trade receivables are recognised initially at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measure them subsequently at amortised cost using the effective interest method.

Loans to external parties and intercompany
The Parent Entity is the main entity within the Group holding loans (both external and intercompany). There is no change in classification of loans from the old standard, AASB 139 to the new standard AASB 9. Loans will continue to be held at amortised cost (ie. principal and interest).

Other receivables
These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed the due date.

A simplified approach is taken to accounting for trade and other receivables as well as contract assets with the loss allowance equal to the lifetime ECL recorded. In applying this simplified method, the Group uses its historical experience, external indicators and forward-looking information to calculate the ECL.

The Group has revised its impairment methodology under AASB 9 for financial assets under the new expected credit loss model for all its assets held at amortised cost. There has been no material financial impact in the change to the impairment assessment of financial assets held at amortised cost as a result of this change in methodology.

Adoption of AASB 9 by Associates
An associate of the Group has adopted AASB 9 resulting in the changes in their accounting policies for provision for doubtful debts. AASB 9 replaced the 'incurred loss' model in AASB 139 with a forward-looking ECL model. The associates had adopted AASB 9 using the modified retrospective approach. The net impact of the change in the associates' accounting policy on the Group's financial statement was a $1.205 million restatement to opening retained profit and a corresponding decrease in the Group's share of net assets of the associate. The adoption of AASB 9 by the associate did not have an impact on the consolidated statement of comprehensive income.

Financial assets at fair value through profit or loss (FVTPL)

The Parent Entity is the main entity within the Group that holds equities held for trading. An "investment held for trading" has the following characteristics, including:

- Investing primarily for the purpose of providing shareholders with returns from short term capital appreciation; and
- A short to medium term investment strategy, with an intention to sell the investment at an appropriate time.

The Group's financial assets classified as trading equities are measured at FVTPL. These financial assets which were previously held at FVTPL under AASB 139 continue to be measured at FVTPL under AASB 9. There is no change to the classification and measurement of financial assets at FVTPL on adoption of AASB 9.

Financial assets at fair value through other comprehensive income (FVOCI)

For the Group, a "long term equity investment" is one that has the following characteristics, including:

- An intention to hold for the long-term investment with prospects for value appreciation (both capital and a sustainable, fully franked dividend income stream) that is consistent with the Group's investment strategy; and
- Providing diversification benefits to the Group's investment portfolio.

The Group has performed a comprehensive review of its investment portfolio. For the Group's financial assets classified as long term equity investments, an irrevocable election in classifying these long term equity investments to be measured at FVOCI has been made. This is in accordance with the Group's business model and the contractual terms of the investments cash flows.

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

In the prior year, the Group had designated long term equity investments as available-for-sale where management intended to hold them for the medium to long term.

Impact of adoption of AASB 9

The Group elected to present in other comprehensive income changes in the fair value of all its Long term equity investments, previously accounted for as available for sale (AFS) financial assets under AASB 9. These investments are held as long term strategic investments that are not expected to be sold in the short to medium term. Upon adoption of AASB 9, these financial assets are now accounted for as financial assets classified as FVOCI resulting in a reclassification of prior year fair value adjustments from retained profits to reserves.

Other financial assets have been reclassified as part of Long term equity investments on the consolidated statement of financial position.

The main effects resulting from the reclassification of the Group's investment portfolio are as follows:

	AFS $'000	FVOCI $'000
Other financial assets – equity investments at 31 July 2018 – AASB 139	17,571	–
Long term equity investments at 31 July 2018 – AASB 139	732,298	–
Reclassify other financial assets and long term equity investments to FVOCI	(749,869)	749,869
Long term equity investments at 1 August 2018 – AASB 9	**–**	**749,869**

At 31 July 2018, the Group held $750 million of long term equity investments which are now classified as FVOCI financial assets under AASB 9. Under AASB 139, changes in the fair value of these investments were recognised in the asset revaluation reserve within equity and any impairments of these investments were recognised in profit or loss. When the investment is disposed, the cumulative fair value changes would have been recycled from asset revaluation reserve to the profit or loss as a reclassification adjustment.

From 1 August 2018, under AASB 9, these long term equity investments are classified as FVOCI. However, any impairment loss recognised will be transferred to asset revaluation reserve and no longer be recognised in profit or loss. Any realised gain or loss on disposal will be transferred from asset revaluation reserve to the Capital gains reserve within equity.

New Accounting Standards

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NOTE 3
NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

The impact of the above AASB 9 and AASB 15 changes on the Group's equity is as follows:

	Effect on reserve $'000	**Effect on retained profits** $'000
Closing balance at 31 July 2018	605,865	2,718,057
Reclassify long term equity investments from available for sale to FVOCI	(53,892)	53,892
Effect of initial adoption of AASB 9 by Associate	–	(1,205)
Effect of initial adoption of AASB 15 by Associate	–	1,174
Opening balance at 1 August 2018 – AASB 9	**551,973**	**2,771,918**

The cumulative effect on initial application of AASB 9 on long term equity investments is a change to opening retained profits and a decrease in the Asset revaluation reserve of $53.9 million at 1 August 2018. This is predominately due to the reclassification of previous impairment losses of long term equity investments from retained profits to be presented in reserves.

Hedging (commodity and forward foreign exchange contracts)

The new hedge accounting rules under AASB 9 align the accounting for hedge instruments more closely with the Group's risk management practices. The Group has confirmed that its current hedge relationships qualify as continuing hedges upon the adoption of AASB 9 on 1 August 2018. There is no rebalancing of any of the hedging relationships necessary on initial application as the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under AASB 9's effectiveness assessment requirements. The Group has also not designated any hedging relationships under AASB 9 that would not have met the qualifying hedge accounting criteria under AASB 139.

(b) Accounting Standards issued but not yet implemented

Certain new accounting standards and interpretations have been published that are not mandatory for the current year and have not been early adopted by the Group. The Group's provisional assessment of the impact of these new standards on the financial statements for the current year is set out below:

(i) AASB 16 Leases

AASB 16 replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases.

Subject to exceptions, a 'right-of-use' (ROU) asset will be capitalised in the consolidated statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to the profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is now replaced by interest expense and depreciation in profit or loss under AASB16. For classification within the consolidated statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Group has reviewed all of the leasing arrangements in light of the new lease accounting rules in AASB 16. The standard will affect primarily the accounting for the Group's operating leases. As at balance date, the Group has non-cancellable operating lease commitments. The Group does hold within these lease commitments a number of short term leases and low value assets which will be recognised on a straight-line basis as an expenses in profit or loss.

This standard is mandatory for financial years commencing on or after 1 January 2019 and the Group does not intend to adopt the standard before its effective date. This standard will be first applicable for the year commencing 1 August 2019 and the Group is currently in the final stages of determining the final impact on the consolidated financial statement.

The Group expects to recognise on the consolidated statement of financial position right-of-use assets of approximately $108.0 million on 1 August 2019, lease liabilities of $108.0 million and no deferred tax assets. Overall, no material change to net assets is expected. The Group expects that net profit after tax will decrease by approximately $1.0 million as a result of adopting the new lease rules.

In modelling these scenarios, the Group has made certain assumptions and judgements in relation to economic conditions including, but not limited to: the incremental borrowing rates, composition of the lease portfolio, and non-cancellable lease terms that may cause the actual output to differ to that experienced in the current year.

The Consolidated Entity plans to adopt AASB 16 Leases using the modified retrospective approach with no restatement of comparative information for the year ending 31 July 2020 upon initial adoption.

(ii) Interpretation 23 Uncertainty over Income tax treatments

Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as a group; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

The Interpretation is effective for annual periods beginning on or after 1 January 2019 and the Group did not adopt the interpretation before its effective date. The date of first application of the interpretation was 1 August 2019. The directors do not anticipate that the application of the Interpretation will have a material impact on the Group's consolidated financial statements.

There are no other standards or interpretations that are not yet effective that are expected to have a material impact on the Group.

Group Structure and Performance

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NOTE 4
SEGMENT INFORMATION

Corporate structure

The Parent Entity is an investment company that invests in a diversified range of entities and asset classes.

Larger holdings in a single entity are classified as follows:

Subsidiaries	The Parent Entity is able to control the activities of the organisation.
Associates	The Parent Entity has significant influence but does not control the activities of the organisation. Results from listed associates are sourced from publicly available information. Unlisted associates results are sourced directly from the investee.

Acquisition

During the year, New Hope Corporation Limited, a subsidiary of the Group acquired an additional 40% interest in the Bengalla Joint Venture. Refer to note 7.

During the year, WHSP Aquatic Achievers Pty Limited, a subsidiary of the Group acquired 100% interest in two swim schools - one in Australian Capital Territory and one in Victoria. Refer to note 7.

Discontinued operations

On 17 October 2018, two New Hope Corporation Limited wholly owned subsidiaries, Northern Energy Corporation Limited and Colton Coal Pty Limited were placed into voluntary administration. Effective on this date, New Hope Corporation Limited, a subsidiary of the Group lost control over these subsidiaries. Refer to note 8.

For changes in ownership of associates, refer to note 12.

Change in reporting segments

The Group has amended its segment disclosures to more accurately reflect the current information provided to the Chief Operating Decision Maker (CODM) and the changes to how the CODM manages and assesses the performance of the operating segments. The information provided to the CODM has changed since the prior year and therefore it was appropriate to update the segment disclosure to reflect these changes. The comparative segment disclosures have been updated to be consistent with the current year segment disclosures.

Segment reporting

The Parent Entity, its subsidiaries and associates operate within five segments. Four segments are based on material holdings of individual investments, where the Parent Entity has board representation. All segments are predominately based in Australia.

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

The Group's operating segments are described as:

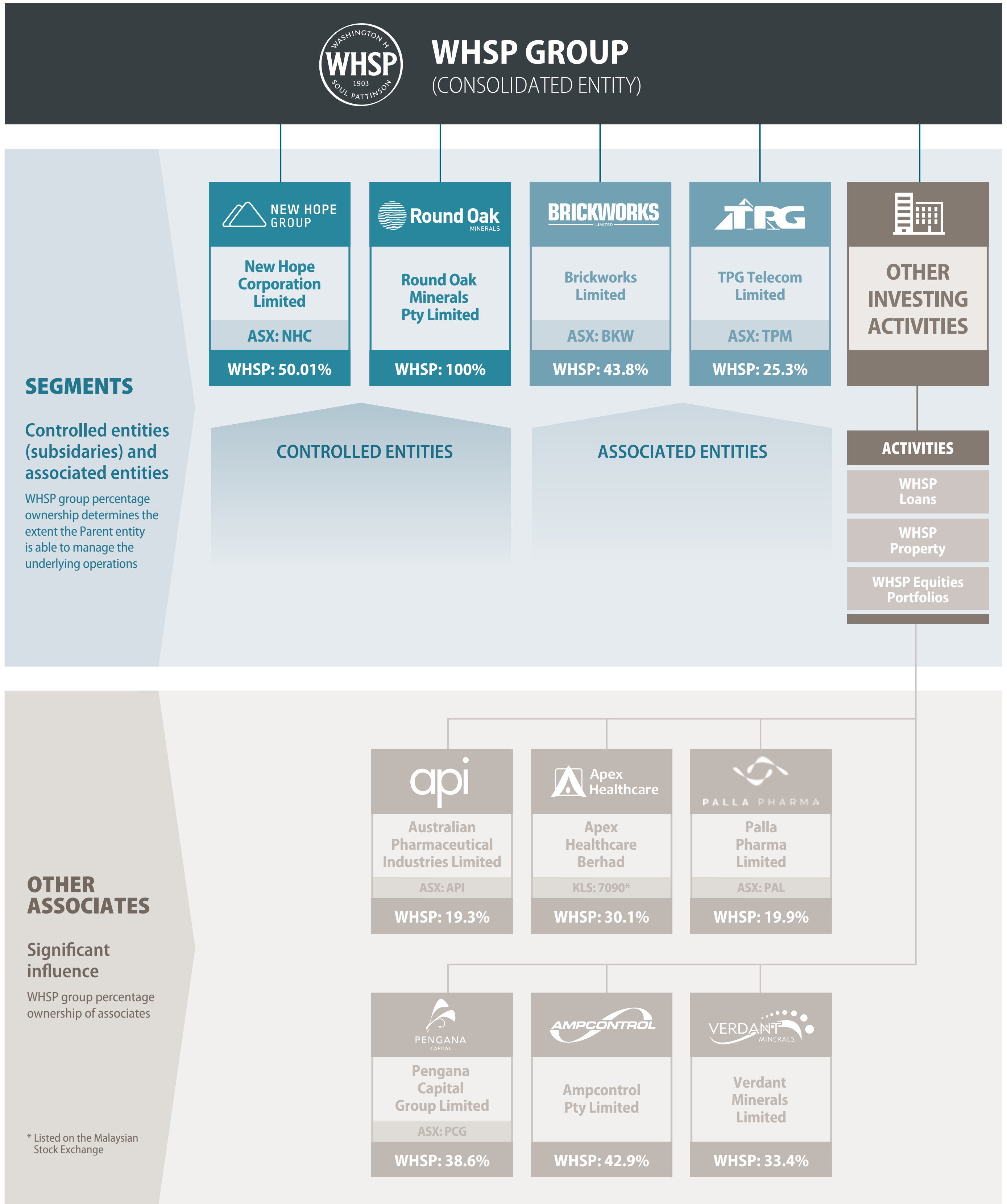
New Hope Corporation Limited
The Group engages in coal, oil and gas activities which include exploration, development, production, processing, associated transport infrastructure and ancillary activities.

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

TPG Telecom Limited (TPG)
The Parent Entity has a 25.3% strategic investment in TPG. TPG is a telecommunications and internet provider.

Brickworks Limited (Brickworks)
The Parent Entity has a 43.8% strategic investment in Brickworks. Brickworks is a diversified business that has four divisions, manufacture and sales of building products Australia, building products North America, property development and an investment in WHSP.

Other investing activities
The Group invests in diverse portfolio of equities, properties, loans, cash and term deposits.



Group Structure and Performance

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NOTE 4
SEGMENT INFORMATION (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 are 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 4a.

The Directors have presented this information which is used by the CODM, as they consider the disclosure enhances the understanding of the results to members and users of the financial statements.

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

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

	2019 $'000	2018 $'000
Regular profit after tax attributable to members	307,262	331,143
Non-regular items – net of tax		
Acquisition costs expensed	(17,101)	(3,963)
Deferred tax recognised on equity accounted associates	(13,632)	(39,198)
Gain on deemed disposal of equity accounted associates	1,345	190
Gain on de-recognition as equity accounted associates	–	50,641
Gain on disposal of equity investments	–	18,748
Gain on sale of 160 Pitt Street	68,968	–
Onerous contract and other expenses	(10,000)	(5,243)
Impairment expense on equity accounted associates	(34,807)	(16,545)
Impairment expense on mine development assets	(16,645)	–
Impairment expense on equity investments	–	(4,206)
Impairment expense on exploration assets	–	(46,310)
Impairment (expense)/reversal on other assets	(1,323)	14
Non-cash in-specie dividend	3,592	–
Redundancies	(1,791)	(1,081)
Share of non-regular items from equity accounted associates	(37,129)	(16,617)
Other items	(796)	(727)
Total non-regular losses after tax attributable to members	**(59,319)**	**(64,297)**
Profit after tax attributable to members	**247,943**	**266,846**

b) Reporting segments

	New Hope Corporation Limited $'000	Other Investing activities $'000	Round Oak Minerals Pty Limited $'000	TPG Telecom Limited^ $'000	Brickworks Limited^ $'000	Intersegment/ unallocated $'000	Consolidated $'000
Year ended 31 July 2019							
Revenue from external customers**	**1,306,429**	**176,321**	**133,138**	**–**	**–**	**–**	**1,615,888**
Intersegment revenue***	–	116,730	–	–	–	(116,730)	–
Total revenue	**1,306,429**	**293,051**	**133,138**	**–**	**–**	**(116,730)**	**1,615,888**
Regular profit/(loss) before income tax	**384,287**	**112,360**	**(76,163)**	**95,044**	**54,710**	***(13,805)**	**556,433**
Add non-regular items before tax	(76,517)	47,546	(27,606)	(51,136)	27,181	(1,435)	(81,967)
Profit/(loss) before income tax	**307,770**	**159,906**	**(103,769)**	**43,908**	**81,891**	**(15,240)**	**474,466**
Less income tax (expense)/benefit	(97,338)	(25,156)	30,303	#(9,783)	#(17,795)	4,572	(115,197)
Profit after tax from discontinued operations	220	–	–	–	–	–	220
Profit/(loss) after tax	**210,652**	**134,750**	**(73,466)**	**34,125**	**64,096**	**(10,668)**	**359,489**
Less (profit) attributable to non-controlling interests	(105,305)	(6,241)	–	–	–	–	(111,546)
Profit/(loss) after tax attributable to members	**105,347**	**128,509**	**(73,466)**	**34,125**	**64,096**	**(10,668)**	**247,943**
Profit/(loss) after tax attributable to members (as above)	**105,347**	**128,509**	**(73,466)**	**34,125**	**64,096**	**(10,668)**	**247,943**
Non-regular loss/(profit) after tax attributable to members	28,923	(41,465)	19,324	60,919	(9,386)	1,004	59,319
Regular profit/(loss) after tax attributable to members	**134,270**	**87,044**	**(54,142)**	**95,044**	**54,710**	**(9,664)**	**307,262**

* *Unallocated represents Parent Entity corporate costs that are not allocated to individual segments.*
** *The revenue of New Hope Corporation Limited and Round Oak Minerals Pty Limited is in respect of contracts with customers recognised at a point in time.*
*** *Represents inter-segment dividends and interest received from subsidiaries and associates that are eliminated on consolidation.*
^ *These investments are equity accounted associates, consequently there is no revenue recognised as only the share of associates profit after tax is recognised in profit or loss.*
\# *The income tax expense relates to the equity accounted associates deferred tax on consolidation.*

Group Structure and Performance

4 NOTE 4
SEGMENT INFORMATION (continued)

b) Reporting segments (continued)

	New Hope Corporation Limited $'000	Other Investing activities $'000	Round Oak Minerals Pty Limited $'000	TPG Telecom Limited^ $'000	Brickworks Limited^ $'000	Intersegment/ unallocated $'000	Consolidated $'000
Year ended 31 July 2018 (restated)							
Revenue from external customers**	**1,078,439**	**62,364**	**33,945**	**–**	**–**	**–**	**1,174,748**
Intersegment revenue***	–	94,497	–	–	–	(94,497)	–
Total revenue	**1,078,439**	**156,861**	**33,945**	**–**	**–**	**(94,497)**	**1,174,748**
Regular profit/(loss) before income tax	**373,207**	**71,158**	**(13,804)**	**109,033**	**44,518**	***(12,808)**	**571,304**
Add non-regular items before tax	(105,594)	67,809	(4,064)	(8,998)	(4,012)	(2,824)	(57,683)
Profit/(loss) before income tax	**267,613**	**138,967**	**(17,868)**	**100,035**	**40,506**	**(15,632)**	**513,621**
Less income tax (expense)/benefit	(80,284)	(34,122)	5,281	#(27,214)	#(8,841)	4,690	(140,490)
Loss after tax from discontinued operations	(37,831)	–	–	–	–	–	(37,831)
Profit/(loss) after tax	**149,498**	**104,845**	**(12,587)**	**72,821**	**31,665**	**(10,942)**	**335,300**
Less (profit) attributable to non-controlling interests	(68,033)	(421)	–	–	–	–	(68,454)
Profit/(loss) after tax attributable to members	**81,465**	**104,424**	**(12,587)**	**72,821**	**31,665**	**(10,942)**	**266,846**
Profit/(loss) after tax attributable to members (as above)	**81,465**	**104,424**	**(12,587)**	**72,821**	**31,665**	**(10,942)**	**266,846**
Non-regular loss/(profit) after tax attributable to members	51,539	(41,139)	2,856	36,212	12,853	1,976	64,297
Regular profit/(loss) after tax attributable to members	**133,004**	**63,285**	**(9,731)**	**109,033**	**44,518**	**(8,966)**	**331,143**

* *Unallocated represents Parent Entity corporate costs that are not allocated to individual segments.*
** *The revenue of New Hope Corporation Limited and Round Oak Minerals Pty Limited is in respect of contracts with customers recognised at a point in time.*
*** *Represents inter-segment dividends and interest received from subsidiaries and associates that are eliminated on consolidation.*
^ *These investments are equity accounted associates, consequently there is no revenue recognised as only the share of associates profit after tax is recognised in profit or loss.*
\# *The income tax expense relates to the equity accounted associates deferred tax on consolidation.*

5 NOTE 5
RESERVES

Certain changes in the value of assets and liabilities are not recognised in the profit or loss but are instead included in other comprehensive income.

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

	2019 $'000	2018 $'000
a) Reserves attributable to members		
Asset revaluation reserve	167,561	198,260
General reserve	2,342	404,548
Foreign currency translation reserve	4,058	1,783
Capital profits reserve	7,861	7,861
Hedge reserve	(14,067)	(1,347)
Share-based payments reserve	6,757	4,997
Equity reserves	(11,150)	(10,237)
Capital gains reserve	13,241	–
Closing balance at 31 July	**176,603**	**605,865**
b) Major movements in reserves consist of:		
Asset revaluation reserve		
Opening balance at 1 August	**198,260**	**196,254**
Adjustment on initial adoption of AASB 9	(39,960)	–
Revaluation of long term equity investments, gross	65,374	4,679
Revaluation of long term equity investments, deferred tax	(27,065)	(25)
Transfer gain on sale of long term equity investments to capital gains reserve, gross	(25,530)	–
Transfer gain on sale of long term equity investments to capital gains reserve, deferred tax	6,231	–
Transfer on sale of long term equity investments to profit, gross	–	(10,711)
Transfer on sale of long term equity investments to profit, deferred tax	–	3,449
Impairment of long term equity investments, gross	(13,167)	5,889
Impairment of long term equity investments, deferred tax	3,951	(1,683)
Share of associates – (decrements)/increments	(329)	408
Other revaluations	(204)	–
Closing balance at 31 July	**167,561**	**198,260**

Asset revaluation reserve
At balance date, the asset revaluation reserve predominately relates to the net unrealised gains of the Parent Entity's long term equity investments.

Group Structure and Performance

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NOTE 5
RESERVES (continued)

	2019 $'000	2018 $'000
Capital profits reserve		
Opening balance at 1 August	**7,861**	**11,368**
Transactions with non-controlling interests	–	(3,507)
Closing balance at 31 July	**7,861**	**7,861**

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

	2019 $'000	2018 $'000
General reserve		
Opening balance at 1 August	**404,548**	**404,548**
Transfer to retained profits	(402,206)	–
Closing balance at 31 July	**2,342**	**404,548**

General reserve
The general reserve historically recorded funds set aside for future requirements of the Group and related to the Parent Entity. This reserve was created by transferring from retained profits in prior years. In the current year, the majority of this balance has been transferred back to retained profits.

	2019 $'000	2018 $'000
Capital gains reserve		
Opening balance at 1 August	**–**	**–**
Adjustment on initial adoption of AASB 9	(13,933)	–
Gains on sale of long term equity investments, net of tax	27,174	–
Closing balance at 31 July	**13,241**	**–**

Capital gains reserve
The movement in capital gains reserve predominately relates to the net gains on the sale of the Parent Entity's long term equity investments.

	2019 $'000	2018 $'000
Hedge reserve		
Opening balance at 1 August	**(1,347)**	**6,429**
Revaluation, gross	(14,167)	(4,185)
Revaluation, deferred tax	4,253	1,274
Transfer to profit, gross	10,554	(7,356)
Transfer to profit, deferred tax	(3,166)	2,207
Share of associates (decrements)/increments	(10,194)	284
Closing balance at 31 July	**(14,067)**	**(1,347)**

Hedge reserve
Decrements in the Group's share of associates in the current year relate to movements in TPG Telecom Limited's interest rate swap contracts to hedge the interest rate risk on its debt facilities.

Group Structure and Performance

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NOTE 6
SHARE CAPITAL

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

	Group and Parent Entity		Group and Parent Entity	
	2019 No of shares	**2019** $'000	**2018** No of shares	**2018** $'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 objective of the Group's capital management approach is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain the future development of the Group.

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

The Group's capital base consists of total shareholders' equity, borrowings and other interest bearing liabilities. The movement in shareholders equity is shown in the consolidated statement of changes in equity. Refer to page 62.

During the year, the Parent Entity utilised short term bank finance. At 31 July 2019, this balance was $30 million (2018: $nil). In addition, non-recourse debt of $12.000 million (2018: $34.825 million) has been utilised to finance investment properties held within a 100% wholly owned subsidiary. Refer to note 26a.

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

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

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NOTE 7
BUSINESS COMBINATIONS

Accounting policy – Business combinations
The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or assets are acquired. The consideration transferred for the acquisition of a business combination comprises the fair value of the assets transferred and the liabilities incurred. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured at 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 net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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

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.

Other unincorporated arrangements
As a result of the acquisition of an additional 40% interest in the Bengalla Joint Venture, New Hope Corporation Limited has identified another category of interest in other entities and provides below the updated accounting policy of that arrangement. Refer to Note 11.

a) New Hope Corporation Limited acquisition of additional interests in the Bengalla Joint Venture

New Hope Corporation Limited increased its stake in the assets and liabilities of the Bengalla Joint Venture by 30% on 3 December 2018 and a further 10% on 25 March 2019. The 10% acquisition had an effective date of 1 December 2018, with a purchase price adjustment for working capital movements between 1 December 2018 and 25 March 2019. The Bengalla Joint Venture is a coal mining and extraction operation producing thermal coal in the Hunter Valley, New South Wales in which New Hope Corporation Limited has held a 40% interest since 1 March 2016.

Revenue and profit contribution

The acquired business contributed revenues of $253.024 million and a regular profit before tax since acquisition of $82.173 million to New Hope Corporation Limited for the period 1 December 2018 to 31 July 2019. The anticipated increase in production and sales tonnes annually is 4 million tonnes. Due to the variability in key market factors and operational variations, it is considered impractical to disclose an estimated revenue and profit or loss assuming the acquisition had occurred on 1 August 2018.

Group Structure and Performance

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NOTE 7
BUSINESS COMBINATIONS (continued)

Details of the acquisition

Purchase consideration and the net assets acquired are as follows:

	30% $'000	10% $'000	2019 Total 40% $'000
The fair value of assets and liabilities recognised as a result of the acquisition are as follows:			
Total purchase consideration	**645,147**	**193,275**	**838,422**
Cash	3,787	3,371	7,158
Trade and other receivables	13,721	5,239	18,960
Inventories	18,236	7,233	25,469
Property, plant and equipment	622,188	185,419	807,607
Intangibles	31,133	10,447	41,580
Trade and other payables	(12,240)	(7,038)	(19,278)
Provisions	(31,678)	(11,396)	(43,074)
Net assets acquired	**645,147**	**193,275**	**838,422**
Net cash outflow for the acquisition are as follows:			
Outflow of cash to acquire subsidiary, net of cash acquired:			
Total cash consideration – current year	645,147	193,275	838,422
Less: cash balance acquired	(3,787)	(3,371)	(7,158)
Outflow of cash – investing activities	**641,360**	**189,904**	**831,264**

b) WHSP Aquatic Achievers Pty Limited's acquisition of two swim schools

On 1 December 2018, a 100% subsidiary of the Parent Entity, WHSP Aquatic Achievers Pty Limited, acquired 100% interest in two swim schools – one in Australian Capital Territory and one in Victoria.

An earn-out clause in the Business Sale Agreement requires the Group to pay the vendor amounts in excess of base EBITDA of $0.445 million for the twelve-month period ending 31 October 2019. The deferred liability of $0.225 million has been calculated based on the estimated profit forecasts in support of the acquisition business case. The key assumption taken into consideration is the probability of meeting the performance targets.

Revenue and profit contributions

From the date of the acquisition, the operation of the two swim schools contributed $1.68 million of revenues and $0.84 million to regular profit before tax of the Group. If the acquisition had occurred on 1 August 2018, revenue and regular profit before-tax would have been $2.52 million and $1.26 million respectively.

Details of the acquisition

Purchase consideration and the net assets acquired are as follows:

	2019 $'000
The fair value of assets and liabilities recognised as a result of the acquisition are as follows:	
Total purchase consideration	**8,097**
Total cash consideration – current year	7,872
Contingent consideration (earn-out)	225
Total purchase consideration	**8,097**
Cash and cash equivalent	50
Other receivables	12
Inventories	3
Property	4,010
Plant and equipment	1,603
Trade and other payables	(63)
Provisions	(29)
Fair value of net identifiable assets	**5,586**
Goodwill on acquisition	2,511
Net assets acquired	**8,097**
Net cash outflow for the acquisition are as follows:	
Outflow of cash to acquire swim schools, net of cash acquired:	
Total cash consideration – current year	7,872
Less: Cash balance acquired	(50)
Outflow of cash – investing activities	**7,822**
Stamp duty expensed	180
Other acquisition costs expensed	382
Total cash outflow	**8,384**

The goodwill on acquisition arose from the excess of purchase price over the land, building and plant and equipment acquired and are considered to have an indefinite life with no amortisation applied.

Key judgements and estimates

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

Group Structure and Performance

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NOTE 8
DISCONTINUED OPERATIONS

Accounting policy – Discontinued operations

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

a) Description

On 17 October 2018, two New Hope Corporation Limited wholly owned subsidiaries, Northern Energy Corporation Limited and Colton Coal Pty Limited were placed into voluntary administration. Effective on this date, New Hope Corporation Limited lost control over these subsidiaries. The financial information relating to the discontinued operations for the period to 17 October 2018 is set out below.

b) Financial performance and cash flow information

The financial performance and cash flow information presented reflects the operations for the period ended 17 October 2018 and the comparative balance for the year ended 31 July 2018.

	2019 $'000	2018 $'000
Revenue	26	134
Expenses	(2,828)	(53,935)
Loss before income tax	(2,802)	(53,801)
Income tax benefit	–	15,970
Loss after income tax of discontinued operations	(2,802)	(37,831)
Profit on loss of control of subsidiary after income tax	3,022	–
Profit/(loss) from discontinued operations	**220**	**(37,831)**
Other comprehensive income from discontinued operations	**–**	**–**
Net cash outflow from operating activities	(329)	(9,940)
Net cash inflow / (outflow) from investing activities	26	(667)
Net cash inflow / (outflow) from financing activities	303	(4,016)
Net cash (outflow) from discontinued operations	**–**	**(14,623)**

	2019 Cents	2018 Cents
Basic earnings per share from discontinued operations	0.09	(15.80)
Diluted earnings per share from discontinued operations	0.09	(15.80)

c) Details of the disposal of the subsidiaries

	2019 $'000	2018 $'000
Total consideration	–	–
Carrying amount of net liabilities	(3,022)	–
Profit before income tax	3,022	–
Income tax expense	–	–
Profit on loss of control of subsidiary after income tax	**3,022**	**–**

Group Structure and Performance

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NOTE 9
EVENTS AFTER THE REPORTING PERIOD

New Hope Corporation Limited

On 10 September 2019, New Hope Corporation Limited received the judgment from the Queensland Court of Appeal in relation to the New Acland Stage 3 project which ruled against Oakey Coal Action Alliance and in favour of New Hope Corporation Limited on groundwater and apprehension of bias. New Hope Corporation Limited is pleased with the outcome however will await final orders to be handed down in due course before assessing next steps for the project. New Hope Corporation Limited remains committed to delivering the New Acland Stage 3 project in a timely manner to ensure continuity of operations and ongoing employment in the region.

TPG Telecom Limited

On 10 September 2019, the Federal Court hearing commenced in relation to the proposed merger of TPG Telecom Limited and Vodafone Hutchison Australia.

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

Accounting for Our Investments

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NOTE 10
INVESTMENTS IN SUBSIDIARIES

Accounting policy – Investments in subsidiaries

Investments in subsidiaries such as New Hope Corporation Limited, the PSRE Urban Regeneration Trust, Round Oak Minerals Pty 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 subsidiary are instead recognised in the consolidated statement of financial position. Dividends from subsidiaries are not recognised in the profit or loss, instead the results from each subsidiary are included in profit or loss.

The Parent Entity has a 50.01% (2018: 50.01%) shareholding in its subsidiary, New Hope Corporation Limited. New Hope Corporation Limited is an Australian listed company, its shares are publicly traded on the Australian Securities Exchange. It is a diversified energy company with operations covering coal mining and production, coal port operations and oil and gas production and exploration. Operations are mainly based in South East Queensland and in the Hunter Valley region, NSW with the Bengalla Joint Venture. The remaining 49.99% (2018: 49.99%) 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:

- Non-controlling interest share of profit after income tax for the year $105.305 million (2018: profit after income tax of $68.033 million);
- Net decrease in cash and cash equivalents $217.432 million (2018: increase $28.747 million);
- Total assets $2.801 billion (2018: $2.338 billion);
- Total liabilities $840.401 million (2018: $449.967 million);
- Net assets $1.961 billion (2018: $1.888 billion); and
- Non-controlling interest share of net assets $980.310 million (2018: $944.011 million).

Changes in group structure

Please refer to Note 4 for changes in the group structure.

Accounting for Our Investments

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NOTE 11
INVESTMENTS IN JOINT ARRANGEMENTS

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	80%	New Hope Corporation Limited
Lenton Joint Venture	Joint operation	90%	New Hope Corporation Limited

Bengalla Joint Venture

New Hope Corporation Limited holds a 80% interest in Bengalla thermal coal mine in New South Wales. This is an unincorporated joint venture that is operated by Bengalla Mining Company Pty Limited, which is proportionately owned by the participants.

New Hope Corporation Limited increased its stake in the assets and liabilities of the Bengalla Joint Venture by 30% on 3 December 2018 and a further 10% on 25 March 2019. The 10% acquisition had an effective date of 1 December 2018. This increased New Hope Corporation Limited's interest in Bengalla Joint Venture from 40% to 80%. Refer to Note 7 for more details of the Bengalla Joint Venture acquisition.

Key judgement

Classification of joint arrangements
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.

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NOTE 12
EQUITY ACCOUNTED 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 profit or loss, movements in their reserves (other comprehensive income) and decreased by dividends received. Dividends from associates are not recognised in the consolidated statement of comprehensive income.

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 Basis of preparation).

	2019 $'000	2018 $'000
Non-current assets		
Equity accounted associates	1,603,610	1,517,125

a) Movements in equity accounted carrying values

	2019 $'000	2018 $'000
Opening balance at 1 August	1,517,125	1,415,973
New investments during the period	11,172	10,751
Reclassification of a long term equity investment to equity accounted associate	20,000	–
Reclassification of equity accounted associate to long term equity investment	–	(25,940)
Gain on deemed disposal of equity accounted associates	1,921	272
Share of profits after income tax, before impairment	134,343	161,661
Net impairment expense of equity accounted associates	(34,807)	(16,545)
Dividends received/receivable	(59,069)	(57,051)
Add back share of dividends received by associate	24,730	24,721
Share of associates (decrement)/increment in reserves	(11,774)	3,283
Effect of initial adoption of AASB 9 and 15 from associates	(31)	–
Closing balance at 31 July	**1,603,610**	**1,517,125**

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NOTE 12
EQUITY ACCOUNTED ASSOCIATES (continued)

b) Details of investments and results in associates

Name of associated entity	Group's percentage of holding at balance date*		Share of results from equity accounted associates Contribution to Group net profit for the year**						Equity accounted carrying amount***	
			2019			2018				
	July 2019	July 2018	Regular	Non-Regular	Total	Regular	Non-regular	Total	July 2019	July 2018
	%	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Apex Healthcare Berhad(i)	30.1	30.3	5,917	(96)	5,821	5,019	(28)	4,991	40,130	35,905
Australian Pharmaceutical Industries Limited(i)	19.3	19.3	10,351	(1,063)	9,288	9,669	(355)	9,314	131,412	131,954
Brickworks Limited(i)	43.8	43.9	54,710	27,181	81,891	44,518	(4,012)	40,506	531,234	459,932
Pengana Capital Group Limited(ii)	38.6	39.2	3,058	(8,566)	(5,508)	4,799	(2,061)	2,738	59,742	115,679
TPG Telecom Limited	25.3	25.3	95,044	(51,136)	43,908	109,033	(8,998)	100,035	732,177	706,311
Palla Pharma Limited (formerly TPI Enterprises Limited)	19.9	19.9	(1,250)	10	(1,240)	(1,431)	(807)	(2,238)	21,352	20,705
Other Associates	various	various	3,642	(3,459)	183	6,671	(356)	6,315	87,563	46,639
Total			**171,472**	**(37,129)**	**134,343**	**178,278**	**(16,617)**	**161,661**	**1,603,610**	**1,517,125**
Gain on de-recognition of associates, net of tax			–	–	–	–	50,641	50,641		
Net gain on deemed disposal of equity accounted associates, net of tax			–	1,345	1,345	–	190	190		
Deferred tax expense recognised on equity accounted associates			–	(13,632)	(13,632)	–	(39,198)	(39,198)		
Net impairment expense of associates			–	(34,807)	(34,807)	–	(16,545)	(16,545)		
Total non-regular items from equity accounted associates			**–**	**(47,094)**	**(47,094)**	**–**	**(4,912)**	**(4,912)**		
Net contribution from equity accounted associates			**171,472**	**(84,223)**	**87,249**	**178,278**	**(21,529)**	**156,749**		

* *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.*
*** *Equity accounted carrying amount is the carrying value of the associates in the consolidated statement of financial position.*

(i) During the current year, Apex Healthcare Berhad, Australian Pharmaceutical Industries Limited and Brickworks Limited issued shares by way of employee share scheme. The Parent Entity did not participate in the share issues. As a result, there has been a change in the Group's shareholding in each of these investments.

(ii) During the current year, Pengana Capital Group Limited issued shares under its Loan Share Plan and as consideration for the acquisition of PT Private Capital Pty Limited. The Parent Entity did not participate in the shares issues. As a result, the shareholding in this investment has reduced by 0.6% to 38.6%.

Key judgements and estimates

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. Refer to note 20 for more details.

Accounting for Our Investments

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NOTE 12
EQUITY ACCOUNTED ASSOCIATES (continued)

	2019 $'000	2018 $'000
c) Group's share of associates' expenditure commitments		
Capital commitments	80,783	49,641
Lease commitments	113,760	117,332

	2019 $'000	2018 $'000
d) Group's share of associates' contingent liabilities		
Share of contingent liabilities incurred jointly with other investors of the associate	16,011	19,182

	2019 $'000	2018 $'000
e) Summarised Group's share of associates financial information		
Assets	2,919,135	3,095,207
Liabilities	(1,102,816)	(1,238,513)
Net assets	1,816,319	1,856,694
Revenue	2,015,107	1,995,301
Profit before income tax	173,078	227,051
Income tax expense	(38,735)	(65,390)
Profit after income tax	134,343	161,661

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	
	2019 $'000	**2018 (restated)** $'000	**2019** $'000	**2018 (restated)** $'000
Current assets	495,024	368,473	213,200	231,800
Non-current assets	1,385,888	1,236,615	5,099,600	5,158,500
Current liabilities	(261,798)	(177,655)	(895,600)	(885,300)
Non-current liabilities	(461,078)	(417,482)	(1,529,900)	(1,720,800)
Net assets	**1,158,036**	**1,009,951**	**2,887,300**	**2,784,200**
Group's percentage holding	**43.8%**	**43.9%**	**25.3%**	**25.3%**
Group's share of total net assets	507,568	443,772	729,428	703,289
Goodwill	23,666	16,160	2,749	3,022
Equity accounted carrying value	**531,234**	**459,932**	**732,177**	**706,311**
Revenue	918,695	785,238	2,477,400	2,496,100
Profit after tax attributable to members	154,642	175,442	173,800	396,400
Other comprehensive income	2,646	(530)	(37,100)	7,300
Total comprehensive income	**157,288**	**174,912**	**136,700**	**403,700**
Dividends received by the Parent Entity from the associate	**36,105**	**34,135**	**9,376**	***9,321**

* *The Parent Entity participated in the TPG Telecom Limited dividend reinvestment plan (non-cash transaction) during 2018.*

Accounting for Our Investments

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NOTE 13
TRADING EQUITIES

Accounting policy – Trading equities

Trading equities are initially recognised at fair value and any transaction costs are immediately expensed. These equities are principally held for the purpose of selling in the short to medium term.

Recognition
Purchase or sales of trading equities are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Classification
Trading equities are classified as financial assets at fair value through profit or loss and are included in current assets.

Subsequent measurement
At each balance date, trading equities are remeasured to fair value. Gains or losses arising from changes in the fair value of trading equities are recognised in the profit or loss within other income in the period in which they arise.

Derecognition
Trading equities are derecognised on trade date and when the rights to receive cash flows from the investments have expired or have been sold and the Group has transferred substantially all the risks and rewards of ownership.

	2019 $'000	2018 $'000
Current assets		
Trading equities – listed	60,950	60,902
Trading equities – unlisted	16,198	9,028
Total trading equities	**77,148**	**69,930**

Fair value and price risk

Information regarding the Group's exposure to price risk is set out in note 23 and fair value classification is set out in note 24.

The Group has used the following valuation techniques: market approach, income approach, cost approach and net asset approach to determine the fair value of unlisted equity investments. Refer to note 24 for details of these valuation techniques.

Listed and unlisted trading equities
Represents equities held by the Parent Entity.

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NOTE 14
LONG TERM EQUITY INVESTMENTS

Accounting policy – 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.

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

Classification
Long term equity investments are classified as financial assets at fair value through other comprehensive income.

Subsequent measurement
At each balance date, long term equity investments are remeasured to fair value. 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.

Derecognition
Equity investments are derecognised on trade date and when the rights to receive cash flows from the equity investments have expired or have been sold 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 Capital gains reserve in equity.

	2019 $'000	2018 $'000
Non-current assets		
Long term equity investments – listed (refer to note 14a)	753,966	720,297
Long term equity investments – unlisted	31,169	12,001
Total long term equity investments	**785,135**	**732,298**
Dividends		
Dividends from long term equity investments held at FVOCI recognised in profit or loss in other income:		
Related to investments sold during the year	1,920	673
Related to investments held at the end of the year	31,435	26,151
Total Dividends	**33,355**	**26,824**

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

Long term equity investments with a fair value of $30 million (2018: $nil) have been transferred to the Parent Entity's bank as security for the $30 million equity finance loan. As the Parent Entity retains the risks and benefits of ownership of the transferred long term equity investments, including the right to receive dividends, these long term equity investments continue to be included as an asset in the consolidated statement of financial position.

b) Fair value and price risk

Information regarding the Group's exposure to price risk is set out in note 23 and fair value classification is set out in note 24.

The Group has used the following valuation techniques: market approach, income approach, cost approach and net asset approach to determine the fair value of unlisted long term equity investments. Refer to note 24 for details of these valuation techniques.

Long term equity investments
At 31 July 2019, the Parent Entity held $758.780 million (2018: $630.213 million) of the consolidated balance.

Accounting for Our Investments

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NOTE 15
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.

Recognition

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).

Classification

Investment properties are classified as non-current assets at fair value. Changes in fair value are recognised as gains or losses in the profit or loss as part of 'Other income'.

Subsequent Measurement

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.

Derecognition

On disposal of an investment property, a gain or loss is recognised in the profit or loss 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.

	2019 $'000	2018 $'000
Non-current assets		
Investment properties		
Industrial property	33,734	33,716
Commercial property	72,547	72,428
Property under development	–	52,110
Total investment properties	**106,281**	**158,254**
Reconciliation		
Opening balance at 1 August	158,254	165,016
Disposals	(85,756)	(25,454)
Capitalised costs	26,321	13,007
Property transferred from property, plant and equipment	–	3,757
Property transferred to property, plant and equipment	–	(669)
Variation of a lease	–	2,650
Net fair value gain on investment properties	7,655	–
Movement in tenant incentives, 'make good' contributions, contracted rent uplift balance and leasing fee asset	(193)	(53)
Closing balance at 31 July	**106,281**	**158,254**

During the year, the Group sold two investment properties for a total of $100.068 million. The Parent Entity holds a 50.1% interest in these properties, with URB Investments Limited (ASX: URB) holding 49.9%. These properties are all located within the greater Sydney area.

In the prior year, the Group sold its 100% owned Sydney metropolitan commercial property for $29.059 million.

a) Amounts recognised in the profit or loss for investment properties

	2019 $'000	2018 $'000
Rental income	8,674	7,058
Direct operating expenses from property that generated rental income	4,532	4,588
Direct operating expenses from property that did not generate income	–	1,102

Operating expenses for property that generated income includes finance costs of $688,000 (2018: $1,006,000).

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.

The fair value hierarchy, as discussed in note 24 to this report, provides an indication about the reliability of the inputs used in determining fair value. All investment properties have been categorised within the Level 3 fair value basis as some of the inputs required to value property are not based on 'observable market data'.

c) Non-current assets pledged as security

As at 31 July 2019, $26.848 million (2018: $72.427 million) of the Group's investment property was pledged as security. Refer to note 26 for information on non-current assets pledged as security by the Group.

d) Leasing arrangements

	2019 $'000	2018 $'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	4,678	6,160
Later than one year but not later than five years	6,716	8,992
Later than five years	2,069	3,677
	13,463	18,829

Key judgements and estimates

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

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

Accounting for Our Investments

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NOTE 16
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.

	2019 $'000	2018 $'000
Current assets		
Term deposits	1,470	206,044

Term deposits are held to their maturity of less than one year and carry a weighted average interest rate of 2.2% per annum (2018: 2.55%).

At 31 July 2019, Round Oak Minerals Pty Limited, a subsidiary, held $1.470 million (2018: $1.044 million) of the consolidated balance. At 31 July 2018, New Hope Corporation Limited held $205 million (2019: $nil) of the consolidated balance.

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NOTE 17
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 consolidated statement of financial position.

	2019 $'000	2018 $'000
Current assets		
Cash at bank and on deposit	125,445	337,933

Cash at bank and on deposit attracts variable interest at rates between 0% and 1.85% per annum (2018: 0% and 1.85%).

Cash at bank in the consolidated statement of financial position at reporting date includes cash held by the Parent Entity and its subsidiaries. At 31 July 2019, the Parent Entity held $38.830 million (2018: $41.946 million) and New Hope Corporation Limited held $58.827 million (2018: $274.975 million) of the consolidated balance.

Reconciliation of profit after income tax to net cash inflow from operating activities	2019 $'000	2018 $'000
Profit after tax for the year	359,489	335,300
Adjustments for non-cash items:		
Depreciation and amortisation	162,949	98,694
Amortisation of transaction costs	1,384	–
Gain from discontinued operations	(220)	–
Gain on deemed disposal of equity accounted associates	(1,921)	(272)
Gain on derecognition of equity accounted associates	–	(72,247)
Gain on revaluation of investment property	(7,655)	–
Gain on sale of long term equity investments	–	(22,687)
Gain on sale of investment property	(6,657)	(3,195)
Impairment charges	60,450	154,436
(Gain)/loss on trading equities fair valued through profit or loss	(6,700)	1,003
Net foreign exchange (gain)	(1,283)	(9,343)
Net (gain)/loss on sale of non-current assets	(90,641)	769
Non-cash in-specie dividend	(3,592)	–
Non-cash share based payments	2,820	1,880
Share of profits of associates not received as dividends or distributions	(75,272)	(105,326)
Other non-cash items	5,181	2,462
Changes in operating assets and liabilities, net of effects from purchase and sales of businesses:		
Decrease/(increase) in trade debtors, other debtors and prepayments	19,718	(28,598)
(Increase)/decrease in inventory	(1,763)	5,325
(Decrease)/increase in trade creditors and accruals	(1,282)	18,178
Increase in employee entitlements, other liabilities and provisions	6,619	36,036
Decrease in current tax asset	–	13,024
(Decrease)/increase in current tax payable	(71,857)	52,267
Increase/(decrease) in deferred tax liability	1,337	(8,893)
Decrease in deferred tax asset	14,898	38,747
Net cash inflow from operating activities	366,002	507,560

Revenue and Expenses

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NOTE 18
REVENUE

Accounting policy – Revenue

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with the customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct goods and service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services performed.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved.

The Group recognises revenue from sales from contracts with customers as follows:

- Coal sales revenue is recognised at a point in time when control of the products have been transferred to the customer in accordance with the sales terms, in this instance when the risks and benefits of ownership has transferred. The legal title, risks and rewards, and therefore the fulfilment of performance obligations normally occurs at the time of loading the shipment for export sales, and generally at the time the coal is delivered to the customer for domestic sales.
- Oil sales revenue is recognised at the point in time when control of the products have been transferred to the customer in accordance with the sales terms, in this instance when the risks and benefits of ownership have transferred. This is normally when the oil is delivered to the customer.
- Copper, zinc, silver and gold sales revenue is initially recognised at estimated sales value when the control and the risks of ownership of the product are passed to the customer. Adjustments are made for changes in commodity prices, assays, weight and currency between the time of the sale and the time of the final settlement of sales proceeds.
- 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.
- Rental income is recognised on a straight-line basis over the lease term.
- Service fee income, including consulting and management fee income, is recognised as revenue over time as the services are performed.

Other revenue
- Interest revenue 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 subsidiaries and associates are included in consolidated profit, dividends from subsidiaries and associates are not included in consolidated revenue.

From continuing operations	2019 $'000	Restated *2018 $'000
Revenue from contracts with customers		
Revenue from sale of goods	1,509,588	1,090,445
Revenue from provisional pricing adjustments	5,041	7,496
Rental revenue	9,901	8,904
Revenue from services	32,044	22,222
Total revenue from contracts with customers	**1,556,574**	**1,129,067**
Other revenue		
Dividend and distribution revenue	36,838	28,789
Interest revenue	16,261	9,780
Other	6,215	7,112
Total other revenue	**59,314**	**45,681**
Revenue from continuing operations	**1,615,888**	**1,174,748**

* *Comparative figures have been restated to present the impact of the discontinued operations (as outlined in note 8) as well as other reclassifications to better reflect the disclosures in the current year.*

Revenue from contracts with customers

a) Disaggregation of revenue

The Group presented disaggregated revenue based on what each major strategic investment provided to customers and the timing of transfer of goods and services.

	New Hope Corporation Limited $'000	Other Investing activities $'000	Round Oak Minerals Pty Limited $'000	2019 Total $'000
Major product lines				
Coal, oil and gas	1,281,235	–	–	1,281,235
Copper, gold and zinc	–	–	133,016	133,016
Other goods and services	13,565	128,758	–	142,323
Total revenue from contracts with customers	**1,294,800**	**128,758**	**133,016**	**1,556,574**
Other revenue	11,629	47,563	122	59,314
Total revenue from continuing operations	**1,306,429**	**176,321**	**133,138**	**1,615,888**
Total revenue from contracts with customers by geographical regions				
Australia	81,786	128,758	30,417	240,961
Asia	1,213,014	–	102,599	1,315,613
Total revenue from contracts with customers	**1,294,800**	**128,758**	**133,016**	**1,556,574**
Timing of revenue recognition from contracts with customers				
Goods and services transferred at a point in time	1,281,235	118,397	133,016	1,532,648
Goods and services transferred over time	13,565	10,361	–	23,926
Total revenue from contracts with customers	**1,294,800**	**128,758**	**133,016**	**1,556,574**

Major product lines
Revenue from contracts with customers come from the sale of coal, oil, gas, copper, zinc, silver, gold, properties and the provision of management and consulting services.

Major customer
Included within revenue from the sale of coal, oil and gas is one customer that represents more than 10% of the Group's total revenue. During the year, one customer contributed $189.013 million (2018: $210.390 million) of the Group's external revenue.

Revenue and Expenses

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NOTE 19
OTHER INCOME

Accounting policies – Other income

Other income includes gains or losses made on:

- changes in fair value for certain assets including trading equities, investment property and where an equity accounted associate becomes an equity investment.
- the sale of an asset including the sale of trading equities, investment property and equity accounted associates. The gain or loss is calculated as the difference between the proceeds received and the carrying value of the asset; and
- deemed disposals of equity accounted associates. This occurs when the Group's percentage holding in an associate decreases but there has not been a loss of significant influence. The Group continues to equity account the associate.

	2019 $'000	Restated *2018 $'000
Reclassification adjustment on sale of long term equity investments[i]	–	22,687
Gain on sale of property, plant and equipment	90,641	–
Gain on deemed disposals of equity accounted associates	1,921	272
Gain on de–recognition of equity accounted associates	–	72,247
Gain/(loss) on trading equities fair valued through profit or loss	6,700	(1,003)
Gain on revaluation of investment property	7,655	–
Gain on sale of investment property	6,657	3,195
Insurance recovery	3,264	298
Other items	571	892
Total other income	**117,409**	**98,588**

* *Comparative figures have been restated to present the impact of the discontinued operations as outlined in note 8 as well as other reclassifications to better reflect the disclosures in the current year.*

(i) From 1 August 2018, under AASB 9, the realised gain or loss on the sales of long term equity investments are recognised in capital gains reserves in equity.

In the prior year and in accordance with AASB 139, the realised gain or loss on sale of long term equity investments were calculated as the difference between the proceeds received and the carrying value of the assets and any fair value changes that have previously been recognised in equity (through reserves). As these amounts have not previously been recognised in the profit or loss, they are included in profit or loss as a reclassification adjustment when the long term equity investment is sold.

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NOTE 20
EXPENSES

Accounting policies – Expenses

Depreciation and amortisation

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

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

Impairment

Impairment charges are non-cash expenses and are recognised when the carrying value of an asset or group of assets exceeds its recoverable amount 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 profit or loss 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 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 profit or loss.

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, superannuation 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 is 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 29 for discussion on the criteria.

Revenue and Expenses

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NOTE 20
EXPENSES (continued)

	2019 $'000	Restated *2018 $'000
Profit before income tax from continuing operations includes the following specific expenses:		
Depreciation		
Buildings	2,255	1,555
Plant and equipment	60,694	51,079
Total depreciation	**62,949**	**52,634**
Amortisation		
Mining reserves and mine development	88,747	35,664
Intangible assets	3,280	2,360
Oil producing assets	7,885	7,961
Lease incentive and leasing fee assets	88	75
Total amortisation	**100,000**	**46,060**
Impairment charges/(reversals)		
Equity accounted associates(i)	34,807	16,545
Long term equity investments(ii)	–	5,889
Plant and equipment(iii)	24,209	570
Coal exploration and evaluation assets(iv)	–	91,761
Other assets	1,434	(857)
Total impairment charges/(reversals)	**60,450**	**113,908**
Operating lease costs expensed	**20,656**	**14,706**
Employee benefits expense(v)	**231,140**	**148,732**
Exploration costs expensed(vi)	**16,009**	**13,561**
Onerous contract and other liquidation related expenses(vii)	**21,675**	**14,976**

* *Comparative figures have been restated to present the impact of the discontinued operations as outlined in note 8 as well as other reclassifications to better reflect the disclosures in the current year.*

Key estimate

Recoverable value
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.

i) Impairment of equity accounted associates
The recoverable amount of investments in equity accounted associates has been assessed as at 31 July 2019. Where the carrying value of an investment exceeded the recoverable amount, the investment has been impaired. At each reporting date, an assessment is made as to whether there are any circumstances that would indicate that the impairment recognised has decreased or no longer exists. Where evidence supports a reduction in the impairment, the impairment expense may be reversed through the profit or loss. During the year, an impairment expense of $46.519 million was recognised on the investment in Pengana Capital Group Limited and reversal of impairment of $9.915 million and $1.797 million were recognised for Verdant Minerals Limited and Palla Pharma Limited (formerly TPI Enterprises Limited) respectively.

ii) Impairment of long term equity investments
From 1 August 2018, under AASB 9, these long term equity investments are classified as FVOCI investments by way of an irrevocable election. Any fair value adjustment recognised will be transferred to the asset revaluation reserve and no longer will be recognised in the profit or loss. Any realised gain or loss on disposal will be transferred from the asset revaluation reserve to the capital gains reserve within equity.

In the prior year and in accordance with AASB 139, a 'prolonged decline in the fair value of an investment in an equity instrument below its cost is objective evidence of impairment.' Where a long term equity investment's last sale price is lower than the original cost, and the investment is considered to be 'impaired', the Group had recognised an impairment expense in respect of these investments in the profit or loss. In 2018, $5.889 million impairment expenses were recognised by the Group in the profit or loss.

iii) Impairment of property, plant and equipment (including mine development costs)
An impairment loss on property, plant and equipment (including mine development costs) is recognised for the amount by which the asset's carrying values 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 purpose 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). At each reporting date, an assessment is undertaken to determine if there are any circumstances that would indicate that an asset had been impaired. During the year, an impairment expense of $24.209 million was recognised on mine development costs in Round Oak Minerals Pty Limited.

iv) Impairment of coal exploration and evaluation assets
In the prior year, New Hope Corporation Limited determined that an indicator of impairment existed as at balance date in respect of the Colton Coal Pty Limited (Colton) exploration project. The indicator arose from recently increased charges associated with access to Wiggins Island Coal Export Terminal (WICET) which were materially higher than those previously forecast and ongoing work regarding the assessment of Joint Ore Reserves Committee (JORC) reserves position of this asset. As a result, an impairment test was undertaken and an impairment of $92.331 million (restated in the current year from $132.290 million due to discontinued operations reclassification) was recognised in the prior year.

v) Employee benefits expense
Employee benefits expense represents expenses paid to all employees within the Group. This amount includes $185.559 million (2018: $132.82 million) paid to employees of New Hope Corporation Limited and $42.936 million (2018: $2.821 million) paid to employees of Round Oak Minerals Pty Limited. Employee benefits expense includes superannuation expenses of $15.364 million (2018: $10.072 million).

vi) Exploration costs expensed
These amounts relate to New Hope Corporation Limited and Round Oak Minerals Pty Limited exploration costs expensed.

vii) Onerous contract and other liquidation related expenses
These amounts relate to New Hope Corporation Limited future handling charges arising from an onerous contract and liquidation related expenses.

Taxation

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NOTE 21
INCOME TAX EXPENSE

Accounting policy – Income tax expense

The income tax expense or benefit for the year represents the tax payable on the current year'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 profit or loss.

Tax consolidation legislation

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

Subsidaries 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.

	2019 $'000	Restated *2018 $'000
a) Income tax expense comprises:		
Current income tax expense		
Current year	97,947	95,888
Adjustments in respect of prior years	924	17,735
(Over) provision in prior year	(990)	–
Deferred income tax expense		
Relating to the origination and reversal of temporary differences	17,316	10,897
Income tax expense recognised in the profit or loss	**115,197**	**124,520**
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(21,861)	(1,716)
Increase in deferred tax liabilities	39,177	12,613
	17,316	**10,897**

* *Comparative figures have been restated to present the impacts of the discontinued operations (as outlined in note 8) as well as other reclassifications on the consolidated statement of comprehensive Income to better reflect the disclosures in the current year.*

	2019 $'000	Restated *2018 $'000
b) Reconciliation of prima facie tax expense to income tax expense:		
Profit before income tax expense from continuing operations	474,466	513,621
Profit/(loss) before income tax expense from discontinued operations	220	(53,801)
	474,686	**459,820**
Tax at the Australian tax rate of 30% (2018: 30%)	142,406	137,946
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Sale of long term equity investments	–	(2,204)
Net impairment expense	18,135	5,219
Franking credits received (excluding subsidiary and associate entities)	(8,455)	(7,337)
Tax benefit on the carrying value of equity accounted associates	(26,671)	(9,302)
(Over) provision for income tax	(9,633)	–
Other	(585)	198
Total income tax expense	**115,197**	**124,520**
Effective tax rates:	24.3%	27.1%
Income tax expense is attributable to:		
Profit from continuing operations	115,197	140,490
Loss from discontinued operations	–	(15,970)
	115,197	124,520
c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the year and not recognised in net profit or loss but directly charged or credited to equity		
Decrease to deferred tax assets	1,770	44,371
Increase/(decrease) to deferred tax liabilities	12,987	(6,133)
Net deferred tax charged directly to equity	**14,757**	**38,238**
d) Unrecognised deferred tax assets		
Relating to the tax consolidated groups of		
Washington H. Soul Pattinson and Company Limited	38,435	45,810
New Hope Corporation Limited	12,697	178,008
Total unrecognised deferred tax assets	**51,132**	**223,818**
Potential tax benefit at 30%	**15,340**	**67,145**

* *Comparative figures have been restated to present the impacts of the discontinued operations (as outlined in note 8) as well as other reclassifications on the consolidated statement of comprehensive Income to better reflect the disclosures in the current year.*

Taxation

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NOTE 22
DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Accounting policy – Deferred tax assets and deferred tax liabilities

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

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

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

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

	2019 $'000	2018 $'000
Deferred tax assets comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Provisions	106,009	58,612
Accrued expenses	98	3,544
Impairment losses	19,219	16,331
Capitalised exploration	2,702	9,192
Property, plant and equipment	5,566	6,264
Tax value of losses carried-forward	22,949	23,732
Other	2,896	10,721
	159,439	**128,396**
Amounts recognised in equity:		
Long term equity investments	3,290	1,306
Share issue costs	10	10
	3,300	**1,316**
Total deferred tax assets	162,739	129,712
Set-off of deferred tax liabilities pursuant to set-off provisions	(106,070)	(58,145)
Net deferred tax assets	**56,669**	**71,567**
Movements:		
Opening balance at 1 August	129,712	165,005
Credited to profit or loss	21,861	1,716
Charged to equity	(1,770)	(44,371)
Additions through business combinations	12,936	7,362
Closing balance at 31 July	**162,739**	**129,712**

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 respectively, 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.

	2019 $'000	2018 $'000
Deferred tax liabilities comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	12,575	793
Inventories	7,300	5,475
Capitalised exploration	62,030	60,949
Investment	264,557	280,886
Other	6,152	1,049
	352,614	**349,152**
Amounts recognised in equity:		
Long term equity investments	97,492	67,909
Property, plant and equipment	77,225	42,484
Other investments	1,184	3,870
	175,901	**114,263**
Total deferred tax liabilities	528,515	463,415
Set-off of deferred tax liabilities pursuant to set-off provisions	(106,070)	(58,145)
Net deferred tax liabilities	**422,445**	**405,270**
Movements:		
Opening balance at 1 August	463,415	453,311
Charged to profit or loss	39,177	12,613
Credited to equity	12,987	(6,133)
Amounts recognised on acquisition of businesses	12,936	3,624
Closing balance at 31 July	**528,515**	**463,415**

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

Risk Management

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NOTE 23
FINANCIAL RISK MANAGEMENT

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

Risk management is carried out in accordance with written policies approved by the Board of Directors. These written 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:

Financial assets	Fair value through Other Comprehensive Income $'000	Hedging Derivatives $'000	Amortised cost $'000	Fair Value through Profit or Loss $'000	Total $'000
2019					
Cash and cash equivalents	–	–	125,445	–	125,445
Term deposits	–	–	1,470	–	1,470
Loans and receivables	–	–	181,561	19,285	200,846
Trading equities	–	–	–	77,148	77,148
Long term equity investments	785,135	–	–	–	785,135
Equity accounted associates	–	–	1,603,610	–	1,603,610
Derivatives financial instruments	–	190	–	–	190
Total financial assets	**785,135**	**190**	**1,912,086**	**96,433**	**2,793,844**
2018					
Cash and cash equivalents	–	–	337,933	–	337,933
Term deposits	–	–	206,044	–	206,044
Loans and receivables	–	–	146,683	38,565	185,248
Trading equities	–	–	–	69,930	69,930
Long term equity investments	749,869	–	–	–	749,869
Equity accounted associates	–	–	1,517,125	–	1,517,125
Total financial assets	**749,869**	**–**	**2,207,785**	**108,495**	**3,066,149**

Financial liabilities	Fair value through Other Comprehensive Income $'000	Hedging Derivatives $'000	Amortised cost $'000	Fair Value through Profit or Loss $'000	Total $'000
2019					
Trade and other payables	–	–	175,454	–	175,454
Derivative financial instruments	–	10,774	–	–	10,774
Interest bearing liabilities	–	–	394,948	–	394,948
Lease liabilities	–	–	7,802	–	7,802
Total financial liabilities	**–**	**10,774**	**578,204**	**–**	**588,978**
2018					
Trade and other payables	–	–	161,554	–	161,554
Derivative financial instruments	–	3,353	–	–	3,353
Interest bearing liabilities	–	–	34,825	–	34,825
Lease liabilities	–	–	10,232	–	10,232
Total financial liabilities	**–**	**3,353**	**206,611**	**–**	**209,964**

a) Market risk

i. Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised asset and liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from currency exposures to the US dollar through its subsidiaries, New Hope Corporation Limited and Round Oak Minerals Pty Limited.

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

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

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

	2019 USD $'000	2018 USD $'000
US dollar exposure		
Cash and cash equivalents	19,620	6,127
Trade receivables	37,671	52,391
Trade payables	1,794	1,363
Forward exchange contracts – sell foreign currency (cash flow hedge)	503,000	201,600

ii. Commodity hedge risk

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

Refer to note 25 for more details on forward commodity price hedge contracts.

Risk Management

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NOTE 23
FINANCIAL RISK MANAGEMENT (continued)

Sensitivity analysis

Based on the cash, trade receivables and trade payables held at 31 July 2019, 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 $6.262 million/($5.123 million) (2018: $4.957 million/ ($5.919 million)), mainly as a result of foreign exchange gains/(losses) on translation of US dollar receivables and cash balances as detailed in the above table. The Group's equity as at balance date would have increased/ (decreased) by the same amounts.

Based on the forward exchange contracts held at 31 July 2019, 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 $79.647 million/($65.239 million) (2018: $24.406 million/($29.821 million)). There is no effect on post-tax profits.

iii. Price risk

The Parent Entity 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 for capital growth and dividend income are classified in the consolidated statement of financial position as long term equity investments. As the market value of individual equities fluctuate, the fair value of the portfolio changes. Fair value adjustments are recognised in the asset revaluation reserve within equity.

Investments held principally for the purpose of selling in the short to medium term are classified in the consolidated 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 profit or loss.

Investments in associates are not carried at fair value in the consolidated 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 profit or loss, 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% increase/(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 profit or loss where Directors consider the investment to be impaired. For long term equity investments, a 5% increase/(decrease) in market values would have no impact on the profit or loss as all fair value movements are recognised directly in equity.

	Impact to post-tax profit		Impact on reserves	
	2019 $'000	**2018** $'000	**2019** $'000	**2018** $'000
Trading equities	(2,133)	(2,132)	–	–
Long term equity investments	–	–	(26,412)	(24,963)
	(2,133)	**(2,132)**	**(26,412)**	**(24,963)**

iv. Fair value interest rate risk

Refer to note 23e below.

b) Credit risk

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

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, long term equity investments provided to the bank as security for short term debt, as well as credit exposure to export and domestic customers, including outstanding receivables and committed transactions.

The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The majority of customers, both export and domestic, have long term relationship with the Group and sales are secured with long term supply contracts. Sales are secured by letters of credit when deemed appropriate.

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 26c). Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

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

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

	2019 $'000	**2018** $'000
Cash and cash equivalents	125,445	337,933
Term deposits	1,470	206,044
Trade and other receivables	200,846	185,248
Derivative financial instruments	190	–
Long term equity investments*	30,000	–
	357,951	**729,225**

* *The long term equity investments balance as stated above represents amounts that bank holds as security against short term debt. Refer note 26.*

The trade and other receivables balances as stated above reflect the recoverable value and are net of any impairments or allowance for expected credit loss. Refer note 31 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 manages liquidity risk by continually monitoring forecast and actual cashflows and matching maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

Financing arrangements

Details of existing financial arrangements are set out in note 26.

Risk Management

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NOTE 23
FINANCIAL RISK MANAGEMENT (continued)

d) Maturity of financial liabilities

The Group has trade and other payables that are payable within 12 months and greater than 12 months. Trade and other payables classified as current are predominately trade payables which are generally due or paid within 45 days of invoice date. Trade and other payables classified as non-current relate to the purchase consideration for business acquisitions during the current and prior year and are due to be settled within the next two years. This non-current balance is calculated using the present value of the future expected cash flows. Details of non-current trade payables are set out in note 33.

The Group's interest-bearing liabilities comprise finance leases payable over a period of two and four years is set out in note 26b.

New Hope Corporation Limited's secured borrowings as outlined in note 26 are an amortising facility reducing by $30 million six monthly with any final balance up to $330 million at the end of the facility term being payable in the two to five year period.

The Parent Entity utilises short term bank financing. The balance at year-end was $30 million (2018: $nil). The outstanding debt can be repaid by providing 30 days notice.

A property trust of the Parent Entity has a $12.0 million bank loan facility for a commercial property in Penrith. The balance at year end was $12 million (2018: $12 million). This outstanding loan facility is due to be repaid in 2 years.

The Group's maturity analysis for derivative financial instruments is set out in note 25.

e) Cash flow and fair value interest rate risk

The Group may from time to time have significant interest-bearing assets which are placed with reputable financial institutions for up to 12 months. The Group has treasury investment policies approved by each of the relevant entity's Board which stipulates the maximum exposure to each financial institution. Significant changes in market interest rates may have an effect on the Group's profit or loss and operating cash flows. Cash flow interest rate risk is managed by placing excess funds in at call deposits, term deposits and other fixed interest bearing assets. Refer to notes 16 and 17 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 $0.888 million (2018: $3.808 million). This scenario assumes all cash and term deposits at balance date continue to remain invested for the whole year.

The Parent Entity utilises short term bank financing. The balance at year-end was $30 million (2018:$nil). The debt is exposed to variable interest rates. Interest rate risk is minimised as the outstanding debt can be repaid by providing 30 day notice.

f) Climate related risk

Climate risk is a risk for the Group. The impacts of climate change have the potential to affect the value of assets and liabilities of the Group, in particular the carrying value of its investments in mining, natural resources and significant energy users. These impacts include long-term changes in climatic conditions, extreme weather events, and the action taken by governments, regulators or society more generally to transition to a low carbon economy. A key step in due diligence of the Group's investments is the assessment of potential transactions for environmental, social and governance (ESG) risks, including climate risk, through our Sustainable Investment Policy and Climate Risk Policy. Significant new investments are evaluated through the Group's compulsory ESG risk assessment process. The risk of climate change is assessed at origination and continues after an investment is made through the on-going investment review process. Exposures with medium or high risk profile are subject to additional due diligence and heightened consideration and assessment. As at 31 July 2019, the Directors considered climate related risk in the preparation of the financial statements.

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NOTE 24
FAIR VALUE ESTIMATION

Accounting policy – Fair value estimation

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets and financial liabilities held by the Group 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 expected credit losses of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Fair value hierarchy

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

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

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 and liabilities measured and recognisd at fair value as at 31 July 2019 and 31 July 2018.

Consolidated 2019	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets					
Trading equities*	13	60,950	–	16,198	**77,148**
Long term equity investments**	14	753,966	–	31,169	**785,135**
Derivatives financial instruments	25	–	190	–	**190**
Non-financial assets					
Investment properties	15	–	–	106,281	**106,281**
Total assets		**814,916**	**190**	**153,648**	**968,754**
Financial liabilities					
Derivatives financial instruments	25	–	10,774	–	**10,774**
Total liabilities		**–**	**10,774**	**–**	**10,774**

* *From 1 August 2018, financial assets referred to as Trading equities have been accounted for as financial assets classified as Fair Value through Profit or Loss financial assets in accordance with AASB 9 Financial Instruments (refer note 3(a)(ii)).*

** *From 1 August 2018, financial assets referred to as Long term equity investments have been accounted for as financial assets classified as Fair Value through Other Comprehensive Income financial assets in accordance with AASB 9 Financial Instruments (refer note 3(a)(ii)).*

Risk Management

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NOTE 24
FAIR VALUE ESTIMATION (continued)

Consolidated 2018	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets					
Trading equities	13	60,902	–	9,028	**69,930**
Long term equity investments	14	720,327	–	11,971	**732,298**
Other financial asset		–	–	17,571	**17,571**
Non-financial assets					
Investment properties	15	–	–	158,254	**158,254**
Total assets		**781,229**	**–**	**196,824**	**978,053**
Financial liabilities					
Derivatives financial instruments	25	–	3,353	–	**3,353**
Total liabilities		**–**	**3,353**	**–**	**3,353**

Valuation techniques

Listed equities
The fair value of listed equities 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 equities
In the absence of an active market for unlisted equities, the Parent Entity selects and uses one or more valuation techniques to measure the fair value of these unlisted equities. The Parent Entity selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value.

The following valuation techniques are used by the Parent Entity:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets including ongoing discussions with potential purchasers.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset as its current service capacity.
- Net asset approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets including ongoing discussions with potential purchasers.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including the assumptions about risk. When selecting a valuation technique, the Parent Entity gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the change in level 3 items for the year ended 31 July 2019 and 31 July 2018:

	Trading equities $'000	Long term equity investments $'000	Investment properties $'000	Total $'000
Opening balance 1 August 2017	14,484	4,987	165,016	**184,487**
Acquisitions	2,588	17,566	13,007	**33,161**
Disposals	(7,703)	(4,982)	(25,454)	**(38,139)**
Transfer from Equity accounted associates	–	11,971	–	**11,971**
Transfer from Property, plant and equipment	–	–	3,757	**3,757**
(Losses)/gains recognised in other income	(341)	–	1,928	**1,587**
Closing balance 31 July 2018	**9,028**	**29,542**	**158,254**	**196,824**
Acquisitions	4,620	13,884	26,321	**44,825**
Disposals	(2,038)	–	(85,756)	**(87,794)**
Transfer to Equity accounted associates	–	(12,257)	–	**(12,257)**
Gain recognised in other income	4,588	–	7,462	**12,050**
Closing balance 31 July 2019	**16,198**	**31,169**	**106,281**	**153,648**

Refer to note 15b for further details on the valuation techniques used for investment properties.

Risk Management

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NOTE 25
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).

At the inception of the transaction, the Group documents 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 profit or loss.

Amounts accumulated in equity are recycled in the profit or loss 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 or losses previously deferred in equity are transferred from equity and included in the measurement of the initial carrying amount of the asset or liability.

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

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

	2019 $'000	2018 $'000
Non-current assets		
Forward foreign exchange contracts	190	–
Current liabilities		
Forward foreign exchange contracts	10,774	1,827
Interest rate swap	–	9
Forward commodity price hedge contracts	–	1,517
	10,774	**3,353**

Derivative contracts are held by New Hope Corporation Limited in the normal course of business in order to hedge exposure to fluctuations in foreign currency exchange rates and commodity prices.

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

Fair value measurement

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

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

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

Credit risk exposures of derivative financial instruments

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. A material exposure arises from forward exchange contracts and the New Hope Corporation Limited Group is exposed to losses in the event that counterparties fail to deliver the contracted amount. At balance date $714.946 million (2018: $269.101 million) was receivable relating to forward foreign exchange contracts and $nil (2018: $44.114 million) relating to forward price hedge contracts (AUD equivalents). Refer to note 23 for additional information.

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

	Sell US dollars Buy Australian dollars		Average exchange rate	
	2019 $'000	2018 $'000	2019 USD:AUD	2018 USD:AUD
Maturity				
0 to 6 months	365,570	183,219	0.7057	0.7510
6 to 12 months	311,894	85,882	0.7022	0.7452
12 to 18 months	37,482	–	0.6937	–
	714,946	**269,101**		

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

	Revenue		Per tonne	
	2019 USD $'000	2018 USD $'000	2019 USD/t	2018 USD/t
Maturity				
0 to 6 months	–	24,827	–	103.44
6 to 12 months	–	8,188	–	102.35
	–	**33,015**		

Risk Management

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NOTE 26
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 profit or loss over the term of the liability using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the term of the facility to which it relates.

Interest bearing liabilities are classified as current liabilities to the extent that the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

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 (if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term), over the shorter of the asset's useful life and 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 profit or loss on a straight line basis over the term of the lease.

	Notes	2019 $'000	2018 $'000
Current liabilities			
Secured loans		–	22,825
Finance lease liabilities	26b	2,537	2,442
Equity finance loan	26a	30,000	-
		32,537	**25,267**
Non-current liabilities			
Secured loans	26a	364,948	12,000
Finance lease liabilities	26b	5,265	7,790
		370,213	**19,790**

Fair value disclosures

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

Changes in liabilities – financing activities

The total change in liabilities arising from financing activities relates to cash proceeds from external borrowings and cash repayments of external borrowings made during the year, refer to the consolidated statement of cash flows for further details.

a) Borrowings

Secured by assets pledged as security

The total borrowings secured are as follows:

	2019 $'000	2018 $'000
Equity finance loan(i)	30,000	–
Short term borrowings(ii)	–	22,825
Long term borrowings(iii)	364,948	12,000
	394,948	**34,825**

(i) During the year, the Parent Entity utilised $30.000 million in short term bank finance. The debt incurs interest at a variable rate and is repayable upon either the bank or the Parent Entity providing notice of 30 days. As security, the Parent Entity transfers ownership of title over certain long term equity investments to the bank. As the Parent Entity retains the risks and benefits of ownership of the transferred equity investments, including the right to receive dividends, these securities continue to be included as an asset on the Group's consolidated statement of financial position. Upon repayment of the debt, ownership of title of the equity investments, is transferred back to the Parent Entity.

(ii) During the year, the Parent Entity repaid the $22.825 million bank loan facility on behalf of its subsidiary.

(iii) At 31 July 2019, long term secured loan comprised of New Hope Corporation Limited of $352.948 million (2018: $nil) and the Parent Entity's property trust's bank loan facility for a commercial property in Penrith of $12.000 million (2018: $12.000 million).

New Hope Corporation Limited

During the year, New Hope Corporation Limited entered into a $600.000 million secured drawable amortising debt facility with a syndicate of Australian and international banks and a $300.000 million credit support facility. The syndicated debt facility's drawable line of credit is for general corporate purposes and has a maturity of November 2023. Under the terms of the secured syndicated debt facility, the facility limit has amortised to $570.000 million as at 31 July 2019.

During the year, $400.000 million of debt drawn down under the facility by New Hope Corporation Limited was repaid.

The financiers to the secured facility hold fixed and floating charges over all assets held by New Hope Corporation Limited (with the exception of certain excluded subsidiaries).

The transaction costs incurred by New Hope Corporation Limited in obtaining the secured debt facility and the credit support facility totalled $12.802 million. Amortisation of the transaction costs and setup fees for the credit support facility totalled $5.750 million during the year was recorded as financing expenses in the profit or loss. As at 31 July 2019, the transaction costs balance was $7.052 million and offset against the secured loans balance.

New Hope Corporation Limited's secured borrowings are an amortising facility reducing by $30.000 million six monthly with any final balance up to $330.000 million at the end of the facility term being repayable in the two to five year period.

Risk Management

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NOTE 26
INTEREST BEARING LIABILITIES (continued)

b) Secured – finance lease liabilities

	2019 $'000	2018 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	2,767	2,767
Later than one year but not later than five years	5,353	8,120
Minimum finance lease	8,120	10,887
Future finance charges	(318)	(655)
Total lease liability	**7,802**	**10,232**
The present value of finance lease liabilities is as follows:		
Current	2,537	2,442
Non-current	5,265	7,790
Recognised as a liability	**7,802**	**10,232**

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 Group has access to bank overdraft and bank guarantee facilities as follows:

	2019 $'000	2018 $'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	905,270	214,510
Used at balance date	(616,983)	(194,972)
Unused at balance date	**288,287**	**19,538**
Bank guarantees include:		
Unsecured facilities, no fixed term, with variable rates:		
i. Mining restoration and rehabilitation The liability has been recognised by New Hope Corporation Limited in relation to its rehabilitation obligations.	209,657	153,457
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 with the exception of those identified in note 34 relating to the take or pay contracts of the Colton exploration project.	24,740	30,803
Secured, no fixed term, with variable rates:		
iii. Environmental bond The net present value of this liability has been recognised by Round Oak Minerals Pty Limited in relation to this guarantee. The guarantee has been provided by the Parent Entity.	22,678	16,413
iv. Sydney office lease No liability was recognised by the Parent Entity in relation to the bank guarantee for Sydney office lease.	819	–
	257,894	**200,673**

Risk Management

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NOTE 27
CONTINGENT LIABILITIES

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

	2019 $'000	2018 $'000
i. Undertakings and guarantees issued by a subsidiary's bankers to the Department of Natural Resources and Mines, Statutory Power Authorities and various other entities	33,996	26,708
ii. Undertakings and guarantees issued by the bankers of the Bengalla Joint Venture (of which a subsidiary is a party) for rail and port suppliers	13,422	6,391
	47,418	**33,099**

The contingent liabilities as described above are not secured by any charges on the Group's assets. For contingent liabilities of the Parent Entity, refer to note 1c, page 70. For contingent liabilities relating to associates refer to note 12d, page 98.

Other than the above and the matters set out in note 34(iii), there are no other contingent liabilities of the Group as at 31 July 2019.

Fixed Assets

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NOTE 28
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 15), is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Cost may also include transfers from equity relating to any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate where relevant, of the cost of dismantling and removing the items and restoring the site under which they are located and an appropriate portion of production overhead.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss 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 expense the cost of each item of property, plant and equipment over 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 or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

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 consolidated 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 of impairment are identified.

Fixed Assets

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NOTE 28
PROPERTY, PLANT AND EQUIPMENT (continued)

Non-current assets 2019	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 2018							
Cost	166,114	73,420	1,088,811	160,627	663,841	258,705	2,411,518
Accumulated depreciation/ amortisation and impairment	(567)	(25,395)	(558,066)	(90,840)	(93,325)	(122,752)	(890,945)
Net book amount	**165,547**	**48,025**	**530,745**	**69,787**	**570,516**	**135,953**	**1,520,573**
Year ended 31 July 2019							
Opening net book amount	165,547	48,025	530,745	69,787	570,516	135,953	1,520,573
Acquisition of businesses	14,344	13,618	185,804	–	582,028	17,426	813,220
Additions	–	3,212	97,267	18,596	–	57,652	176,727
Mining restoration and rehabilitation	–	–	4,771	1,616	–	14,960	21,347
Transfers in/(out)	–	108	(518)	–	–	4,499	4,089
Disposal of assets	–	–	(367)	–	–	–	(367)
Impairment of assets	–	–	(162)	–	–	(24,047)	(24,209)
Depreciation/amortisation charge	–	(2,823)	(75,346)	(7,885)	(45,555)	(27,972)	(159,581)
Closing net book amount	**179,891**	**62,140**	**742,194**	**82,114**	**1,106,989**	**178,471**	**2,351,799**
At 31 July 2019							
Cost	180,458	90,358	1,375,768	180,839	1,245,869	353,242	3,426,534
Accumulated depreciation/ amortisation and impairment	(567)	(28,218)	(633,574)	(98,725)	(138,880)	(174,771)	(1,074,735)
Net book amount	**179,891**	**62,140**	**742,194**	**82,114**	**1,106,989**	**178,471**	**2,351,799**

Non-current assets 2018	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 2017							
Cost	163,915	51,820	972,075	149,537	663,841	163,348	2,164,536
Accumulated depreciation/ amortisation and impairment	–	(23,840)	(506,984)	(82,879)	(65,086)	(115,327)	(794,116)
Net book amount	**163,915**	**27,980**	**465,091**	**66,658**	**598,755**	**48,021**	**1,370,420**
Year ended 31 July 2018							
Opening net book amount	163,915	27,980	465,091	66,658	598,755	48,021	1,370,420
Acquisition of businesses	1,217	7,288	26,445	–	–	39,150	74,100
Additions	4,341	6,988	108,174	5,217	–	4,531	129,251
Mining restoration and rehabilitation	–	–	–	–	–	45,869	45,869
Transfers (out)/in	(3,319)	7,344	(15,195)	5,873	–	5,807	510
Disposal of assets	(40)	(20)	(2,688)	–	–	–	(2,748)
Impairment of assets	(567)	–	(3)	–	–	–	(570)
Depreciation/amortisation charge	–	(1,555)	(51,079)	(7,961)	(28,239)	(7,425)	(96,259)
Closing net book amount	**165,547**	**48,025**	**530,745**	**69,787**	**570,516**	**135,953**	**1,520,573**
At 31 July 2018							
Cost	166,114	73,420	1,088,811	160,627	663,841	258,705	2,411,518
Accumulated depreciation/ amortisation and impairment	(567)	(25,395)	(558,066)	(90,840)	(93,325)	(122,752)	(890,945)
Net book amount	**165,547**	**48,025**	**530,745**	**69,787**	**570,516**	**135,953**	**1,520,573**

Pledged assets

Plant, fixtures and motor vehicles include assets with a net book value of $7.802 million (2018: $10.232 million), which the Group leases under finance leases. Refer note 26 for details.

Impairments of property plant and equipment

During the year ended 31 July 2019, the impairment charges to property, plant and equipment was $24.209 million, mainly attributable to the impairment of mine development assets of Round Oak Minerals Pty Limited. In the prior year, the impairment charge was $0.570 million. Refer below for details.

Fixed Assets

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NOTE 28
PROPERTY, PLANT AND EQUIPMENT (continued)

Key judgements and estimates

a) Determination of recoverable value – New Hope Corporation Limited (Queensland mining operations)

In accordance with accounting standards, New Hope Corporation Limited has completed an impairment assessment for its Queensland mining operations.

As a result of this assessment, New Hope Corporation Limited has determined that no impairment is required in relation to these assets for the year.

Details of the assessment, the significant judgements and estimates, are as follows:

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

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

Where the recoverable amounts of New Hope Corporation Limited's CGU's are tested for impairment using analyses of discounted cash flows, the resulting valuations are also sensitive to changes in estimates of long-term commodity prices, production timing and recovery rates, exchange rates, operating costs, reserve and resource estimates, closure costs and discount rates. Estimates in respect of the timing of project expansions and the cost to complete asset construction are also critical to determining the recoverable amounts for CGU's (refer below in relation to specific considerations related to New Acland Stage 3 approvals).

Estimation of coal and oil reserves and resources
New Hope Corporation Limited estimates its coal reserves and resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2012 (the JORC Code, which is produced by the Australasian Joint Ore Reserves Committee). The oil reserves and resources are equivalently calculated by appropriately qualified persons in accordance with the SPE Petroleum Reserves Management System (SPE-PRMS) published by the Society of Petroleum Engineers (updated June 2019).

The estimation of reserves and resources requires judgement 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. In particular the increasing global focus on climate change and associated policy and regulatory risks may impact on future coal demand and prices which could impact reserves and resource estimations.

Changes in coal reserves could have an impact on: the calculation of depreciation, amortisation and impairment charges; the timing of the payment of closedown and restoration costs; and the recovery of deferred tax assets. Changes in coal resources could have an impact on the recoverability of exploration and evaluation costs capitalised.

New Acland Stage 3 approvals
A number of uncertainties associated with the approvals timeline and conditionality of the New Acland Coal Stage 3 project (NAC03) remain at 31 July 2019. Consistent with the position outlined in the financial report for the prior year, the significant delays in the approval process, which have the potential to delay the commencement of NAC03, have been assessed to be an indicator of potential impairment of the Queensland coal mining operations CGU assets.

A summary of the key events pertaining to NAC03 project approvals are:

- On 31 May 2017, the Land Court recommended that the Environmental Authority (EA) and Mining Leases (ML) for the project not be granted;
- On 14 February 2018, the Chief Executive of the Department of Environment and Science (DES) made a decision to refuse the application for amendment of the EA;
- On 28 May 2018 the Supreme Court of Queensland ruled in favour of New Acland with the key orders being:
  - The decisions made by the Land Court on 31 May 2017 recommending rejection of the ML applications for NAC03, and for the refusal of the application for amendment of the EA, were set aside with effect from 31 May 2017;
  - The decision of the Chief Executive of DES to refuse the application for an amendment of the EA was set aside with effect from 14 February 2018; and
  - The recommendations of the Land Court in respect of groundwater and intergenerational equity (as it relates to groundwater) were held to be not relevant for consideration by the Land Court and that the matter of noise required further consideration by the Land Court.
- A hearing of the Land Court, in accordance with the instructions of the Supreme Court from the Judicial Review, was held in early October 2018 with a decision handed down on 7 November 2018. The Land Court conditionally recommended that the ML and EA amendment be granted subject to certain conditions including the Coordinator-General first amending the noise limit conditions to 35 dBA in the evening and night with the DES incorporating the changes in the amendment of the EA by 31 May 2019;
- On 12 February 2019, NAC03 received a change report from the Coordinator-General in respect of the noise conditions for NAC03. On 15 February 2019, DES confirmed that the change report had satisfied all of the preconditions imposed by the Land Court for the approval of the ML and amendments to the EA and the EA was granted on 12 March 2019;
- The Supreme Court of Queensland decision has been appealed by the Oakey Coal Action Alliance (OCAA). New Acland has successfully defended the Judicial Review decision of the Supreme Court of QLD in the Court of Appeal with a judgement against the Oakey Coal Action Alliance received on 10 September 2019. The orders relating to the judgement are yet to be finalised. The decision from the Court of Appeal process may still be subject to an application for special leave to appeal to the High Court by the appellant (OCAA);
- The Associated Water Licence (AWL) application process re-started during July 2018 following engagement with the Department of Natural Resources, Mines and Energy (DNRM). On 19 January 2019, NAC03 lodged an Amended AWL application which has now progressed through public consultation and is with the Minister for decision.

New Hope Corporation Limited has undertaken an impairment assessment as required under AASB 136 for the current year. New Hope Corporation Limited carefully considered the potential impact that recent developments in the legal and regulatory environment may have and the possibility of any resultant impacts on future cash flows.

The fair value discounted cash flow models prepared for the CGU have confirmed that the recoverable amount exceeds the carrying value. The updated models include assumptions relating to approval timelines and coal price as follows:

(i) Extensions of approvals timeline
The assessments assume that project approvals will be received in the commencement of the 2021 financial year and any delay beyond this may result in impairment. The assumptions of the impairment assessment reflect that once approvals are granted NAC03 operates for the full life of mine.

(ii) Coal price assumptions
Short term coal prices have improved slightly since 31 July 2018 and long term indications of pricing have also improved. New Hope Corporation Limited has acknowledged the decrease in the current spot pricing during the second half of the year and also the increased differential between high calorific value coals and lower calorific value coals in concluding on its pricing assumptions. The coal price range for assessments at 31 July 2019 is US$59 – US$125 per tonne (nominal basis).

In undertaking its impairment assessment, New Hope Corporation Limited has considered the potential impact of climate change risk on the future cash flows contained within the fair value discounted cash flow model. These risks include the potential impact on future coal prices of changes in market supply and demand dynamics over the life of NAC03, and the potential for cost volatility associated with factors such as climate change related regulatory changes and/or market participation by suppliers of services to New Hope Corporation Limited.

Fixed Assets

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NOTE 28
PROPERTY, PLANT AND EQUIPMENT (continued)

These types of risks are taken into account in a variety of ways which include the use of forecast commodity prices and industry risk measures as an input into the calculation of the discount rate applied against future cash flows. In addition, given the near term timing and expected life of the project, New Hope Corporation Limited does not consider there to be a significant risk of climate change materially impacting project outcomes once current approvals are received.

Having due regard to all relevant information, New Hope Corporation Limited has concluded that none of these matters, either individually or in aggregate, result in the recoverable amount for the CGU being below its carrying value. As a result of the impairment assessment undertaken there are no impairments required in relation to the assets of the Queensland mining operations CGU as at 31 July 2019.

The carrying value of the Queensland coal mining CGU's assets of New Hope Corporation Limited is set out below:

	2019 $'000	2018 $'000
Property, plant and equipment		
Land and buildings	56,193	55,509
Plant and equipment	98,025	107,981
Mine reserves, leases and development assets	2,887	3,977
Plant under construction	49,495	50,978
Intangibles		
Software	887	1,207
Exploration and evaluation		
Exploration and evaluation at cost	42,025	37,873
Total carrying value	**249,512**	**257,525**

The Queensland coal mining CGU has take or pay agreements for rail, port and water supply. The rail agreement is generally aligned to the recovery of Stage 2 coal while the port and water agreements are longer term. These arrangements are not of a sufficient amount to constitute a material impact on value unless approval delays extend beyond those currently foreseeable.

The financial statements have been prepared on the basis that approvals are granted within a reasonable time period, and as a result, there is no significant impact on the value recoverable from the project and therefore the Queensland coal mining CGU at 31 July 2019. In the event that future events have a negative impact on the recoverable value of the Queensland coal mining operations CGU, the assets of that CGU may be subject to impairment.

The Queensland coal mining CGU is a customer of the Port operations CGU of New Hope Corporation Limited. As such in the event that there are circumstances which further impact the coal mining operations this may be relevant to the value of those operations (shown below) and will be a factor in any future impairment considerations.

The carrying value of the Port operations CGU's assets is set out below:

	2019 $'000	2018 $'000
Property, plant and equipment		
Land and buildings	1,617	1,694
Plant and equipment	80,552	84,477
Mine reserves, leases and development assets	11,367	11,872
Plant under construction	1,556	284
Intangibles		
Software	112	142
Goodwill	5,596	5,596
Total carrying value	**100,800**	**104,065**

b) Determination of recoverable value – Round Oak Minerals Pty Limited (copper processing plant, equipment and capitalised mine development costs)

The Group performed its annual impairment test in July 2019 and July 2018. The assessment of recoverable value includes making estimates in relation to quantities of economically recoverable reserves that are supported by detailed mine plans and interpretations of geological models. The assessment of recoverable value also requires assumptions to be made that include short and long-term exchange rates, short and long-term commodity prices, future capital expenditure requirements, working capital needs and estimates of the economic life of plant and equipment 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 profit or loss.

During the year the Group re-assessed the manner in which it considered its CGUs for the Round Oak Minerals Pty Limited Group. In previous periods assets had been aggregated into CGUs based on the underlying commodities being extracted, however given the growth of the number of active projects it has been determined that aggregating assets by project is more appropriate. The reassessment was made on the basis that each project is capable of generating independent cash inflows.

The 2019 recoverable value assessment determined that the carrying values of the following CGU's exceeded their respective recoverable amounts and a pre-tax impairment charge of $23.778 million ($16.645 million post-tax) was recognised as an impairment expense in the profit or loss. The recoverable value of CGUs are based on value in use estimates have been calculated using after tax cash flows that have been risk adjusted and a real after tax discount rate of 8%.

The decrease in the recoverable amount of capitalised mining costs (included in property, plant and equipment and exploration and evaluation assets) by CGU was as follows:

- Jaguar CGU required impairment of $2.2 million, due lower expected production volumes
- Wallace CGU required an impairment of $10.3 million from lower expected metal recoveries and increased operating costs
- Barbara CGU required an impairment of $11.3 million, due to higher operating costs

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 2019 is appropriate.

Fixed Assets

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NOTE 29
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 expensed.

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 28 – Property, plant and equipment).

	2019 $'000	2018 $'000
Non-current assets		
Exploration and evaluation at cost	333,623	310,798
Movement		
Opening net book amount	310,798	418,582
Additions	29,591	30,378
Impairment expenses[i]	(1,457)	(92,332)
Impairment expenses from discontinued operation[i]	–	(39,957)
Disposal	(1,159)	–
Transfers out	(4,150)	(5,873)
Closing net book amount	**333,623**	**310,798**

(i) The impairment expense of $132.289 million at 31 July 2018 relates to coal exploration assets, which are allocated to the Energy CGU for the purpose of assessing recoverable value. Refer to Key judgements and estimates below.

Exploration and evaluation assets

Exploration and evaluation assets includes New Hope Corporation Limited of $301.589 million (2018: $280.301 million) and Round Oak Minerals Pty Limited of $28.111 million (2018: $30.497 million).

Key judgements and estimates

Exploration and evaluation expenditure

During the year, the subsidiaries of New Hope Corporation Limited and Round Oak Minerals Pty Ltd, 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.

In the prior year, New Hope Corporation Limited determined that an indicator of impairment existed as at balance date in respect of the Colton coal exploration project. The indicator arose from recently increased charges associated with access to WICET which were materially higher than those previously forecast and ongoing work regarding the assessment of JORC reserves position of this asset. As a result an impairment test was undertaken and an impairment was recognised.

For the purposes of assessing impairment of the Colton exploration project, New Hope Corporation Limited has utilised the fair value less costs of disposal method underpinned by a resource multiple. A resource multiple is considered the appropriate valuation methodology for an exploration asset of this type. The fair value methodology adopted is considered level 3 in the hierarchy due to the judgemental nature of the discounts applied to the resource multiples.

Given the significant costs associated with access to WICET (which have increased significantly since the terminal commenced operations) New Hope Corporation Limited determined that it is appropriate to discount recent transaction multiples to account for the onerous nature of the obligations to WICET. At the prevailing WICET costs New Hope Corporation Limited determined that it is inappropriate to ascribe any value to the JORC resources and as a result a full impairment for the carrying value of the Colton assets of $132.860 million was recognised as outlined below:

2018	Note	Carrying value $'000	Recoverable value $'000	Impairment loss $'000
Exploration and evaluation	29	132,289	–	(132,289)
Property, plant and equipment	28	571	–	(571)
		132,860	–	**(132,860)**

Fixed Assets

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NOTE 30
INTANGIBLE ASSETS

Accounting policy – Intangible assets

Goodwill

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

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

Gains or 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 including brands and curriculum 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 profit or loss 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
Other intangibles (includes brands and curriculum)	Indefinite life

Impairment

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if changes or circumstances indicate that they may be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Refer to Note 20 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 (CGUs). 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 profit or loss.

Non-current assets	Goodwill $'000	Water rights $'000	Mining information $'000	Other intangibles $'000	Software $'000	Total $'000
At 31 July 2017						
Cost	22,830	6,560	34,900	–	17,155	81,445
Accumulated amortisation and impairment	(4,157)	(372)	(1,981)	–	(14,909)	(21,419)
Net book amount	**18,673**	**6,188**	**32,919**	**–**	**2,246**	**60,026**
Year ended 31 July 2017						
Opening net book amount	18,673	6,188	32,919	–	2,246	60,026
Additions	–	–	909	–	326	1,235
Assets acquired by purchase of businesses	7,921	–	–	6,786	–	14,707
Transfers out to property, plant and equipment	–	–	–	–	(55)	(55)
Amortisation charged to the profit or loss (refer to note 20)	–	(262)	(1,396)	–	(702)	(2,360)
Closing net book amount	**26,594**	**5,926**	**32,432**	**6,786**	**1,815**	**73,553**
At 31 July 2018						
Cost	30,751	6,560	35,809	6,786	17,426	97,332
Accumulated amortisation and impairment	(4,157)	(634)	(3,377)	–	(15,611)	(23,779)
Net book amount	**26,594**	**5,926**	**32,432**	**6,786**	**1,815**	**73,553**
Year ended 31 July 2018						
Opening net book amount	26,594	5,926	32,432	6,786	1,815	73,553
Additions	–	–	–	–	54	54
Assets acquired by purchase of businesses	2,511	6,511	35,000	–	69	44,091
Transfers in from property, plant and equipment	–	–	–	–	61	61
Amortisation charged to the profit or loss (refer to note 20)	–	(433)	(2,313)	–	(534)	(3,280)
Closing net book amount	**29,105**	**12,004**	**65,119**	**6,786**	**1,465**	**114,479**
As 31 July 2019						
Cost	33,262	13,071	70,809	6,786	17,610	141,538
Accumulated amortisation and impairment	(4,157)	(1,067)	(5,690)	–	(16,145)	(27,059)
Net book amount	**29,105**	**12,004**	**65,119**	**6,786**	**1,465**	**114,479**

Fixed Assets

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NOTE 30
INTANGIBLE ASSETS (continued)

Recoverable amount of goodwill

Intangible assets, which have indefinite lives are allocated to the Group's 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	2019 $'000	2018 $'000
Energy(i)			
Carrying amount of goodwill	Australia	18,098	18,098
Swimming pool owner and operator(iii)			
Opening balance at 1 August 2018	Australia	7,921	7,921
Goodwill acquired as part of business acquisition (refer to note 7)	Australia	2,511	–
		10,432	7,921
Consulting(ii)			
Carrying amount of Goodwill	Australia	575	575
Closing net book value		**29,105**	**26,594**

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 (FVLCD). Assumptions and methodology applied to each CGU are as follows:

(i) Energy

The brought forward balance of goodwill relates to acquisitions by New Hope Corporation Limited, primarily Queensland Bulk Handling Pty Limited (goodwill of $5.596 million) and certain coal exploration assets (goodwill of $12.271 million).

The recoverable amount of the cash-generating unit to which the exploration asset's goodwill is attributable has been based on the FVLCD method using a comparable resource transaction multiple multiplied by the resources attributable to this CGU. 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 24 for an explanation on fair value hierarchy). Observable transactions included in the assessment of an appropriate multiple are comparable transactions in the last four years for Australian coal exploration projects with the same coal type as the CGU assets. The estimation of the resources used to determine the recoverable amount requires judgement and assumptions as detailed in Note 28.

The recoverable amount of Queensland Bulk Handling Pty Limited CGU has been based on value in use calculations using discounted cash flow model. The future cash flows have been discounted using a post-tax rate of 9% (2018: 9%). This assessment is determined under level 3 of the fair value hierarchy.

(ii) Consulting

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

(iii) Swimming pool owner and operator

The brought forward balance of goodwill relates to the acquisition by WHSP Aquatic Achievers Pty Limited, a subsidiary of the Parent Entity, of the Aquatic Achievers business, a swimming pool owner and operator providing swimming programs. As a result of this acquisition, $7.921 million of goodwill has been recognised. An additional goodwill amount of $2.511 million has been recognised from the acquisition of two swim schools on 1 December 2018.

In addition intangible assets comprising Aquatic Achievers brand of $1.429 million and curriculum of $5.357 million have been recognised. These intangible assets are all considered to have indefinite lives with no amortisation applied.

The recoverable amount of the brand and curriculum were valued on royalty-based valuation method by applying royalty rates, based on observable transactions, to the swimming lesson revenue used on the profit forecasts to support the acquisition. The resulting income stream was used in the discounted cash flow model over a 5.5 year period at the post-tax discount rate of 13.2% per annum. This assessment is determined under level 3 of the fair value hierarchy.

Key estimates

Impairment of intangible assets

At each reporting date the Group considers the recoverable value of intangible assets. Intangible assets are allocated to CGUs for which the recoverable value is determined. The recoverable value may be determined based on fair value less costs to sell and is estimated based on recent market transaction information. These calculations require the use of assumptions.

Other Operating Assets and Liabilities

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NOTE 31
TRADE AND OTHER RECEIVABLES

Accounting policy – Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less any allowance for expected credit losses (ECL). Trade receivables are due for settlement between 30 and 45 days from the date of recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value, and subsequently at amortised costs less any ECLs.

The Consolidated Entity measures the loss allowance for trade and other receivables at an amount equal to the lifetime ECL except where the financial asset's credit risk is considered low or has not increased significantly since initial recognition, the loss allowance is based on 12-months ECL. A simplified approach is taken to accounting for trade and other receivables and records the loss allowance at the amount equal to the lifetime ECL. In applying this simplified method, the Consolidated Entity uses its historical experience, external indicators and forward looking information to calculate the ECL.

The amount of any allowance for expected credit loss is recognised in the profit or loss. When a trade receivable for which an 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 profit or loss.

Measurement

Loans to external parties
There is no change in classification of loans from the old standard, AASB 139 to the new standard AASB 9. Loans continues to be held at amortised cost.

Other receivables
These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed the due date. Other receivables are carried at amortised cost.

	2019 $'000	2018 $'000
Current assets		
Trade receivables	55,336	44,639
Trade receivables – provisionally priced	20,294	42,912
Loan to external parties – secured	41,388	6,051
Other receivables	32,663	31,310
Prepayments	12,577	6,811
Total current receivables	**162,258**	**131,723**
Non-current assets		
Loans to external parties – secured	36,200	48,200
Other receivables and prepayments	2,388	5,325
Total non-current receivables	**38,588**	**53,525**

The Group assessed the ECL in relation to trade and other receivables during the year and the prior year to be immaterial and no loss allowance has been recorded.

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 23. The carrying value less impairment provisions of trade receivables are assumed to approximate their fair value.

Trade receivables
The balance at 31 July 2019 includes $74.261 million (2018: $77.763 million) relating to New Hope Corporation Limited. As at reporting date, trade receivables past due but not impaired were nil (2018: nil).

Loans to external parties – secured
During the year, the Parent Entity, provided loans to external parties on commercial rates. The total balance of loans at 31 July 2019 was $77.588 million (2018: $54.251 million). These loans are secured.

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NOTE 32
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.

	2019 $'000	2018 $'000
Current assets		
Raw materials and stores	41,607	26,041
Work in progress	155	4,184
Finished goods	80,962	65,623
Less: Provision for obsolescence	(2,253)	(2,612)
	78,709	63,011
	120,471	**93,236**

Inventory expense

Inventories recognised as an expense during the year amounted to $869.156 million (2018: $652.089 million).

The write-down of inventory to net realisable value recognised as an expense during the year amounted $2.400 million (2018: $2.010 million).

Other Operating Assets and Liabilities

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NOTE 33
TRADE AND OTHER PAYABLES

Accounting policy – Trade and other payables

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

Non-current trade and other payables are stated at the present value of the future expected cash flows. These amounts are contractually due for settlement at least 12 months after the reporting date.

	2019 $'000	2018 $'000
Current liabilities		
Trade and other payables	158,874	131,521
Non-current liabilities		
Trade and other payables	15,989	30,033

Current liabilities

Trade and other payables

The balance at 31 July 2019 includes $108.701 million (2018: $78.753 million) relating to New Hope Corporation Limited and $43.676 million (2018: $43.588 million) relating to Round Oak Minerals Pty Limited.

Non-current liabilities

Trade and other payables

The balance relates to the deferred purchase consideration of Jaguar copper-zinc operations and Aquatic Achievers Pty Limited acquired in the current and prior year.

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NOTE 34
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 recognised for restoration, rehabilitation and environmental expenditure as soon as an obligation exists, with the cost being charged to profit or loss 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, vesting sick leave and redundancies expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period. These 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 employee 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 of balance date 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 on a high quality corporate bond rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

	2019 $'000	2018 $'000
Current liabilities		
Onerous contracts(i)	223	14,976
Mining restoration and site rehabilitation(ii)	17,717	12,912
Employee benefits	59,089	43,331
Other(iii)	16,000	–
	93,029	**71,219**
Non-current liabilities		
Mining restoration and site rehabilitation(ii)	242,836	178,822
Employment benefits	8,374	6,909
Onerous contracts(i)	656	–
Other(iii)	198	657
	252,064	**186,388**

Other Operating Assets and Liabilities

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NOTE 34
PROVISIONS (continued)

(i) Onerous contracts

In the prior year, the Group recognised provisions for onerous contracts in relation to take or pay agreements associated with New Hope Corporation Limited's Colton exploration project for $14.976 million.

As outlined in note 20, there was an impairment of the assets of the Colton exploration project. It was considered that the charges associated with the WICET Agreement at that time were materially higher than previously forecast, and had a material impact on the viability of that project. As such, the New Hope Corporation Limited Group had determined that the long term take or pay agreements associated with this project were onerous contracts.

The New Hope Corporation Limited Group determined for the prior year that the lowest unavoidable cost associated with the onerous contracts was represented by a failure to fulfill the contracts. The cost to the New Hope Corporation Limited Group of failing to fulfil its obligations under the contracts was the value of the bank guarantees which had been provided as security against the contractual obligations.

During the year, the bank guarantees issued by the New Hope Corporation Limited Group in respect of the take or pay agreements were fully drawn and settled. As such, the lowest unavoidable costs under the contracts is now considered to be $nil.

(ii) Mining restoration and site rehabilitation

	2019 $'000	2018 $'000
Movements		
Opening balance at 1 August	191,734	113,766
Provision arising on acquisition of businesses	35,552	17,381
Provisions capitalised recognised	31,973	49,584
Provisions (credited)/charged to profit or loss	(3,427)	7,464
Charged to profit or loss – unwinding of discount	4,721	3,539
Closing balance at 31 July	260,553	191,734
Disclosed as:		
Current liabilities	17,717	12,912
Non-current liabilities	242,836	178,822
Total provision for mining restoration and site rehabilitation	260,553	191,734

Key estimates

Reserves estimates and rehabilitation costs

Provision is made for rehabilitation, restoration and environmental costs when the obligation arises, based on the net present value of estimated future costs. The ultimate cost of rehabilitation and restoration is uncertain, and management uses its judgement and experience to provide for these costs over the life of the operations.

The Group makes estimates about the future cost of rehabilitating tenements which are currently disturbed, based on legislative requirements and current costs. There are policy change risks in particular with the growing global focus on climate change which may impact on rehabilitation obligations. 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.

The estimation of reserves and resources are also a key judgement that affects the timing of the payment of closedown and restoration costs as detailed in note 28.

(iii) Other provisions – New Hope Corporation Limited

Administration of subsidiaries

Northern Energy Corporation Limited (NEC) and Colton Coal Pty Limited (Colton), wholly owned subsidiaries of New Hope Corporation Limited, were placed into voluntary administration on 17 October 2018. The companies have subsequently been placed into liquidation. New Hope Corporation Limited has recognised a provision for $16 million which it considers is the best estimate of the probable future economic outflows associated with the NEC and Colton liquidation process.

There have been a number of developments during the year associated with this matter outlined below.

Deed of cross guarantee proceedings

In proceedings relating to those administrations, WICET submitted that the debts of NEC and Colton are guaranteed by New Hope Corporation Limited and certain of its subsidiaries pursuant to a Deed of Cross Guarantee (DOCG). New Hope Corporation Limited denied this claim.

On 1 February 2019, New Hope Corporation Limited commenced proceedings in the Supreme Court of New South Wales (Proceedings) seeking orders confirming that New Hope Corporation Limited is not bound by the DOCG in respect of the debts of certain subsidiaries including NEC and Colton. A hearing of these proceedings occurred between 17 to 20 June 2019.

On 12 July 2019, the Supreme Court of New South Wales concluded that New Hope Corporation Limited has not guaranteed the debts of NEC and Colton under the DOCG. On 20 August 2019, WICET filed an appeal with the Court of Appeal in New South Wales in relation to the Supreme Court's decision on the DOCG.

If WICET's claim is upheld, New Hope Corporation Limited will be exposed to a liability of approximately $155 million. New Hope Corporation Limited continues to deny this claim.

Administration/liquidation process

In February 2019, in proceedings relating to the administrations of NEC and Colton, WICET applied successfully to the Court for an order that special purpose administrators be appointed to investigate a transaction that NEC entered into prior to the administrations of NEC and Colton, being a corporate restructure NEC undertook in February 2016.

In March 2019, New Hope Corporation Limited put forward a conditional binding Term Sheet in respect of a proposed Deed of Company Arrangement (DOCA) for NEC and Colton. The proposed DOCA, subject to all conditions being met, required New Hope Corporation Limited to contribute $19 million into trust for the purpose of distribution to the creditors of NEC and Colton in accordance with the priorities and principles of the administration (Contribution). As New Hope Corporation Limited has a secured loan receivable of $7.060 million from NEC (representing the amount owing at the date of administration which was impaired during the year), the Contribution, if paid and the proposed DOCA accepted, would have resulted in $7.060 million being paid in priority by NEC to New Hope Corporation Limited, and any and all claims by NEC or Colton against the New Hope Corporation Limited Group (whether in respect of the DOCG, the February 2016 corporate restructure or otherwise) being released.

On 28 June 2019, the special purpose administrators appointed to NEC and Colton provided a report on their investigations into the February 2016 corporate restructure.

On 19 July 2019, the administrators appointed to NEC and Colton issued a Voluntary Administrators Report (the Report) in advance of the second meeting of creditors. The Report identified a number of alleged claims that may be available to any liquidators appointed to NEC and Colton, subject to the liquidators obtaining funding and conducting further investigations. If funding is obtained, further investigations are conducted and the alleged claims are pursued against New Hope Corporation Limited, the Report identifies potential exposure to New Hope Corporation Limited is between nil and $48.1 million. The claims which it is alleged may be available to the liquidators relate to two transactions:

- The corporate restructure that NEC undertook in February 2016. The value attributed to the claims it is alleged may be available in respect of this transaction in the Report is between nil and $20.5 million;
- A loan repayment made by Colton to the New Hope Corporation Limited Group in 2017. The value attributed to the claims it is alleged may be available in respect of this transaction in the Report is between $nil and $27.6 million.

Other Operating Assets and Liabilities

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NOTE 34
PROVISIONS (continued)

New Hope Corporation Limited denies these alleged claims and does not consider that it has any obligations in respect of them.

In July 2019, New Hope Corporation Limited gave a revised DOCA proposal to NEC and Colton that was presented to the second meeting of creditors held on 26 July 2019 which included a revised Contribution of $16 million however introduced a subordination of the secured loan receivable of New Hope Corporation Limited to below the claims of unsecured creditors.

At the second creditors meeting of creditors on 26 July 2019, the creditors did not vote in favour of this DOCA and instead voted to place NEC and Colton into liquidation.

In acknowledging the ongoing matters associated with the liquidation New Hope Corporation Limited has considered its position and has determined that the proposed revised Contribution of $16 million is the best estimate of the future probable economic outflows that will be incurred as a result of the NEC and Colton liquidation process. Although the DOCA has lapsed following the second meeting of creditors, New Hope Corporation Limited has not withdrawn the proposal and considers it to represent a present obligation that should be reflected as a provision.

Other Notes

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NOTE 35
SHARE-BASED PAYMENTS

Accounting policy – Share-based payments

Share-based compensation benefits are provided to select employees of the Parent Entity and New Hope Corporation Limited via various employee incentive schemes.

A summary of each scheme is provided below.

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

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

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

The Parent Entity provides share based compensation benefits to its executive team and management team via a Long Term Incentive Plan (LTI plan) whereby rights to shares are granted for $nil consideration. Rights are granted in accordance with the plan at the sole discretion of the Parent Entity's Board. Rights vest and automatically convert to ordinary shares in the Parent Entity 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 granting. Rights granted under the plan carry no dividend or voting rights until they have vested and have been converted into shares in the Parent Entity. Detailed vesting conditions are set out in the Remuneration report. Refer to pages 36 to 53.

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 the Parent Entity'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

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NOTE 35
SHARE-BASED PAYMENTS (continued)

		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 2018	Sep 2021 (Sep 2022)*	Non-TSR	$17.28	–	24,591	–	–	**24,951**
Dec 2018	Sep 2021 (Sep 2022)	TSR	$22.11	–	24,591	–	–	**24,951**
Dec 2018	Aug 2022 (Sep 2022)*	Non-TSR	$17.28	–	14,755	–	–	**14,755**
Dec 2018	Aug 2022 (Sep 2022)*	TSR	$22.11	–	14,754	–	–	**14,754**
Dec 2018	Aug 2023	Non-TSR	$17.28	–	9,836	–	–	**9,836**
Dec 2018	Aug 2023	TSR	$22.11	–	9,835	–	–	**9,835**
Dec 2017	Sep 2020 (Sep 2021)*	Non-TSR	$7.70	43,110	–	–	–	**43,110**
Dec 2017	Sep 2020 (Sep 2021)*	TSR	$6.16	43,110	–	–	–	**43,110**
Dec 2017	Aug 2021 (Sep 2021)*	Non-TSR	$7.70	25,865	–	–	–	**25,865**
Dec 2017	Aug 2021 (Sep 2021)*	TSR	$6.16	25,864	–	–	–	**25,864**
Dec 2017	Aug 2022	Non-TSR	$7.70	17,244	–	–	–	**17,244**
Dec 2017	Aug 2022	TSR	$6.16	17,244	–	–	–	**17,244**
Dec 2016	Sep 2019 (Sep 2020)*	Non-TSR	$13.10	12,717	–	–	–	**12,717**
Dec 2016	Sep 2019 (Sep 2020)*	TSR	$5.22	12,716	–	–	–	**12,716**
Dec 2016	Aug 2020 (Sep 2020)*	Non-TSR	$13.10	7,630	–	–	–	**7,630**
Dec 2016	Aug 2020 (Sep 2020)*	TSR	$3.25	7,630	–	–	–	**7,630**
Dec 2016	Aug 2021	Non-TSR	$13.10	5,086	–	–	–	**5,086**
Dec 2016	Aug 2021	TSR	$2.56	5,086	–	–	–	**5,086**
Dec 2015	Sep 2018 (Sep 2019)*	Non-TSR	$13.86	14,198	–	(9,450)	(4,748)	**–**
Dec 2015	Sep 2018 (Sep 2019)*	TSR	$12.25	14,197	–	(9,450)	(4,747)	**–**
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	5,678	–	–	–	**5,678**
				280,090	98,362	(18,900)	(9,495)	**350,057**

* *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 36 to 53.*

During the year an expense of $2.096 million (2018: $1.525 million) was recognised in the profit or loss for the rights issued under the Parent Entity LTI plan. The total fair value of the performance rights outstanding at year end was $3.922 million (2018: $2.356 million).

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

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

Rights are granted for $nil consideration. Rights will vest at the nominated vesting date and automatically convert to ordinary shares in New Hope Corporation Limited following the satisfaction of the relevant performance and service conditions. Service and performance conditions applicable to each issue of rights are determined by the New Hope Corporation Limited's Board at the time of the grant. Total expense arising from rights issued under the New Hope Corporation Limited employee performance share rights plan during the year was $724,000 (2018: $355,000). The total fair value of the performance rights outstanding at year end was $3.615 million (2018: $3.234 million).

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NOTE 36
RELATED PARTY TRANSACTIONS

a) Parent Entity

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

b) Subsidiaries and associates

Interest in subsidiaries and associates are set out in note 4.

c) Key management personnel (KMP) compensation

	Paid to KMP of the Consolidated Entity		Paid to KMP of the Parent Entity	
	2019 $'000	**2018** $'000	**2019** $'000	**2018** $'000
Short-term employee benefits	4,544	7,924	3,959	4,154
Post-employment benefits	228	288	181	181
Long-term employee benefits	30	101	30	25
Termination benefits	–	356	–	355
Share-based payments	2,046	1,898	2,046	1,542
	6,848	**10,567**	**6,216**	**6,257**

KMP remuneration has been included in the Remuneration Report section of the Directors' Report on pages 36 to 53.

i. Subsidiaries

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

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

ii. Associates

Transactions with associates are at normal commercial terms and conditions.

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

Other Notes

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NOTE 36
RELATED PARTY TRANSACTIONS (continued)

	2019 $'000	2018 $'000
Summary of transactions		
Advisory, consulting, underwriting, management and other fees:		
– received by subsidiaries from associates	47	780
– rent income received by Parent Entity from associate	72	24
Management fees paid by Parent Entity to an associate	248	–
Purchases of pharmaceutical products from associate	–	3,902
Interest income from associates	4,926	1,423

Loans to associates

During the year, the Parent Entity increased its stand-by loan facility to Palla Pharma Limited (formerly TPI Enterprises Limited) from $12.5 million to $31.0 million. The amount owed at 31 July 2019 was $31.0 million (2018: $6.05 million). Interest is charged at market rates. The facility matures on 31 August 2021.

All accrued interest was settled in cash.

Director related entities

Transactions with Contact Asset Management Pty Limited (Contact)
Mr R D Millner and Mr T C D Millner are both Directors of WHSP and are Directors of Contact. Mr T C D Millner is also a 40% shareholder of Contact.

In November 2018, WHSP entered into an Investment Management Agreement with Contact. Under this agreement Contact is responsible for managing WHSP's Large Caps investment portfolio and providing reports on the performance of that portfolio to WHSP.

During the year, Contact was paid $247,500 (2018: $Nil) to manage the Large Caps portfolio on behalf of WHSP. No performance fees are payable to Contact.

The Directors, excluding Mr T C D Millner, reviewed the terms of the agreement and concluded that it was more favourable to WHSP than an arm's length agreement for similar services.

Transactions with URB Investments Limited (ASX: URB)
Mr W M Negus is a director of both WHSP and URB Investments Limited (URB).

Mr R D Millner and Mr T C D Millner are both Directors of WHSP and are Directors of URB.

WHSP has entered into a co-investment agreement with URB, Contact (in its capacity as investment manager of URB) and Pitt Street Real Estate Partners Pty Limited (PSRE).

Transactions with Ampcontrol Limited
Mr R G Westphal is a director of both WHSP and was a Director of Ampcontrol Limited (Ampcontrol) until his resignation on 22 October 2018.

During the prior year, the Group provided a $24.426 million loan facility to Ampcontrol, an associate of Souls Private Equity Limited (SPEL), a subsidiary of WHSP.

The loan facility was secured by registered mortgages over the property, plant and equipment of a subsidiary of Ampcontrol. This loan was repaid in July 2019. The loan amount owed at 31 July 2019 was $nil (2018: $24 million). Interest was charged at 12% per annum.

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NOTE 37
COMMITMENTS

	2019 $'000	2018 $'000
a) Lease commitments – operating		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	35,188	11,531
One to five years	38,935	28,253
More than five years	24,549	28,836
	98,672	**68,620**

The Group leases port facilities and has a share in commitments for minimum lease payments relating to property, plant and equipment under non-cancellable operating leases expiring within five to twenty 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.

	2019 $'000	2018 $'000
b) Capital commitments		
Capital expenditure contracted for at year end but not recognised as liabilities is as follows:		
Within one year	59,364	63,914
One to five years	58,106	74,334
More than five years	5,258	5,936
	122,728	**144,184**

Capital commitments include contracted management services for mining services, exploration permits and acquisition of property, plant and equipment.

For commitments relating to associates refer to note 12.

Other Notes

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NOTE 38
OTHER ACCOUNTING POLICIES

a) 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 the Group'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 or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Transaction differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss on the instrument. Translation differences on non-monetary items are included in the fair value reserve in equity.

iii. Group companies

The results and financial position of all of the Group's foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Balance sheet presented are translated at the closing rate at the date of that Balance Sheet;
- income and expenses for each statement of comprehensive income 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 in other comprehensive income.

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, the exchange differences are reclassified to the consolidated statement of comprehensive income, as part of the gain or loss on sale.

b) Deferred stripping costs

New Hope Corporation Limited does not recognise any deferred stripping costs. Based on the nature of the New Hope Corporation Limited'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.

c) Finance costs

Finance 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 finance costs are expensed.

d) 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.

Long-term incentive plan rights that vest in future financial years are expected to be satisfied by purchasing shares on market. Diluted EPS is equal to the basic earnings per share.

e) 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 consolidated 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 consolidated statement of financial position.

Cash flows are presented in the consolidated 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.

f) Financial statements 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	Financial assets at fair value through profit or loss
Long term equity investments	Financial assets at fair value through other comprehensive income
Equity accounted associates	Investments accounted for using the equity method
Term deposits	Held to maturity investments

The accounting standards also require the presentation of the consolidated statement of comprehensive income which presents all items of recognised income and expenditure either in one statement or in two linked statements. The Group has elected to present one statement.

Other Notes

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NOTE 39
REMUNERATION OF AUDITORS

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

	2019 $'000	2018 $'000
a) Audit services		
Parent Entity and Consolidated Entity		
Pitcher Partners Sydney for audit and review of financial reports and other audit work under the *Corporations Act 2001*	380	333
Other Group entities		
Pitcher Partners Sydney for audit and review of financial reports	292	222
Other audit firms for the audit or review of financial reports	612	444
Total remuneration for audit and review services	**1,284**	**999**
b) Other services		
Pitcher Partners Sydney		
Tax compliance services	139	116
Other services	24	6
Other auditors of Group entities		
Other services	161	74
Total remuneration for other services	**324**	**196**

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NOTE 40
DEED OF CROSS GUARANTEE

During 2012, the Parent Entity and a subsidiary, Souls Private Equity Limited entered into a deed of cross guarantee under which each company guarantees the debts of the other.

Whilst party to this deed, wholly owned entities are relieved from the requirements to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The parties to this deed are referred to as the 'Closed Group'. The effect of the deed is that each party to it has guaranteed to pay any deficiency in the event of the winding up of any of the entities in the Closed Group.

i) Consolidated statement of comprehensive income and summary of movements in consolidated retained profits and consolidated statement of financial position for the members of the Closed Group

	2019 $'000	2018 $'000
Consolidated statement of comprehensive income – closed group		
Profit before income tax	226,560	478,514
Income tax expense	(37,703)	(103,274)
Profit after tax attributable to closed group	**188,857**	**375,240**
Other comprehensive income – closed group		
Net movement in fair value of long term equity investments, net of tax	(25,520)	2,290
Share of other comprehensive income movements, net of tax	14,215	4,094
Total other comprehensive (loss)/income for the year, net of tax	**(11,305)**	**6,384**
Total comprehensive income attributable to the closed group	**177,552**	**381,624**
Summary of movements in consolidated retained earnings – closed group		
Opening balance at 1 August	1,857,408	1,589,111
Profit for the year	188,857	375,240
Transfer from General reserve to retained profits	402,206	–
Effect of initial adoption of AASB 9	38,754	–
Effect of initial adoption of AASB 15	1,174	–
Dividends declared and paid	(111,727)	(106,943)
Closing balance at 31 July	**2,376,672**	**1,857,408**

Other Notes

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NOTE 40
DEED OF CROSS GUARANTEE (continued)

	2019 $'000	2018 $'000
Consolidated statement of financial position		
Current assets		
Cash and cash equivalents	38,874	42,066
Trade and other receivables	50,510	35,869
Trading equities	77,148	69,930
Assets classified as held for sale	53	1,407
Total current assets	**166,585**	**149,272**
Non-current assets		
Trade and other receivables	75,617	104,475
Equity accounted associates	1,621,058	1,523,169
Long term equity investments	1,049,298	968,703
Property, plant and equipment	7,808	3,800
Deferred tax assets	73,708	74,690
Total non-current assets	**2,827,489**	**2,674,837**
Total assets	**2,994,074**	**2,824,109**
Current liabilities		
Trade and other payables	6,378	1,052
Interest bearing liability	30,000	–
Provisions	538	317
Total current liabilities	**36,916**	**1,369**
Non-current liabilities		
Trade and other payables	18,141	–
Deferred tax liabilities	358,246	347,790
Provisions	597	530
Total non-current liabilities	**376,984**	**348,320**
Total liabilities	**413,900**	**349,689**
Net assets	**2,580,174**	**2,474,420**
Equity		
Share capital	43,232	43,232
Reserves	160,270	573,780
Retained profits	2,376,672	1,857,408
Total equity	**2,580,174**	**2,474,420**

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with *International Financial Reporting Standards* as issued by the International Accounting Standards Board as described in the Basis of Preparation on page 65;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 July 2019 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Parent Entity will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 40 to the financial statements.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors

R D Millner	T J Barlow
Director	Managing Director

Dated this 22nd day of October 2019.

Independent Auditor's Report

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Independent Auditor's Report
to the Members of Washington H. Soul Pattinson and Company Limited
ABN 49 000 002 728

Report on the Financial Report

Opinion

We have audited the financial report of Washington H. Soul Pattinson and Company Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 July 2019, 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, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Group's financial position as at 31 July 2019 and of its financial performance for the year then ended; and
ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company on 21 October 2019, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Consolidation and reliance on the work of other auditors *Refer to Basis of consolidation (page 66)*	
The consolidated financial report of the Group comprises the financial reports of Washington H. Soul Pattinson and Company Limited, its subsidiaries, and its share of results from equity accounted associates. This involves the consolidation of financial reporting received from subsidiaries and associates ("components") and reliance is placed on the work of the auditors of these components. Given the number of associates and subsidiaries within the Group, and accounting complexities due to the transactions undertaken by the Group during the year, the key audit matter for us was whether the consolidation process had been accurately and completely performed by management. As a result, we focused on: • identifying and understanding the significant components of the Group and the risks of material misstatement within them; • the assessment of each components' compliance with Group accounting policies; and • the consolidation procedures (including consolidation journals and intercompany transactions) undertaken by management.	Our procedures included, amongst others: • Providing instructions and questionnaires to component auditors and working with component auditors, to identify risks that are significant to the audit of the Group and to plan relevant audit procedures to address them. • Auditing investment movements during the year for consolidation/equity accounting impacts. • Enquiring of management about WHSP's procedures in place for the identification of intercompany transactions. • Performing detailed audit testing of consolidation workpapers, journals and supporting documentation including reconciliations. • Auditing the financial data used in the consolidation process for consistency with the financial data audited by component auditors. • Reviewing the financial reports of significant subsidiaries and associates. • Evaluating the accounting policies of subsidiaries for consistency with WHSP policies and Australian accounting standards. • Based on our assessment of risk, meeting with component auditors to discuss the outcome of their audit procedures and where necessary reviewing relevant component auditor workpapers.

Key Audit Matter	How our audit addressed the key audit matter
Valuation and classification of equity investments *Refer to Note 13: Trading Equities and Note 14: Long Term Equity Investments*	
Equity investments are a significant asset within the consolidated statement of financial position, representing $862.2 million or 14.7% of total assets. There is significant focus in ensuring the underlying equity investments are correctly classified as either fair value through profit or loss or fair value through other comprehensive income or whether an investment should be accounted for as an associate, should significance influence exist. The classification of equity investments is important as it determines how revenue and fair value adjustments (realised and unrealised) are reported, be it in profit or loss or through other comprehensive income or in the case of an associate through the equity accounting method. The determination of the valuation of financial investments held at fair value, is based on a range of inputs, approximately 84% of equity investments are level 1 and can be valued based on quoted prices in active markets. Where observable data is not available, for example, when determining the valuation of unlisted investments, estimates are developed based on the most appropriate source data and are subject to a higher level of judgement.	Our procedures included, amongst others: • Obtaining an understanding, evaluating and auditing relevant controls surrounding investment purchases, disposals and classification. • Obtaining an understanding, evaluating and auditing management's initial assessment and ongoing monitoring of whether the Group has significant influence over an underlying equity investment. • Confirming the accurate recording and ownership of investments. • Confirming the valuation of the total listed investment portfolio at balance date by reference to external sources. • Reviewing the appropriateness of valuation techniques used by management in determining the fair value of unlisted investments and assessing the reasonableness of judgements and estimates used. • Reviewing management's analysis of the investments for indicators of impairment and assessing the reasonableness of the judgements and estimates of impairments made by reference to market and specific entity conditions. • Checking the mathematical accuracy of the impairment expense recognised in the financial report.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other information

The Directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 July 2019 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 36 to 53 of the Directors' Report for the year ended 31 July 2019. In our opinion, the Remuneration Report of Washington H. Soul Pattinson and Company Limited, for the year ended 31 July 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

M A Alexander
Partner

Pitcher Partners
Sydney

22 October 2019

ASX Additional Information

Distribution of Equity Securities as at 1 October 2019

	Number of Holders	
Size of Holding	Ordinary Shares	Performance Rights
1 – 1,000	13,981	–
1,001 – 5,000	6,339	–
5,001 – 10,000	1,180	1
10,001 – 100,000	891	3
100,001 and over	81	1
TOTAL	**22,472**	**5**
Holding less than a marketable parcel	356	

Top 20 Shareholders as at 1 October 2019

		Ordinary Shares Held	% of Issued shares
1	Brickworks Limited	94,314,855	39.40%
2	HSBC Custody Nominees (Australia) Limited	17,071,277	7.13%
3	J P Morgan Nominees Australia Limited	11,481,368	4.80%
4	Milton Corporation Limited	9,174,640	3.83%
5	J S Millner Holdings Pty Limited	8,897,859	3.72%
6	Dixson Trust Pty Limited	8,749,192	3.65%
7	Citicorp Nominees Pty Limited	3,528,979	1.47%
8	T G Millner Holdings Pty Limited	3,441,051	1.44%
9	Hexham Holdings Pty Limited	2,983,127	1.25%
10	Argo Investments Limited	2,182,606	0.91%
11	National Nominees Limited	1,671,833	0.70%
12	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,553,843	0.65%
13	Mary Millner Holdings Pty Limited	1,156,860	0.48%
14	Diversified United Investment Limited	1,100,000	0.46%
15	Mr Geoffrey Edward Marshall	1,050,612	0.44%
16	Dixson Trust Pty Limited (A/C NO 1)	1,017,988	0.43%
17	Australian United Investment Company Limited	1,000,000	0.42%
18	Millane Pty Limited	887,990	0.37%
19	Tyneside Pty Limited	870,080	0.36%
20	Farjoy Pty Ltd	706,662	0.30%

Substantial Shareholders as at 1 October 2019

As disclosed in notices received by the Company.

	Ordinary Shares Held	% of Issued Shares	Notice Received
Brickworks Limited and its subsidiaries	94,314,855	39.40	3 Dec 2018
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 2019 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	324,686	5

Voting Rights

Ordinary shares:

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

(b) subject to section 250L(4) of the *Corporations Act 2001*, on a poll each member has:

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

Performance Rights:

No voting rights.

Australian Securities Exchange Listing

Washington H. Soul Pattinson and Company Limited ordinary shares are listed on the Australian Securities Exchange under the ASX Code: SOL.

Registered Office

Level 14, 151 Clarence Street, Sydney NSW 2000

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Facsimile: (02) 9210 7077

www.whsp.com.au

Share Register

Advanced Share Registry Limited
110 Stirling Highway, Nedlands WA 6009

Telephone: 1300 113 258 or +61 8 9389 8033 (outside Australia)
Facsimile: (08) 9262 3723 or +61 8 9262 3723 (outside Australia)

www.advancedshare.com.au

Auditors

Pitcher Partners Sydney
Level 16, Tower 2 Darling Park, 201 Sussex Street, Sydney NSW 2000
GPO Box 1615, Sydney NSW 2001

Telephone: (02) 9221 2099
Facsimile: (02) 9223 1762

Washington H. Soul Pattinson and Company Limited

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