



# Annual Report 2020

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 148 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	23 November 2020
Payment date	14 December 2020

### Annual General Meeting

AGM date	9 December 2020
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Given COVID-19 restrictions the AGM will be held online this year.

To register and join the meeting go to [www.advancedshare.com.au/virtual-meeting](http://www.advancedshare.com.au/virtual-meeting)

Online registration commences	11am
AGM commences	12 noon



For more information visit our website  
[www.whsp.com.au](http://www.whsp.com.au)

# Corporate Directory

## Directors

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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 AM	Lead Independent Director and Non-Executive Director
Thomas C D Millner	Non-Executive Director
Warwick M Negus	Non-Executive Director
Josephine L Sukkar AM	Non-Executive Director
Robert G Westphal	Non-Executive Director

## Company Secretary

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Ida M Lawrance

## Auditors

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Pitcher Partners Sydney

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## Key Highlights

Group  
Regular NPAT<sup>1</sup>

**\$170m**

**44.7%** ▼

Group  
Statutory NPAT

**\$953m**

**284.3%** ▲

Pre-tax value  
of portfolio<sup>2</sup>

**\$5.2bn**

**5.3%** ▼

Net cash flow  
from investments<sup>3</sup>

**\$252m**

**48.8%** ▲

20 Year TSR

**12.7%** pa

**5.2% outperformance<sup>4</sup>**

Dividend Growth  
over 20 years

**9.2%** pa

**Compound growth rate**

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 Alternative Performance Measures on page 22.
2. Refer to page 8 for details of the portfolio valuation.
3. Refer to Alternative Performance Measures on page 22 for the definition of net cash flow from investments.
4. As compared to the All Ordinaries Index.



# Chairman's Review

Dear Shareholders,

I am pleased to present the 2020 Washington H. Soul Pattinson and Company Limited (WHSP, Company) Annual Report on behalf of the Board of Directors of the Company.

## Key Highlights

Performance for the Year		
Group Regular Profit after tax <sup>1</sup>	\$169.8 million	-44.7%
Group Statutory Profit after tax	\$953.0 million	+284.3%

Key Performance Indicators		
WHSP net asset value (pre-tax) <sup>2</sup>	\$5.2 billion	-5.3%
Net cash flow from investments <sup>3</sup>	\$252.3 million	+48.8%
Total Dividends per share (fully franked)	60 cents	+3.4%
Total Dividend growth over 20 years (ordinary dividend compound annual growth rate)	9.2% p.a.	
Total Shareholder Return over 20 years (to 31 July 2020)	987%	

Net Cash Flow  
from investments  
increased by

**48.8%**

WHSP's diversified portfolio delivered another pleasing year. Our objective is to provide superior returns to our shareholders by creating capital growth along with steadily increasing dividends. In volatile markets, the Company performed well on each of these objectives in FY2020 with assets outperforming the All Ordinaries Index and cash generation significantly improved.

Dividends are paid out of the net cash flow from our investments, which increased by 48.8% in FY2020 due to a significant "catch-up" special dividend from TPG Telecom. This was against a backdrop of decreasing dividends from a number of companies across the market this year.

This strong cash generation allowed the Company to resolve to pay another increase to the final dividend and places WHSP as the only company in the All Ordinaries Index to have increased its dividends every year for 20 years. WHSP is proud of its history of paying dividends every year since listing in 1903.

While the Total Shareholder Return underperformed the index for the last 12 months, the portfolio demonstrated the advantages of diversification and defensiveness by outperforming the All Ordinaries Index by 6.9% for the year ending 31 July 2020.

WHSP has a strong track record of delivering outperformance over the long-term along with increased dividends. Over the last 20 years, WHSP's Total Shareholder Returns have exceeded the market by 5.2% per annum.<sup>4</sup>

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 Alternative Performance Measures on page 22.

2. Refer to page 8 for details of the portfolio valuation.

3. Refer to Alternative Performance Measures on page 22 for the definition of net cash flow from investments.

4. Relative performance compared to the All Ordinaries Accumulation Index.

**20 Year  
Total  
Shareholder  
Return**  
**12.7%**  
per annum

We continue to attract new shareholders and by the end of FY2020 the number of shareholders had grown to 29,735 (up 45.0% on the prior year).

During the second half of the financial year COVID-19 had a significant impact on all businesses. While some of our investment subsidiaries were impacted to varying degrees, the Parent Company was relatively unaffected and did not participate in government funding, did not require rent relief and did not reduce its workforce. Subsidiaries who received small amounts of Job Keeper assistance did not pay dividends and WHSP supported those investments through a challenging time.

The outlook for the domestic and global economy remains uncertain and volatile. One of WHSP's key advantages to generating returns is a flexible mandate to make long-term investment decisions and adjust the portfolio by changing the mix of investment classes over time. While the economic outlook is uncertain, we can be certain that there will be some dislocation in some asset classes. With dislocation comes opportunities and WHSP is well positioned with adequate liquidity to take advantage of the right investment opportunities.

WHSP maintains a strong balance sheet with modest gearing and solid liquidity. WHSP also has available profit reserves and franking credit balances that provide confidence and support to its aim to pay a stable and growing dividend year on year.

### Total Shareholder Returns (TSR) to 31 July 2020

Annual Return	1 Year p.a.	5 Years p.a.	10 Years p.a.	15 Years p.a.	20 Years p.a.
<b>WHSP</b>	<b>- 11.4%</b>	<b>+ 10.6%</b>	<b>+ 7.5%</b>	<b>+ 8.5%</b>	<b>+ 12.7%</b>
All Ordinaries Accumulation Index	- 9.0%	+ 5.5%	+ 7.4%	+ 6.6%	+ 7.5%
Relative Performance	- 2.4%	+ 5.1%	+ 0.1%	+ 1.9%	+ 5.2%

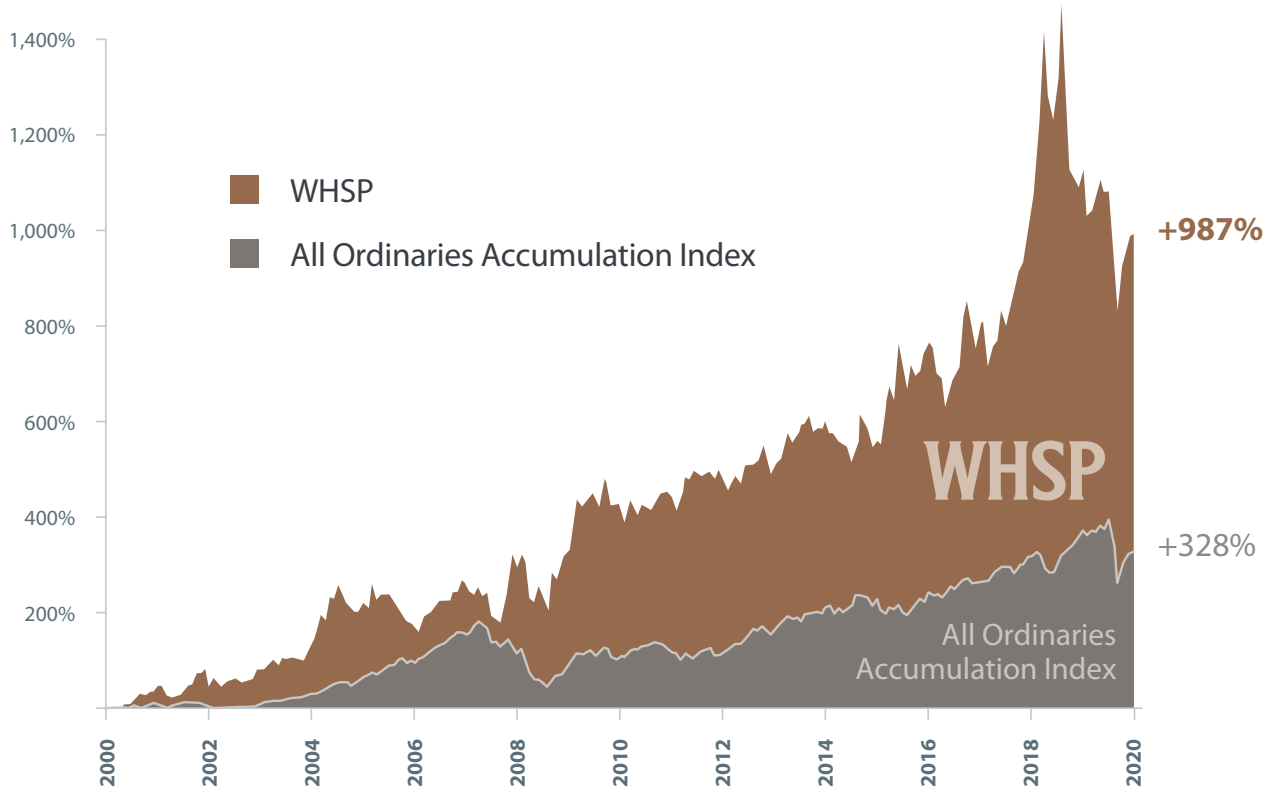
The above table shows the TSRs for WHSP shares for various periods and compares them to the ASX All Ordinaries Accumulation Index, which also includes the reinvestment of dividends.

WHSP is focused on long-term growth and has outperformed the index in all of the periods shown above with the exception of the last year.

The last 12 months performance was impacted by short-term share price fluctuations. While the Company's share price underperformed, the underlying value of the Company (as represented by growth in net assets per share and adding back dividends paid during the year) outperformed the All Ordinaries Accumulation Index by 6.3%.

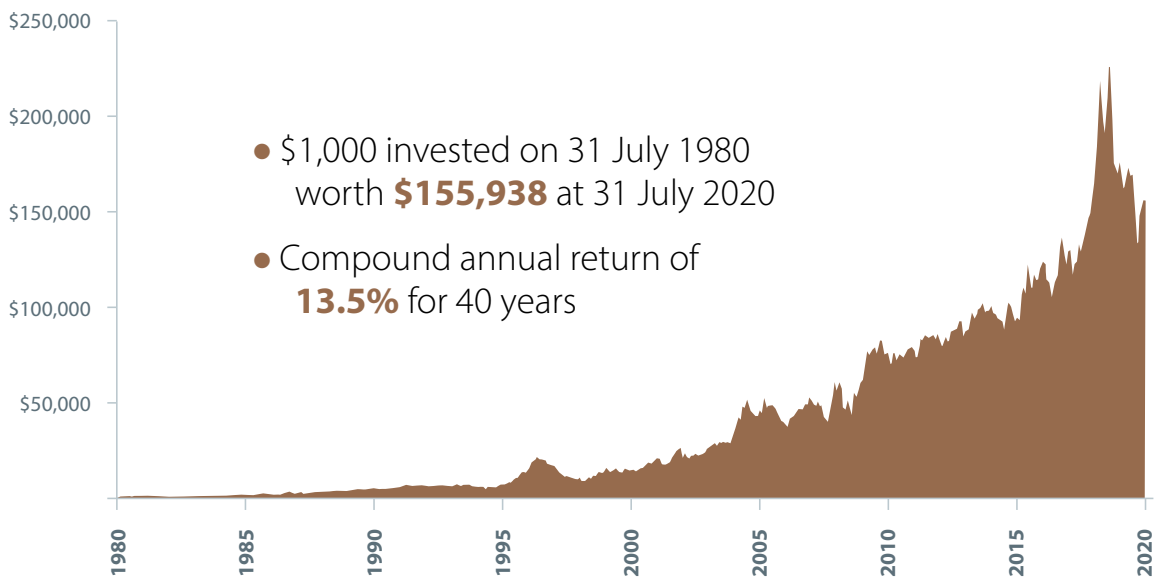
## 20 Year Total Shareholder Return

The following chart shows the total return over time of an initial investment made in WHSP shares in July 2000 compared to the ASX All Ordinaries Accumulation Index. An investment in WHSP has grown by nearly ten times over the last 20 years while an investment in the index has increased by less than a third of this for the same period.



*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 1980 and reinvested all dividends, the shareholding would have appreciated to over \$155,000 as at 31 July 2020. This equates to a compound annual growth rate of 13.5% 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  
Compound  
Dividend  
Growth**  
**9.2%**  
per annum

## Dividends

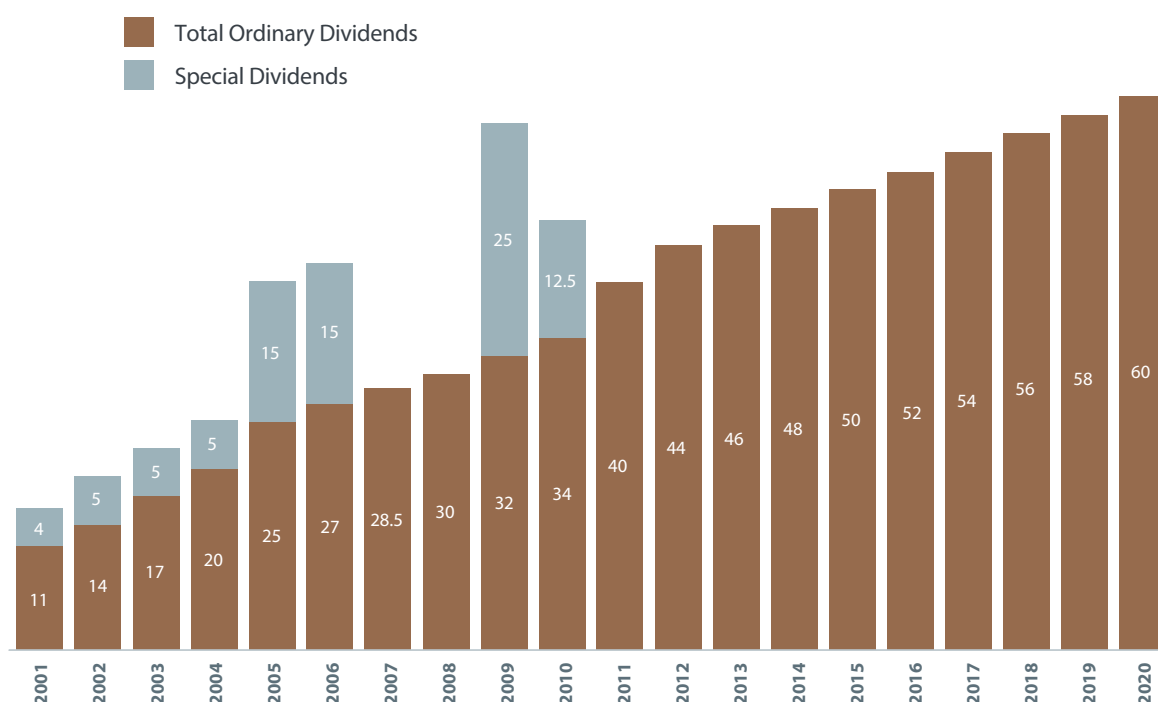
WHSP has an exceptional history of paying dividends to shareholders. WHSP has increased its ordinary dividend every year since 2000 and is the only company in the All Ordinaries Index to have achieved this. The compound annual growth rate of the Company's ordinary dividends over the last 20 years is 9.2%.

The Directors determine interim and final dividends based on the Company's net cash flow from investments<sup>1</sup>. These cash flows include dividends and distributions from its investments, interest income and gains on property assets.

The net cash inflow from investments<sup>1</sup> for the year was \$252.3 million, up 48.8% compared to 2019. This increase was mainly due to the special dividend received from TPG Telecom Limited (TPG Telecom) as part of its merger with Vodafone Hutchison Australia Limited (Vodafone).

## 20 Year Dividend History

Cents per Share



**Total  
Dividend  
for the year**  
**60¢**  
per annum

## Final Dividend

The Directors have resolved to pay a fully franked final dividend of 35 cents per share in respect of the year ended 31 July 2020 (2019: 34 cents fully franked). This brings total dividends for the year to 60 cents fully franked (2019: 58 cents fully franked).

The record date for the final dividend will be 23 November 2020 with payment due on 14 December 2020. The last day to purchase shares and be eligible for the final dividend is 19 November 2020.

This year WHSP will pay out, as dividends, 56.9% of its net cash flow from investments<sup>1</sup> (2019: 81.9%).

<sup>1</sup> Refer to Alternative Performance Measures on page 22 for the definition of net cash flow from investments.



## Consolidated Financial Performance

### Regular profit after tax attributable to members

The regular profit after tax<sup>1</sup> attributable to shareholders for the year ended 31 July 2020 was \$169.8 million compared to \$307.3 million for the previous corresponding period.

The decrease in regular profit after tax was mainly attributable to the following:

	\$m	% Change
New Hope Corporation revenues lower due to USD thermal coal prices and lower production at its Queensland mines, partly offset by a full year contribution from its 80% interest in the Bengalla Joint Venture and a lower AUD/USD exchange rate	-92.4	-69%
TPG Telecom contribution lower due to net margin reduction from the migration to the NBN and WHSP not taking up a share of TPG's income from 29 June 2020 due to the merger of TPG and Vodafone	-23.4	-25%
Brickworks experienced a fall in demand in its building products businesses in Australia and North America due to COVID-19, partly offset by a solid contribution from its property division	-12.7	-23%
Reduction in investment and trading income and an increase in net interest expense from increased gearing	-20.6	-26%
Round Oak Minerals saw increased revenues from its Barbara and Mt Colin mines entering production, offset by lower commodity prices and high ore treatment charges	+11.6	+21%
<b>Total</b>	<b>-137.5</b>	<b>-45%</b>

### Net profit after tax (including non-regular items) attributable to members

The statutory profit after tax attributable to shareholders was \$953.0 million compared to \$247.9 million last year. The increase in statutory profit after tax of \$705.1 million was largely due to the accounting gain of \$1.05 billion on de-recognition of TPG Telecom as an equity accounted associate following the completion of the TPG/Vodafone merger, partly offset by New Hope Corporation impairments and restructuring expenses incurred in its Queensland mining operations. The prior year included the gain on the sale of WHSP's 160 Pitt Street Mall property.

Comparisons with the prior year are as follows:

	2020 \$'000	2019 \$'000	Change %
<b>Regular profit after tax<sup>1</sup> attributable to shareholders</b>	<b>169,800</b>	307,262	-44.7%
<b>Statutory Profit after tax attributable to shareholders</b>	<b>952,967</b>	247,943	+284.3%
<b>Interim Dividend</b> (paid in May each year)	<b>25 cents</b>	24 cents	+4.2%
<b>Final Dividend</b> (payable 14 December 2020)	<b>35 cents</b>	34 cents	+2.9%
<b>Total Dividends</b>	<b>60 cents</b>	<b>58 cents</b>	<b>+3.4%</b>

WHSP does not consider its earnings to be the key indicator of the Company's performance. As with any investment portfolio, the key drivers of success are growth in the capital value of the portfolio and a growing yield.

<sup>1</sup> 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 Alternative Performance Measures on page 22.

## Net Asset Value of WHSP

As at 31 July 2020	Value of WHSP's Holding	12 month Movement	
	\$m	\$m	%
Telecommunications Portfolio <sup>1</sup>	1,967	+ 331	+ 20.2%
Brickworks <sup>1</sup>	1,072	- 27	- 2.5%
New Hope Corporation <sup>1</sup>	545	- 498	- 47.8%
Financial Services Portfolio <sup>1 &amp; 2</sup>	311	- 42	- 11.9%
Pharmaceutical Portfolio <sup>1</sup>	285	+ 20	+ 7.7%
Round Oak Minerals <sup>2</sup>	161	- 27	- 14.5%
Equities Portfolios <sup>1 &amp; 2</sup>	511	- 53	- 9.3%
Private Equity Portfolio <sup>2</sup>	272	+ 136	+ 100.8%
Property Portfolio <sup>2</sup>	90	+ 1	+ 0.7%
Cash and other net assets (excluding bank borrowings)	411	+ 285	+ 226.9%
Less: Bank Borrowings <sup>3</sup>	- 446	- 416	+ 1,386.6%
<b>Net asset value (pre-tax)<sup>4 &amp; 5</sup></b>	<b>5,179</b>	<b>- 290</b>	<b>- 5.3%</b>

The net asset value of WHSP is summarised in the above table. The pre-tax value as at 31 July 2020 was \$5.2 billion, down 5.3% compared to 31 July 2019. This is an outperformance of 6.9% over the All Ordinaries Index which fell by 12.2% for the same period.

The Telecommunications Portfolio consists of TPG Telecom and Tuas Limited (Tuas). In July 2020 TPG Telecom demerged Tuas via an in-specie dividend to its shareholders and merged with Vodafone.

The investment in the Financial Services Portfolio increased during the first half when WHSP increased its investment in Ironbark Asset Management from 25.6% to 31.2%.

WHSP also participated in Palla Pharma Limited's capital raising in October 2019, investing a further \$6.2 million in the Pharmaceutical Portfolio.

Other new investments (held in the Private Equity Portfolio) included \$127.7 million invested in the agricultural sector.

To fund new acquisitions and to provide liquidity for further investment opportunities WHSP increased its borrowings by \$416 million.



**R D Millner**

Chairman

1 At market value.

2 At cost or Directors' valuation.

3 Refer to note 25 for details regarding bank borrowings.

4 The estimated net income tax liability if all of these assets had been disposed of on 31 July 2020 would have been approximately \$894 million.

5 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.

# Review of Group Entities

as at 31 July 2020

## Telecommunications Portfolio



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## Brickworks Limited



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## New Hope Corporation Limited



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## Financial Services Portfolio



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## Pharmaceutical Portfolio



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## Round Oak Minerals Pty Limited



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## Equities Portfolio

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## Private Equity Portfolio

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## Property Portfolio

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## Telecommunications Portfolio

### TPG Telecom Limited

Investment: **12.6% held**  
 Total market capitalisation: **\$14.9 billion**  
 Value of WHSP's holding: **\$1.884 billion**  
 ASX code: **TPG**



### Tuas Limited

Associated entity: **25.3% held**  
 Total market capitalisation: **\$330 million**  
 Value of WHSP's holding: **\$82.6 million**  
 ASX code: **TUA**



On 29 June 2020 TPG Telecom Limited (ASX: TPM) shareholders approved a merger with Vodafone Hutchison Australia Limited (Vodafone) to form TPG Telecom Limited (ASX: TPG) via a scheme of arrangement. The merger completed on 29 June 2020.

### TPG is no longer an Associate for accounting purposes

As a consequence of the merger with Vodafone, WHSP's shareholding in TPG decreased from 25.3% to 12.6% (however the value of WHSP's investment increased materially in FY2020). WHSP no longer has significant influence over TPG and therefore, TPG is no longer an associate for accounting purposes. From 29 June 2020 WHSP ceased to equity account the earnings of TPG.

The derecognition of TPG as an associate required WHSP to revalue its investment to the market valuation as at the effective date of the merger in accordance with accounting standards. This resulted in a non-regular accounting gain (after-tax) of \$1.05 billion in FY2020.

Prior to the merger occurring, TPG paid a special dividend of 51.6 cents per share which resulted in WHSP receiving a fully franked dividend of \$120.9 million.

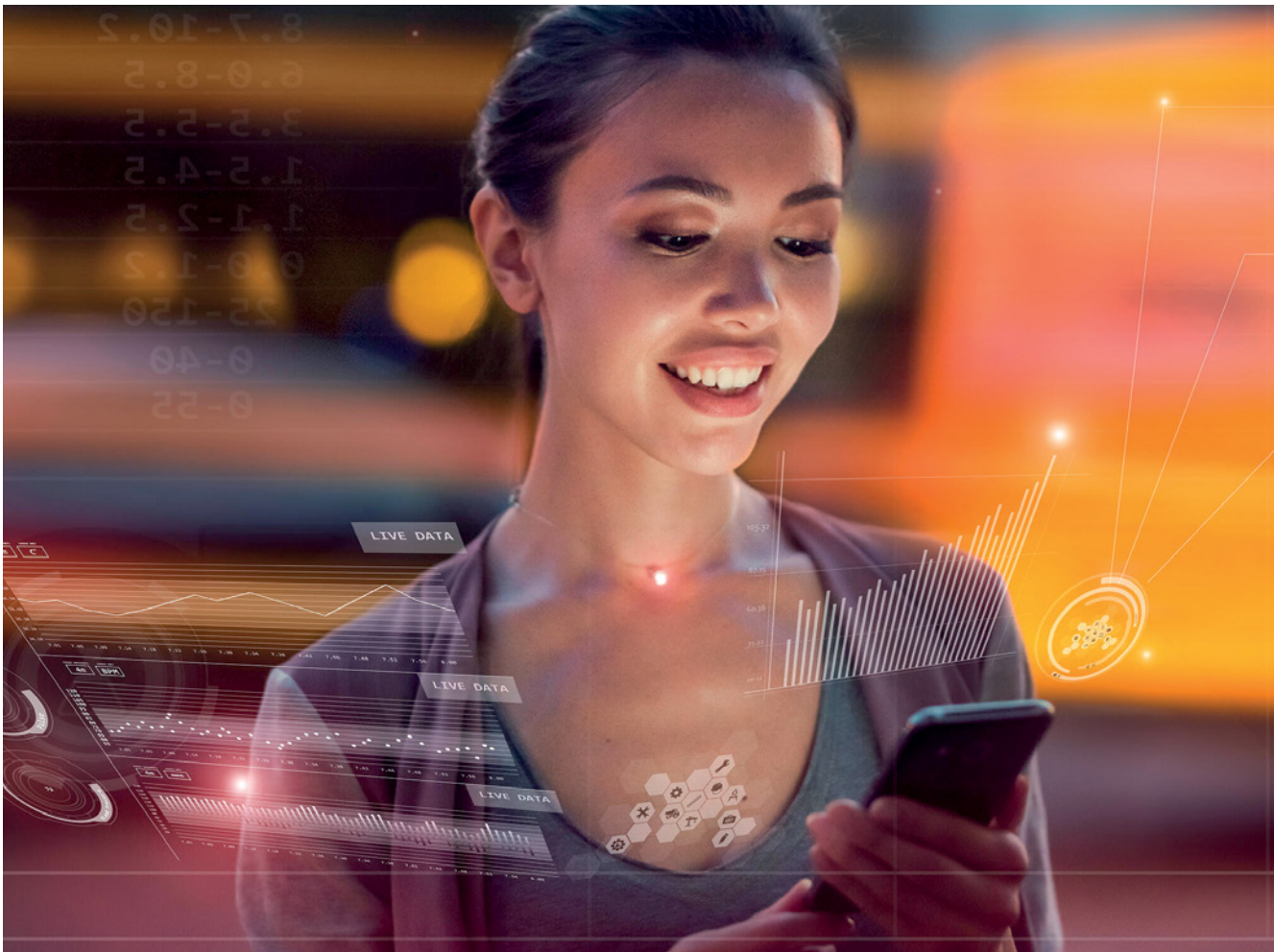
### Demerger of Tuas Limited

TPG also demerged its Singapore mobile business to shareholders via a non-cash in-specie dividend. That business has been renamed Tuas Limited and is listed on the ASX (ASX: TUA). WHSP holds a 25.3% interest in Tuas which is in the process of rolling out mobile infrastructure in Singapore. Tuas is an equity accounted associate and the value of WHSP's holding at 31 July 2020 was \$82.6 million.

### Treatment of the TPG special dividend

While a special dividend of \$120.9 million was received in FY2020, the WHSP Board has allocated the special dividend notionally across the FY2020 and FY2021 years to more accurately represent normal dividend payments from TPG. In FY2018, the TPG dividend was cut to preserve cash for the proposed mobile network rollout. TPG abandoned its proposed mobile network and once the merger was agreed was able to return cash to its shareholders. Of the total dividend, an amount of \$92.4 million was allocated to FY2020 as a "catch-up" on the previous three years of depressed dividends. The remaining \$28.5 million was allocated to FY2021 to account for the fact that the merged TPG changed its year end and announced it would not be paying a dividend in the second half of calendar year 2020. This will result in WHSP receiving only one ordinary dividend from TPG in FY2021.

Dividends  
 paid to WHSP  
**\$104.1  
 million**



Source: TPG Telecom website

## Performance of WHSP's telecommunications interests

The value of WHSP's telecommunications interests (TPG and TUA) increased by 20.2% to \$1.97 billion over the year ended 31 July 2020. After including the special dividend of \$120.9 million received from TPG, the total value increase for the year is \$452.0 million, or 27.6%.

TPG contributed \$1.1 billion to the Group's net profit after tax for the year (2019: \$34.1 million), largely due to the accounting gain from derecognition of TPG as an associate. Tuas did not make a profit contribution to the Group's net profit after tax for the year.

The Federal Court approval of the merger of TPG and Vodafone has created a strong competitor in the Australian telecommunications sector with good opportunities for growth. TPG's strong broadband business and fibre infrastructure is highly complementary with Vodafone's mobile infrastructure and customer base. The merged entity will be able to offer bundled services across better network infrastructure and achieve synergies through reduction of duplicate costs.

Tuas now owns the TPG Singapore business which operates a low-cost mobile network in Singapore. As a new entrant in the market, TPG Singapore is growing its customer base with products that deliver good value relative to incumbent service providers. The TPG Singapore network is new and therefore does not have legacy networks or systems to support. TPG Singapore is well placed to provide modern network technology (such as 5G) at competitive prices.

## Brickworks Limited

Associated entity: **43.8% held**  
 Total market capitalisation: **\$2.45 billion**  
 Value of WHSP's holding: **\$1.07 billion**  
 ASX code: **BKW**

**BRICKWORKS**  
 LIMITED

Brickworks delivered a strong financial result for the year ended 31 July 2020 with statutory net profit after tax (NPAT) of \$299 million, up 93% on the prior year. This result included a significant one-off profit in relation to its shareholding in WHSP, triggered by the merger of WHSP's associate TPG with Vodafone.

After excluding discontinued operations and the impact of significant items, the underlying NPAT of Brickworks was \$146 million, down 38% from the record result achieved in the prior year.

### Contribution to WHSP

The directors of Brickworks have declared a fully franked final dividend of 39 cents per share for the year ended 31 July 2020, up 2.6% from 38 cents last year. This brings total dividends for the year to 59 cents per share, up 2 cents or 3.5%.

Brickworks contributed \$42.0 million to the Group's regular profit after tax for the year (2019: \$54.7 million). This contribution excludes the WHSP profit taken up by Brickworks under the equity accounting method.

Brickworks contributed \$19.2 million to the Group's net profit after tax for the year (2019: \$64.1 million). The reduction in contribution was largely due to impairments and restructuring provisions of its building products businesses in Australia and North America.

### Building Products Australia

Despite lower earnings, operational performance across most divisions was encouraging given the challenges associated with the COVID-19 pandemic and the headwinds due to declining market activity. Austral Bricks earnings on the east coast proved particularly resilient, with improved earnings recorded in Queensland, South Australia and Tasmania.

Dividends  
 paid to WHSP  
 \$ **38.1**  
 million



Washington H. Soul Pattinson Head Office

Source: Brickworks



Brickworks Glen-Gery Design Studio Philadelphia

Source: Brickworks

## Building Products North America

Brickworks' expansion into the United States has gathered momentum, with the completion of two further bolt-on acquisitions.

In August 2019 it acquired Iowa based Sioux City Brick, followed by four manufacturing plants from Redland Brick in February 2020. Brickworks previously acquired Glen-Gery in November 2018.

In just two years Brickworks has built a brick business with significant scale and a leading market position in the North East of the United States. Whilst the COVID-19 pandemic has had a short-term impact, the North American operations provide additional diversification and strong prospects for growth over the long-term.

## Property

The property division once again delivered an outstanding result with EBIT of \$129 million for the year. This was driven by a significant increase in the value of the industrial property portfolio.

Brickworks' portfolio of well-located industrial facilities close to consumers are increasing in value, as they are now a key component in the supply chain solution of its tenants.

The COVID-19 pandemic has only accelerated the trends towards online shopping, and as a result, demand for prime industrial assets is expected to increase further.

Brickworks has a long pipeline of land available for development in Western Sydney and is poised to benefit from these industry trends over the years to come.

A major highlight for the year was securing a lease pre-commitment for 20 years with Amazon at the Property Trust's Oakdale West Estate in Western Sydney. This is the second major pre-commitment secured at this site, following the announcement of Coles Group in January 2019.

## Outlook

Within Building Products Australia, orders and sales have increased in September across most businesses, reflecting the various government stimulus measures in place. However, the outlook is clouded by uncertainty in the major capitals of Melbourne and Sydney.

In May, Brickworks received development approval for a new \$125 million face brick plant at Horsley Park in NSW. Upon completion, this facility will be the most advanced brick facility in the country, placing Austral Bricks New South Wales in a very strong competitive position.

In North America, the bolt-on acquisitions completed during FY2020 have strengthened Brickworks' leadership position in the architecturally focussed Midwest and Northeast regions of the United States.

Activity within the Property Trust remains strong, with the completion of developments at Oakdale to drive growth in rent and asset value over the next few years.

## New Hope Corporation Limited

Controlled entity: **50.0% held**  
 Total market capitalisation: **\$1.09 billion**  
 Value of WHSP's holding: **\$545 million**  
 ASX code: **NHC**



New Hope has weathered many coal pricing cycles in its long history, but never one driven by such a unique set of circumstances; a pandemic and increasing tension with Australia's major trading partner.

New Hope's financial performance for the first half of FY2020 was solid, recording a profit before tax and non-regular items of \$123.5 million. However, the second half result was greatly impacted by the COVID-19 pandemic with a full year profit before tax and non-regular items of \$119.5 million. After non-regular items, New Hope reported a net loss after tax of \$156.8 million compared to a profit of \$210.7 million last year.

Despite lower production at New Acland over the year, total saleable coal production increased by 4% to 11.3 million tonnes.

Coal prices were resilient until March 2020, however, weakening demand and a weakening US dollar saw prices fall by around 33% from March to July 2020. In response to this New Hope has paid careful attention to expenditure with non-essential capital spend postponed, and a refocus on cost management.

### Contribution to WHSP

New Hope contributed \$42.0 million to the Group's regular profit after tax for the year (2019: \$134.3 million).

New Hope contributed a loss after tax of \$78.4 million to the Group's net profit after tax (2019: a profit of \$105.3 million). The reduction in contribution was largely due to the impact of COVID-19 and impairment charges on its Queensland Mining Operations, Bridgeport oil and gas operations and coal development assets.

New Hope is focused on investment in key capital programs to underpin the future of its operations and ensure sustainable long-term shareholder returns. In order to fund this investment and in light of the difficult global economic conditions from COVID-19, New Hope has not declared a final dividend this year. Therefore, the total dividend for the year is 6 cents per share, being the interim dividend, compared to total dividends for FY2019 of 17 cents per share.

### Operations

New Hope produced 11.3 million tonnes of saleable coal in 2020 which was a 4% increase on 2019. New Hope's 80% share of the Bengalla mine was 8.3 million tonnes while New Acland and Jeebropilly produced a combined 3.0 million tonnes of saleable coal.

### Bengalla Joint Venture

The Bengalla Mine (100% basis) produced 10.3 million tonnes of coal during the year. This was another record for the business.

The site commenced a scheduled major mid-life shutdown of its dragline at the end of July. This involves significant mechanical, electrical and structural repairs and upgrades. As the dragline accounts for around 20% of total waste material movement the shutdown is only expected to have a minor impact on coal flow in the first half of FY2021.

There has been a strong cost and business improvement focus across the business for the year. In a tough thermal coal market, Bengalla continued to make a positive margin and generate a strong profit.

Dividends  
 paid to WHSP  
 \$ **62.4**  
 million





New Acland

Source: New Hope Group

## New Acland Coal Mine

New Acland produced 2.8 million tonnes of coal for the year, down 32% year on year due to the Queensland Government's failure to approve Stage 3 which resulted in the halving of the workforce on site in October 2019.

## New Acland Stage 3 Development

The Queensland Court of Appeal rejected the appeal of the Oakey Coal Action Alliance (OCAA) in relation to the May 2018 Judicial Review.

Subsequently, OCAA sought special leave to appeal the orders of the Court of Appeal and, on 5 June, this was granted. The High Court hearing took place on 6 October 2020.

The High Court appeal does not challenge the findings on groundwater or any other environmental issue that is relevant to any decision being made by Government. The Queensland Government has all the information before it to make the necessary decisions. There are no impediments to the granting of the approvals required for the Stage 3 Development.

## Outlook

Bengalla begins FY2021 nearing the completion of the dragline major mid-life shutdown. Total production for the coming year is expected to remain at record levels through the continued operational improvements. Bengalla's positioning, low on the cost curve, will anchor its resilience during this global economic downturn.

Queensland operations will continue to ramp down production volumes in the year ahead with Acland production constrained to mining remnant coal from Stage 2 operations in the absence of receiving Stage 3 approvals. New Hope remains focused on securing all necessary approvals for Acland Stage 3 to ensure continuity of operations and employment for the remaining workforce and contractors, along with Queensland Bulk Handling and the broader community who rely on the operation.

Coal market fundamentals have deteriorated due to impacts of COVID-19 which has made for a challenging start to the year. The short-term outlook for thermal coal demand is dependent on post pandemic economic and industrial recovery in the Asian region. The mid to long-term outlook remains healthy as the need for industrial and domestic electricity generation remains strong based on growth in Asia, New Hopes' key export market.

With a suite of low cost, quality assets and strong balance sheet, New Hope remains well positioned to endure the current global economic downturn and retain its position as one of Australia's leading coal producers.

## Financial Services Portfolio

Value of WHSP's holdings: **\$311 million\***  
Listed and unlisted entities

*\*Market value, cost or Directors' valuation*



Dividends  
paid to WHSP  
\$ **19.9**  
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 values of the listed investments in the portfolio reduced due to the market disruption of COVID-19. While a further investment was made in Ironbark Asset Management, none of the unlisted investments were revalued or written down during the year. The total value of the portfolio continues to be well above its cost base.

During the first half of the year WHSP increased the portfolio's investment in Ironbark Asset Management from 25.6% to 31.2%. Ironbark provides asset management solutions for investors and financial advisers by partnering with best in class investment managers across a range of asset classes.

In December 2019, the responsible entity for 360 Capital Total Return Fund (360 Capital TRF) finalised the scheme of arrangement under which 360 Capital TRF acquired all of the ordinary shares of URB Investments Limited (URB). As a result, WHSP received 0.9833 360 Capital TRF securities for each of its URB shares.

### Contribution to WHSP

WHSP received dividends of \$19.1 million from the Financial Services Portfolio during the year, in line with 2019.

The Financial Services Portfolio contributed \$20.1 million to the Group's regular profit after tax for the year (2019: \$23.5 million).

As at 31 July 2020	WHSP's Holding %
BKI Investment Company Limited (ASX: BKI)	8.5%
Contact Asset Management Pty Limited	20.0%
Ironbark Asset Management	31.2%
Milton Corporation Limited (ASX: MLT)	3.3%
Pengana Capital Group Limited (ASX: PCG)	38.7%
Pengana International Equities Limited (ASX: PIA)	9.6%
Pitt Capital Partners Limited	100%
360 Capital Total Return Fund (ASX: TOT)*	6.5%

\*URB Investments Limited was taken over by 360 Capital Total Return Fund in December 2019.

## Pharmaceutical Portfolio

Total market capitalisation: **\$1.18 billion**  
 Value of WHSP's holdings: **\$285 million**  
 Listed entities



Dividends  
 paid to WHSP  
**\$5.6**  
 million

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

### Contribution to WHSP

WHSP received dividends of \$5.6 million from the Pharmaceutical Portfolio during the year, down from \$9.0 million in FY2019 due to the impact of COVID-19.

WHSP has equity accounted Apex's and Palla's results for the 12 months to 30 June 2020 and API's result for the 12 months to 29 February 2020.

The Pharmaceutical Portfolio contributed \$12.5 million to the Group's regular profit after tax for the year (2019: \$15.0 million).

As at 31 July 2020	WHSP's Holding %
Australian Pharmaceutical Industries Limited (ASX: API)	19.3%
Apex Healthcare Berhad (Bursa Malaysia code: APEX MK)	29.9%
Palla Pharma Limited (ASX: PAL)	19.9%

WHSP participated in Palla Pharma's capital raising in October 2019 investing a further \$6.2 million.



Priceline Pharmacy

Source: api

## Round Oak Minerals Pty Limited

Controlled entity: **100% held**  
Value of WHSP's holding: **\$161 million\***  
Unlisted entity

*\* Directors' valuation*



Round Oak is a mining and exploration company focused primarily on the production of copper, zinc and gold. Round Oak has several operating assets throughout Australia as well as projects under development.

### Queensland assets

The Mt Colin underground copper mine commenced commercial production during the year. Mine development was ahead of target for the year allowing the focus in the latter half of the year to shift to resource development drilling at depth. Encouraging early drilling results have identified the potential for additional ore that could extend the mine life beyond 2023.

The Barbara open pit copper mine also commenced commercial production during the year. Open pit mining at Barbara is scheduled to be completed in late 2020 with toll treatment of the ore to be completed in early 2021. Studies have commenced on the potential to extend the mine life via the development of an underground mine below the south pit.

Gold mining at the Wallace South mine was completed in December 2019 and the Cloncurry processing facilities were placed on care and maintenance in July 2020 following the treatment of this ore. Reviews of further Round Oak owned gold resources in the region are being undertaken.

### Western Australian assets

The Bentley underground mine at Jaguar saw first production of copper and zinc from the high-grade Bentayga lens in the first half of the year. In the latter part of the year, monthly ore production from Bentley was deliberately reduced from 30 kilotons per month to 20-25 kilotons per month as underground resources were redirected to development of the Pegasus lens (discovered in 2019). Development of Pegasus is expected to take until early 2021 at which point mine production will ramp up to 40 kilotons per month.

Work on the Definition Phase Study for the development of the Triumph resource was completed, demonstrating its potential to both increase production capacity and extend the life of Jaguar beyond its current three year mine life.

### Victorian assets

All primary approvals and permits for the Stockman copper-zinc project in north-east Victoria are in place, including the Mine Work Plan, with work continuing on the development of the associated Management Plans. A Selection Phase Study completed in the second half of 2019 continues to be refined prior to the commencement of a Definition Phase Study.



Underground mining at Jaguar

Source: Round Oak Minerals

## Contribution to WHSP

Round Oak contributed a regular after tax loss of \$42.5 million to the Group's result for the year (2019: \$54.1 million loss). Revenue was up 66% to \$222.9 million largely driven by the Mt Colin and Barbara operations moving into commercial production. Notwithstanding higher sales volumes, lower commodity prices for zinc and copper and zinc smelter treatment charges had a material impact on gross margins.

Round Oak's statutory loss after tax of \$94.8 million includes a non-regular impairment charge of \$50.2 million, booked in the first half of FY2020 following a reassessment of the carrying values of development and exploration assets and processing infrastructure.

WHSP continues to review its strategic options for these assets.

## Outlook

Zinc and copper prices have recovered since the bottom of the market in March 2020. In the last six months, copper has increased over 40% to over US\$3 per pound and zinc is up over 30% to over US\$2,500 per tonne. Mining of Round Oak's three major assets, Mount Colin, Barbara and Jaguar is proceeding to plan and the recovery of commodity prices is well timed given expected sales over the course of the next 12 to 18 months.

Exploration activities are focused on targets to increase the life of the current mining operations. Early results have been encouraging and these programmes will continue into FY2021.

## Equities Portfolio

### Large Caps Portfolio

The WHSP Large Caps Portfolio is externally managed by Contact Asset Management, with the aim of providing long-term capital preservation and an attractive income stream through investment in a diversified Australian equities portfolio. The strategy aims to deliver capital growth and a yield that exceeds the market through the cycle.

For the year ended 31 July 2020, the ASX 300 Accumulation Index return was negative 9.7%. The WHSP Large Caps Portfolio Return was negative 7.8%, an outperformance of 1.9%. Over the past 18 months to 31 July 2020, the WHSP Large Caps Portfolio generated a total return of 5.7%, compared to the ASX 300 Accumulation Index which returned 4.8%, an outperformance of 0.9%.

At 31 July 2020, the WHSP Large Caps Portfolio was valued at \$262 million. The Portfolio, which was made up of 21 companies, is currently providing a grossed-up dividend annual yield of 4.6%. Cash generated from dividends/distributions from securities within the Portfolio is paid directly to WHSP.

Dividends and distributions paid to WHSP  
\$ **13.8** million

Portfolio Performance	WHSP Large Caps Portfolio %	ASX 300 Accumulation Index %
12 months to 31 July 2020	- 7.8%	- 9.7%
18 months to 31 July 2020	+ 5.7%	+ 4.8%

### Small Caps Portfolio

WHSP's Small Caps Portfolio is our allocation of capital to earlier stage, higher growth companies. This portfolio aims to find companies which can grow into a bigger part of WHSP's overall portfolio and become core investments.

As at 31 July 2020 the portfolio was worth \$248.9 million, a net increase of \$24.2 million over the balance at 31 July 2019.

For the 12 months to 31 July 2020 the portfolio generated an investment return of 4.4%. This compares favourably to the ASX Small Companies Accumulation Index which returned negative 8.5% over the same period.

Since the market sell off in late March 2020 the portfolio increased 68.9% to the end of August 2020 (25 March 2020 to 31 August 2020).

We do not make investment decisions to correlate our returns against an index, however, we show this comparison as market context for our shareholders.

Dividends paid to WHSP  
\$ **2.3** million

Portfolio Performance	WHSP Small Caps Portfolio %	ASX Small Ordinaries Accumulation Index %
6 months to 31 January 2020	+ 18.1%	+ 2.8%
12 months to 31 July 2020	+ 4.4%	- 8.5%
25 March 2020 to 31 August 2020	+ 68.9%	+ 42.0%

## Private Equity Portfolio

The carrying value of the Private Equity Portfolio increased by \$136.5 million to \$271.9 million during the year ended 31 July 2020. This increase was principally due to new investments.

The new investments were mainly in the agricultural sector with \$127.7 million invested since 31 July 2019.

Dividends and  
distributions  
paid to WHSP

\$ **4.5**  
million

As at 31 July 2020	WHSP's Holding %
Ampcontrol Pty Limited	42.9%
Aquatic Achievers	100%
Dimeo Cleaning Services	16.0%
Seven Miles Coffee Roasters Pty Limited	40.0%
Specialist Oncology Property Pty Limited	17.3%
WHSP Agricultural Investments	various

During the year the portfolio was relatively unaffected by COVID-19 with the exception of Aquatic Achievers which was impacted by operating restrictions at its swim schools. Those restrictions have since ended and Aquatic Achievers is operating profitably again. Infrastructure and resources demand continued to benefit Ampcontrol and demand for commercial cleaning assisted Dimeo.

## Property Portfolio

Distributions  
paid to WHSP

\$ **2.3**  
million

In July 2020 contracts were exchanged to sell the shopping centre at 510 High Street Penrith in which WHSP holds a 50.1% interest. Total proceeds are expected to be \$27.4 million (WHSP's share \$13.7 million) with settlement due in November 2020.

WHSP has maintained its ownership of the office building at Pennant Hills and the industrial property at Castle Hill. These assets are presently being repositioned with a blend of capital improvements and leasing initiatives to increase income.

### Contribution to WHSP

The Property Portfolio contributed \$7.7 million to the Group's regular profit after tax for the year (2019: \$11.0 million).



# Alternative Performance Measures

The Consolidated Entity presents certain Alternative Performance Measures (APM's), including regular and non-regular profit after tax, Net cash flows from investments and net asset value, which are reconciled to directly comparable International Financial Reporting Standards ("IFRS") financial measures on pages 8, 23 and 24. These APMs are used by management to assess the performance of the business and may therefore be useful to investors. They are not a substitute for the IFRS measures and should be considered supplementary to those measures.

## Regular and non-regular profit after tax

Financial 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 profitability used by the Consolidated Entity.

## Net cash flows from investments

Net cash flows from investments are after Parent Entity corporate costs and exclude the effects of non-regular cash inflows and outflows to demonstrate the underlying cash flows generated by the Parent Entity's investment portfolio. The Board of the Consolidated Entity determines dividends having regard to net cash flows from investments.

## Net Asset Value ("NAV")

The Parent Entity is a long-term investor. Net asset value (pre-tax) is the value of all of the Parent Entity's assets less all of its liabilities (excluding any tax payable upon the sale of its assets). Assets are valued at market value or Directors' valuation as shown in the NAV statement. The NAV post-tax assumes the Parent Entity disposed of its assets and incurred an income tax liability based on the market values or Directors' valuations.



## Reconciliation between consolidated regular profit after tax and profit after tax

A reconciliation between consolidated regular profit after tax attributable to members and profit after tax attributable to members is set out below. The Directors have presented this information as they consider the disclosure enhances the understanding of the financial results to shareholders and other users of the financial statements.

The allocation of revenue 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.

	2020 \$'000	2019 \$'000
<b>Regular profit/(loss) after tax attributable to members</b>		
TPG Telecom Limited	71,589	95,044
Brickworks Limited	41,960	54,710
New Hope Corporation Limited	41,968	134,270
Round Oak Minerals Pty Limited	(42,468)	(54,142)
Other investing activities	68,389	87,044
Intersegment/unallocated <sup>1</sup>	(11,638)	(9,664)
<b>Regular profit after tax attributable to members</b>	<b>169,800</b>	<b>307,262</b>
<b>Non-regular items after tax</b>		
Fair value gain on derecognition of TPG as an equity accounted associate	1,050,027	–
Share of non-regular items from equity accounted associates	(15,842)	(37,129)
Gain on deemed disposal of equity accounted associates	5,225	1,345
Deferred tax benefit/(expense) recognised on equity accounted associates	23,064	(13,632)
Loss on derecognition of an associate's reserves	(7,452)	–
Acquisition costs expensed	(2,245)	(17,101)
Gain on sale of 160 Pitt Street Mall	–	68,968
Impairment expense on equity accounted associates	(61,640)	(34,807)
Impairment expense on property, plant and equipment (including mine development)	(90,777)	(16,645)
Impairment expense on exploration and evaluation assets	(67,707)	–
Impairment expense on oil producing and exploration assets	(23,226)	–
Impairment expense on other assets	(14,479)	(1,323)
Restructuring costs	(12,729)	–
New Acland ramp down costs – New Hope	(4,662)	–
Reversal of provision for liquidation related costs – New Hope	7,165	–
Redundancies	(2,704)	(1,791)
Non-cash in-specie dividend	–	3,592
Onerous contract and other expenses	–	(10,000)
Rehabilitation costs – New Hope	3,311	–
Other items	(2,162)	(796)
<b>Total non-regular profit/(loss) after tax attributable to members</b>	<b>783,167</b>	<b>(59,319)</b>
<b>Profit after tax attributable to members</b>	<b>952,967</b>	<b>247,943</b>
Less: (loss)/profit attributable to non-controlling interests	(78,512)	111,546
<b>Profit after tax</b>	<b>874,455</b>	<b>359,489</b>

<sup>1</sup> Intersegment/unallocated represents Parent Entity corporate costs that are not allocated to individual segments.

## Derecognition of TPG as an associate

As at 31 July 2020, the Parent Entity had a 12.6% (previously 25.3%) investment in TPG Telecom Limited ("TPG"), a telecommunications and internet provider. During the financial year, the Group's share of ownership in TPG was diluted from 25.3% to 12.6% as a result of the TPG and Vodafone Hutchison Australia Pty Limited ("VHA") merger. As of the merger date (29 June 2020), the Group lost significant influence over TPG and discontinued equity accounting for its investment in TPG. This resulted in TPG contributing \$1.122 billion (after tax) to profit during the current financial year. The contribution reflects the Parent Entity's share of TPG's equity accounted results and reserves up until the merger date and a gain from the initial recognition of a financial asset held at Fair Value Through Other Comprehensive Income. The contribution has been calculated as follows:

	<b>2020</b> \$'000
<b>Consolidated Entity</b>	
Market value of TPG investment based on a 5-day VWAP <sup>1</sup>	2,028,230
Less: equity accounted carrying value <sup>2</sup>	(553,704)
Gain on derecognition of TPG as an associate before tax	1,474,526
WHSP share of TPG results recognised up to 31 January 2020	36,277
Total contribution to profit from TPG, including fair value gain on derecognition	1,510,803
Income tax expense	(389,187)
Total contribution to profit from TPG, including fair value gain on derecognition, after tax	1,121,616
The contribution to profit from TPG has been allocated as follows:	
Regular profit after tax <sup>3</sup>	71,589
Non-regular profit after tax	1,050,027
Total contribution to profit from TPG after tax	1,121,616

<sup>1</sup> Market value based on 5-day volume weighted average price

<sup>2</sup> The TPG equity accounted value just prior to derecognition has been calculated as follows:

Equity accounted carrying value of TPG – 1 August 2019	732,177
Share of TPG profits and reserves less dividends received from 1 August 2019 to 29 June 2020	(178,473)
Equity accounted carrying value of TPG – 29 June 2020	553,704

<sup>3</sup> Includes TPG estimated profit before tax for the second half 2020 based on unaudited results released to the ASX

## TPG special dividend allocation to the Parent Entity net cashflow from investments

The Parent Entity received the TPG special dividend of \$120.948 million (or 51.6 cents per share) in July 2020. With the change to the TPG balance date (from 31 July to 31 December), the newly merged TPG did not declare an interim dividend in August 2020.

The Parent Entity has adopted the following treatment of the TPG special dividend in the calculation of the Parent Entity net cash flows from investments (a non-statutory measure of cash flows) for the 2020 financial year and the 2021 financial year.

The Parent Entity considers the special dividend to have two components. The first is a catchup component (estimated at \$92.4 million), given that TPG has paid very low dividends over the six reporting periods from financial year 2018 to financial year 2020. The second component can be considered as an estimate of a final financial year 2020 dividend of \$28.5 million for the pre-merger TPG. The following table shows the allocation of the special dividend to net cash flows from investments in financial year 2020 and financial year 2021.

	<b>2020</b> \$'000	<b>2021</b> \$'000
<b>Net cash flows from investments</b>		
Year ended 31 July		
Catch-up dividend	92,418	
Estimated final FY2020 for the pre-merger TPG usually paid in November		28,530



# Parent Entity Financial Information

## Source of shareholders dividends

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.

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 profit after tax is provided. The Directors have presented this information, which is used by the Chief Operating Decision Maker as they consider the disclosure enhances the understanding of the results to members and users of the financial statements.

### **ACCOUNTING POLICY**

#### Parent Entity

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

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

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

## Accounting for TPG special dividend

On the 29 June 2020, a special dividend of \$120.9 million was paid by TPG as a result of the TPG/Vodafone merger. Included in the special dividend was \$28.5 million relating to a final FY20 dividend for old TPG usually paid in November.

The new TPG did not declare a dividend for the first half of its 2020 financial year.

Statement of Financial Position	As at 31 July 2020 \$'000	As at 31 July 2019 \$'000
<b>Current assets</b>		
Cash and term deposits	254,862	38,830
Assets held for sale	53	53
Financial assets held for trading	204,160	77,148
Other current assets	32,544	43,335
<b>Total current assets</b>	491,619	159,366
<b>Non-current assets</b>		
Long term equity investments – measured at market value	2,494,201	739,587
Long term equity investments – measured at fair value	74,686	–
<b>Other financial assets</b>		
Listed controlled and associated entities – measured at the lower of cost or impaired value	346,932	547,325
Unlisted entities – measured at the lower of cost or impaired value	520,912	456,827
Other non-current assets	204,368	120,012
<b>Total non-current assets</b>	3,641,099	1,863,751
<b>Total assets</b>	4,132,718	2,023,117
<b>Current liabilities</b>		
Interest bearing liabilities	245,982	30,000
Other current liabilities	13,289	3,171
<b>Total current liabilities</b>	259,271	33,171
<b>Non-current liabilities</b>		
Interest bearing liabilities	199,170	–
Other non-current liabilities	593,118	126,141
<b>Total non-current liabilities</b>	792,288	126,141
<b>Total liabilities</b>	1,051,559	159,312
<b>Net assets</b>	3,081,159	1,863,805
<b>Equity</b>		
Share capital	43,232	43,232
Reserves	34,085	183,984
Retained profits	3,003,842	1,636,589
<b>Total equity</b>	3,081,159	1,863,805
	<b>2020</b>	<b>2019</b>
	\$'000	\$'000
<b>Income Statement</b>		
<b>Profit after tax</b>	1,508,496	184,108
<b>Less: Non-regular items after tax</b>		
Gain on derecognition of an associate	(1,254,227)	–
Net gain on sale of property	–	(68,968)
Non cash franked dividend on demerger of an associate	(79,683)	–
Non cash unfranked dividend on demerger of listed investment	–	(3,592)
Net impairment expense on investments	66,382	63,246
Net impairment expense on associates	32,926	(4,327)
Other	1,528	4,270
<b>Regular profit after tax</b>	275,422	174,737
<b>Other comprehensive income</b>		
Net movement in the fair value of the listed investment portfolio	(159,819)	(25,521)

## Regular Profit after Tax and Regular Operating Cash Flows

For the year ended 31 July 2020

Year ended  
31 July 2020

\$'000

**Interest income** (from cash and loans) **10,846**

### Dividend and distribution income

TPG Telecom Limited	132,668
Milton Corporation Limited	4,310
BKI Investment Company Limited	5,195
Clover Corporation Limited	607
Commonwealth Bank of Australia	2,806
Woolworths Limited	917
Macquarie Group Limited	927
Pengana International Equities Limited	1,462
Wesfarmers Limited	767
Magellan Financial Group Limited	732
Lindsay Australia Limited	1,166
Other listed entities	11,298

Brickworks Limited	38,074
New Hope Corporation Limited	62,354
Australian Pharmaceutical Industries Limited	3,803
Apex Healthcare Berhad	1,790
Tuas Limited	–
Pengana Capital Group Limited	1,593
Other controlled and associates	10,164

**Total dividend and distribution income** **280,633**

**Other revenue** **177**

**Realised and fair value (losses)/gains on equities** **5,781**

**Other expenses** **(15,779)**

**Finance costs** **(3,830)**

**Regular profit before tax** **277,828**

**Income tax (expense)** **(2,406)**

**Regular profit after tax** **275,422**

Add back the following:

**TPG FY20 final dividend escrowed\*** **(28,530)**

**Non-cash fair value (gains) /loss on equities** **4,301**

**Net movements in working capital** **1,107**

**Net cash flows from investments** **252,300**

The Board determines 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.

### Dividends paid/payable

Interim of 25 cents per share paid 14 May 2020 59,849

Final of 35 cents per share payable 14 Dec. 2020 83,788

**Total dividends paid/payable** **143,637**

### Payout ratio

Dividends as a percentage of regular operating cash flows 56.93%

\* Share of TPG special dividend allocated to FY21. See page 25.

### Market value of listed investments as at 31 July 2020

(based on ASX closing prices 31 July 2020)

\$'000

**Financial assets held for trading** **204,160**

### Long term equity investments

TPG Telecom Limited	1,884,545
Milton Corporation Limited	93,974
BKI Investment Company Limited	91,111
Clover Corporation Limited	74,199
Commonwealth Bank of Australia	46,359
Woolworths Limited	34,421
Macquarie Group Limited	26,893
Pengana International Equities Limited	25,833
Wesfarmers Limited	23,336
Magellan Financial Group Limited	21,926
Bailador Technology Investments Limited	19,810
Lindsay Australia Limited	18,601
Other listed entities	133,193

**Market value of long term equity investments** **2,494,201**

### Listed controlled and associated entities

	Holding	\$'000
Brickworks Limited	43.8%	1,071,985
New Hope Corporation Limited	50.0%	544,562
Australian Pharmaceutical Industries Ltd	19.3%	105,051
Apex Healthcare Berhad	30.0%	157,872
Tuas Limited	25.3%	82,625
Pengana Capital Group Limited	38.6%	39,828
Palla Pharma Limited	19.9%	22,286

**Market value of listed controlled and associated entities** **2,024,209**

**Total value of WHSP's listed investments** **4,722,570**

Unlisted investments (Directors valuation) 569,185

Net debt and other assets (112,552)

**WHSP net assets value pre-tax** **5,179,203**

### 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 July 2020, the estimated net income tax liability of approximately \$894.6 million would have arisen based on market values as at 31 July 2020.

Of this amount, only \$578.97 million has been recognised in the Parent Entity's financial report at 31 July 2020. In the Parent Entity, investments in subsidiaries and associates are carried at the lower of cost or impaired cost.

The market values of the listed investments are based on the last sale prices as quoted on the ASX on 31 July 2020 and are therefore subject to price fluctuations.



# Sustainability Report

## Sustainable Investment

WHSP believes sustainable investing is a cornerstone of its long term success. We take into account environment, social and governance (ESG) risks and opportunities in assessing the long term viability of the companies and industries in which we invest. Our long term, patient and disciplined investment approach includes a focus on building relationships with investee companies and considering the communities in which they operate. Thinking, behaving and investing responsibly underpins our proud history as a value focused investor and trusted partner. We are custodians of our shareholders' wealth.

Our 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 proactively assess ESG factors and manage ESG risks to fulfill this purpose.

We recognise the evolving expectations of our key stakeholders in considering relevant 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 approach and operations, in FY19 we undertook a strategic review of our investment approach to help us understand where we can improve the impact of ESG integration within our investment lifecycle. Our inaugural Sustainability Report in our FY19 Annual Report described our approach to sustainable investing and how we consider climate-related risks and opportunities as well as human rights.

Building on our activities in FY19, we are committed to evolving our approach across these areas and providing further transparency on our progress.

In FY20, WHSP:

- Took steps to embed our Sustainable Investment, Climate Change and Human Rights Policies into our own operations and into our monitoring framework for our investment portfolio.
- Used the sustainable investment policy and principles to guide a deep review and subsequent changes to the WHSP risk management framework and risk appetite statement. Metrics reported to the Board to assist with monitoring key risk appetite tolerances were enhanced.
- In preparation for issuing our inaugural Modern Slavery Statement for the FY20 period, we commenced and completed a human rights risk assessment across our direct operations, controlled unlisted investments and direct suppliers to inform future actions. The results from this exercise will give us a preliminary perspective on our key modern slavery risks and relevant disclosure for our Modern Slavery Statement.
- We built on our existing analysis of our climate-related risks and opportunities to further quantify these factors in relation to the current portfolio and potential investments.
- We continued to grow and strengthen our capability in delivering on our commitments to corporate governance and ESG, and have appointed a dedicated Head of Corporate Governance as a member of the Executive Team whose role includes responsibility for managing ESG issues.

In FY21, we will continue to refine the assessment of ESG risks in new investments and undertake further engagement with significant investee companies regarding ESG risks and opportunities.

## Our approach to Sustainable Investment

The Board approved **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.

### How ESG is embedded in the due diligence process

We evaluate ESG risks and opportunities associated with potential investees when making investment decisions, in line with WHSP's ESG risk framework and the various ESG factors outlined in the Appendix of our Sustainable Investment Policy. We aim to provide assurance to existing and potential investors that our investment approach is informed by proactive consideration of ESG factors and their impacts on the investment portfolio.

This does not mean that we do not make investments that are exposed to ESG risk or take advantage of opportunities that arise in response to ESG risks. We consider a range of potential outcomes and scenarios in assessing risk.

We make a detailed assessment of the long term prospects of every industry in our investment portfolio to identify opportunities and potential risks. ESG factors are embedded within WHSP's Risk Appetite Statement, with the aim of achieving positive investment outcomes and value creation over the long term through appropriate consideration of ESG factors and active engagement with our investees.

We are committed to assessing the exposure of our investment portfolio to climate-related risks and opportunities, identifying any associated financial impacts and providing relevant disclosures to stakeholders.

For example, during FY20, due diligence for new investments included consideration of the following key areas:

- **Climate change** – risk identification, assessment and management
- **Occupational health and safety** – Review of OH&S Policies of the operators of assets in which we considered investing
- **Board composition** – Annual reporting and Board member due diligence
- **Culture** – Review of a company's Code of Conduct and management's commitment to outstanding performance

## 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 sustainability and ESG issues affecting investments.

Our approach to governance and oversight differs between listed and unlisted investments and depends on the nature of the investment in the specific investee company or assets. This year 82.5% of our investment portfolio was invested in listed companies.

Listed Investments	Unlisted Investments
<p>Given the reporting requirements for listed companies, a number of our listed investees actively consider and report on ESG governance. In response to feedback from and engagement with their stakeholders, including shareholders, listed companies also provide transparency on their assessment of ESG matters in sustainability reporting.</p> <p>As an equity investor in listed companies, our influence and engagement is predominantly done through voting our shareholdings. The outcome of voting is determined by all shareholders who vote on items of business put before a shareholder meeting.</p> <p>Where we have a significant investment, we generally have a representative on the board.</p>	<p>We make strategic investments in companies that have high quality operations and where we assess future long term shareholder wealth creation and cash generation.</p> <p>Our role as investors in unlisted investments can include board roles as part of the oversight of our investments. We have strategic relationships with our non-listed investee companies and their managers that includes the monitoring of risks, including ESG risks. We are a trusted partner and share our view on the approach to managing ESG risks.</p> <p>The section on human rights and modern slavery set out in this Report, describes our engagement with some of our unlisted investee companies during the year.</p>

As at 31 July 2020	Percentage of Portfolio Listed by Value %	Value of WHSP's Holding \$m	12 month Movement		Portfolio Weighting %
			\$m	%	
Telecommunications Portfolio <sup>1</sup>	100% LISTED	1,967	331	20.2%	35.0%
Brickworks <sup>1</sup>	100% LISTED	1,072	(27)	(2.5%)	19.0%
New Hope Corporation <sup>1</sup>	100% LISTED	545	(498)	(47.8%)	9.7%
Pharmaceutical Portfolio <sup>1</sup>	100% LISTED	285	20	7.7%	5.1%
Equities Portfolios <sup>1 &amp; 2</sup>	99.9% LISTED	511	(53)	(9.3%)	9.1%
Financial Services Portfolio <sup>1 &amp; 2</sup>	83.0% LISTED	311	(42)	(11.9%)	5.5%
Private Equity Portfolio <sup>2</sup>	UNLISTED	272	136	100.8%	4.8%
Round Oak Minerals <sup>2</sup>	UNLISTED	161	(27)	(14.5%)	2.9%
Property Portfolio <sup>2</sup>	UNLISTED	90	1	0.7%	1.6%
Cash and other net assets	UNLISTED	411	285	226.9%	7.3%
<b>Total asset value (pre-tax)</b>		<b>5,625</b>			<b>100.0%</b>

<sup>1</sup> At market value.

<sup>2</sup> At cost or Directors' valuation.



Over 77% of the 82.5% invested in listed companies is invested in the Telecommunications portfolio, Brickworks and New Hope Group. The following is a summary of their ESG disclosure.

## Telecommunications Portfolio

On 29 June 2020 TPG Telecom Limited shareholders approved a merger with Vodafone Hutchison Australia Limited to form TPG Telecom Limited (ASX:TPG). TPG also demerged its Singapore mobile business and renamed that business Tuas Limited (ASX:TUA). TPG has an extensive Code of Conduct with specific commitments regarding environmental protection, waste management and human rights. TPG and Tuas will each determine the most appropriate corporate governance arrangements having regard to the best interests of the company and its shareholders, and consistent with its responsibilities to other stakeholders.

## Brickworks

Brickworks' 2020 Sustainability Report provides expanded disclosure on ESG performance, impacts and opportunities. It has been informed by the Global Reporting Initiative (GRI) Standards. Brickworks has commenced preparing a plan to meet the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

## New Hope Group

New Hope publish a stand-alone Sustainability Report with specific consideration of climate change risks and opportunities through the TCFD Recommendations as part of establishing New Hope's strategy and framework.

New Hope has also assessed the potential impact of climate change risk on future cash flows, including the potential impact on future coal prices of changes in market supply and demand, and the potential for cost volatility associated with factors such as climate change related regulatory changes.

New Hope, with its supply of low-cost and high-quality coal, has a business model more sustainable than 75% of thermal coal producers worldwide, making it well positioned to meet demand for energy coal across the Asia Pacific region over the coming decades. The company also has significant provisions for mining restoration and progressive rehabilitation as part of its sustainability commitments. During the year the Bengalla operations commenced the High Density Woody Vegetation Plan to enhance existing rehabilitated areas and rehabilitate new areas. 17,000 trees were planted over 12.8Ha. The implementation of this plan will continue to 2024.



Acland Rehabilitation

Source: New Hope Group

### Climate Change in the context of our business

Climate change has far reaching consequences for our environment, the global economy and society. This threat is driving regulatory change and reshaping the flow of finance. It will increasingly influence customer demand for products and services, and create new or heightened exposures to chronic and acute climate change events. Consequently we monitor the effect of climate change on the performance of our investment portfolio, and the impacts will vary by sector, geographical location and over different time horizons. We recognise that from an investment perspective, climate change will lead to both risks and opportunities.

WHSP's portfolio as at 31 July 2020 based on Net Asset Value has an estimated exposure to climate-related risks in the following areas:

- 10.5% of our portfolio is invested in energy producers with exposure to fossil fuels (decrease of 8.5% from pcp); and
- 48% of our portfolio is invested in large energy users (increase of 10% from pcp).

As we continue to make new investments and the value of existing investments change, our exposure to climate related risks will also vary.

### 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.

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

- We will continue to 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 continue working 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 considers climate-related impacts material to the companies in which we invest.
- We will progressively engage with our investees to provide disclosures on their respective greenhouse gas emissions footprint and other key climate-related metrics. We will leverage these disclosures to inform our assessment of the carbon intensity associated with our investment portfolio to understand the risks across our portfolio and to provide our investors and other stakeholders with climate-related information.

Our Climate Change Policy is available on our website at [www.whsp.com.au/policies](http://www.whsp.com.au/policies)

### Human Rights and Modern Slavery

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, such as the UN Guiding Principles on Human Rights and the Universal Declaration on Human Rights.

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

We will 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 in the first half of FY21 in accordance with the requirements of the *Australian Modern Slavery Act (2018)*.

Our Human Rights Policy is available on our website at [www.whsp.com.au/policies](http://www.whsp.com.au/policies)

## Our progress during FY20

A number of activities were undertaken during the year to help inform WHSP's understanding of the human rights and modern slavery issues and risks that are relevant to our business operations and supply chain and to provide the basis for the development of our inaugural Modern Slavery Statement.

We were supported by an external consultant to undertake a high-level operational risk assessment to identify potential human rights risks in controlled subsidiaries and associated entities (excluding New Hope Group). This exercise was complemented with a modern slavery supplier risk assessment to identify and understand where the risks of modern slavery lie in the relevant supply chains. This assessment focused on tier 1 suppliers, which relates to the first level of the supply chain, as captured in accounts payable spend data.

As part of our commitment to implement our Human Rights Policy, we took a rights based approach, guided by the UN Guiding Principles on Business and Human Rights. Detail on the outcome of these activities will be considered by the Board and disclosed in our Modern Slavery Statement which is due for release in the first half of FY21.



## WHSP and the community

WHSP has had a long association with the Royal Flying Doctor Service of Australia through its founders. Lewy Pattinson helped donate the first plane to the Royal Flying Doctor Service of Australia and Robert Millner, the current WHSP Chairman, continues to support the Royal Flying Doctor Service.

The Royal Flying Doctor Service aeromedical crews evacuate injured people from emergency situations in regional, rural and remote areas 24 hours a day, seven days a week. Each aircraft they travel on is fitted out to be a critical-care medical unit. The specialist aeromedical team includes a pilot, flight nurse and sometimes a doctor as well, depending on the situation.

This year WHSP purchased satellite tracking and communication system hardware for two aircraft in the Royal Flying Doctor Service. The tracking and communication system's uninterrupted GPS tracking via satellite and cellular networks allows the service to connect with its pilots no matter where they are, providing improved service and safety for the specialist aeromedical team and their patients in emergency situations.



# 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 2020.

## 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 AM** *Lead Independent Director*
- **Mr T C D Millner**
- **Mr W M Negus**
- **Mr R G Westphal**

Mrs J L Sukkar AM was appointed to the WHSP Board on 14 July 2020.

## Principal Activities

WHSP is an investment company with a diversified portfolio of investments across a range of industries and asset classes including telecommunications, mining, building products and other investing activities (encompassing listed equities, private equity, property and fixed income). 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:

	<b>Cents Per Share</b> cents	<b>Total Amount</b> \$'000	<b>Franking</b> %	<b>Date of Payment</b>
<b>Declared and paid during the year</b>				
Final ordinary dividend 2019	34	81,394	100%	9 December 2019
Interim ordinary dividend 2020	25	59,849	100%	14 May 2020
Dealt with in the financial report as dividends	59	141,243		
<b>Resolved to pay after the end of the year</b>				
Final ordinary dividend 2020	35	83,788	100%	14 December 2020

## Review of Operations

The profit after tax attributable to shareholders for the year ended 31 July 2020 was \$953.0 million, 284.3% higher than last year.

The result was driven by the merger of TPG and Vodafone Australia which resulted in a change to how we account for our investment in TPG.

These gains were offset by a challenged result for New Hope and Round Oak Minerals.

Comparison with the prior year is as follows:

	<b>2020</b> \$000	<b>2019</b> \$000	<b>Change</b> %
Revenue from continuing operations	1,368,467	1,615,888	- 15.3%
Profit after tax attributable to shareholders	952,967	247,943	+ 284.3%
Interim Dividend (paid in May)	25 cents	24 cents	+ 4.2%
Final Dividend (payable 14 December 2020)	35 cents	34 cents	+ 2.9%
<b>Total Dividends</b>	<b>60 cents</b>	<b>58 cents</b>	<b>+ 3.4%</b>

For further information regarding the operations of the Group refer to the Chairman's Review and the Review of Group Entities on pages 3 to 21 of this annual report.

## State of Affairs

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

## Financial Position, Financial Instruments and Going Concern

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

Details of financial risk management objectives and policies are set out in note 29 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 33 of the consolidated financial statements.

## Likely Developments, Business Strategy and Prospects

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

## Corporate Governance Statement

The Parent Company's Corporate Governance Statement may be viewed in the Corporate Governance section of the Company's web site at [www.whsp.com.au/wp-content/uploads/2020/10/WHSP-Corporate-Governance-Statement.pdf](http://www.whsp.com.au/wp-content/uploads/2020/10/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 2020 with the Workplace Gender Equality Agency on 28 July 2020.

The report may be viewed in the Employment section of the Company's web site at [www.whsp.com.au](http://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 2018/19 report to the Greenhouse and Energy Data Officer on 28 October 2019. The report was resubmitted on 3 February 2020 with amendments.

### New Hope Group (NHG)

#### Environmental compliance

During the 2020 financial year, the New Hope Group did not receive any Penalty Infringement Notices and was not prosecuted for any breach of environmental laws.

#### Environmental performance

New Hope's businesses include coal mining operations and exploration activities in Queensland and New South Wales (NSW), the QBH 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*. Principal environmental legislation in NSW includes the *Environmental Planning and Assessment Act 1979*, *Protection of the Environment Operations Act 1997* and the *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.

New Hope's operations continue to undertake proactive initiatives to improve their environmental performance.

The New Acland Operations implemented noise and air quality management systems that use predictive forecasting and real-time monitoring data to guide the day to day planning of mining operations and the implementation of both proactive and reactive mitigation measures to manage noise and air quality impacts.

During the year the Bengalla operations commenced the High Density Woody Vegetation Plan to enhance existing rehabilitated areas and rehabilitate new areas. 17,000 trees were planted over 12.8Ha. The implementation of this plan will continue to 2024.

#### Environmental systems

During the reporting period New Hope began a three year process to develop and implement a combined Health, Safety and Environmental (HSE) Management System. This system will enable New Hope's operations to effectively manage their HSE performance by understanding and mitigating risk, complying with legal responsibilities, monitoring and auditing HSE processes and operational controls and facilitating continuous improvement.

#### Environmental reporting

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

For the purposes of National Greenhouse and Energy Reporting New Hope reports as part of the corporate group of Washington H. Soul Pattinson and Company Limited with the Bengalla Mine reporting through the operator currently Bengalla Mining Company Pty Ltd.

## Round Oak Minerals Pty Limited (Round Oak)

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

### Queensland

The Queensland Operations consist of 20 Exploration Tenements (EPMs) and 9 Mining Leases (MLs) 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 (EA) that permit and condition site activities. All activities on EPMs have been reported as compliant in the past year.

During FY20 Mt Colin underground copper mine, Barbara open pit copper mine and Cloncurry Operations (Great Australia operations and Wallace South pit) were operational. A lift of the tailings storage facility (TSF) at Cloncurry was completed and operational during part of the year. Mining at Cloncurry ended in December 2019, with processing of stockpiles complete by July 2020. Rehabilitation earthworks commenced prior to the site being placed in care and maintenance during July 2020. The Cloncurry gold processing facilities were decommissioned in July 2020. Round Oak has continued to engage with DES in respect to the Great Australia Operations' legacy ground-water quality. One Penalty Infringement Notice (PIN) was issued for the Great Australia Operations relating to exceeding design storage allowance in regulated water containment structures, which was rectified during the reporting period. Water remains a key management and compliance aspect for the Queensland operations.

Queensland sites transitioned to Queensland's new financial provisioning scheme paying a contribution to the scheme fund, under financial assurance reforms. Mt Colin and the Great Australia Operations have been assessed as medium risk, the remaining sites will be assessed in 2021.

### South Australia

The 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 during the reporting period. The SART (Sulphurisation, Acidification, Recycling and Thickening) processing plant was installed and became operational, which may improve gold recoveries by removing copper from pregnant leachate. Round Oak conducts environmental monitoring and annual compliance reporting in accordance with its MLs and Program for Environmental Protection and Rehabilitation (PEPR), and the operation has complied with all conditions of approval, applicable compliance standards and required outcomes in FY20.

### West Australia

The Jaguar base metals operation in Western Australia, acquired 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 final stage of the TSF lift was completed in December 2019. The operation has commissioned supporting studies to prepare a revised Mine Closure Plan reflecting an extension to the current mine life. An amendment to the Environmental Protection licence was granted to reduce environmental monitoring frequency on site in June 2020.

### Victoria

The Stockman base metals project in north-east Victoria, acquired in December 2017, is regulated by the Earth Resources Regulation (ERR) branch of the Department of Economic Development, Transport and Resources, the Environmental Protection Authority Victoria and the Department of Environment, Land, Water and Planning DEWLP). After Round Oak had its Work Plan approved in 2019, secondary approvals have been sought for both on and off lease activities and securing offsets has been advanced. Reporting of baseline ecological surveys and water quality have continued during the year and Round Oak has continued to engage with government agencies and the community.

### 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
- 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 July 2000
- Tuas Limited – listed on 30 June 2020. Appointed 14 May 2020

Former listed company directorships in the past three years:

- Australian Pharmaceutical Industries Limited – Appointed 2000. Resigned 9 July 2020
- TPG Corporation Limited – Appointed 2000. Resigned July 2020

#### 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

#### 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 is a Director of BUPA (Global UK based board) and Deputy Chairman of BUPA (Australian boards).

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.

Former listed company directorships in the past three years:

- Macquarie Group Limited – Appointed 2010. Resigned 30 September 2020
- 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 Company BKI Investment Company Limited (ASX: BKI).

Mr Millner's experience includes: 18 years within the financial services industry, including 16 years in active portfolio management of Australian equities; 9 years as a CEO of an Australian listed company, BKI; and 9 years as a Director of Australian listed companies.

Mr Millner has a Bachelor of Industrial Design 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

## 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
- Virgin Australia Holdings Limited – Appointed 2017

Former listed company directorships in the past three years:

- URB Investments Limited – Chairman Appointed 2016. Resigned 20 December 2019.

## Josephine Louise Sukkar AM BSc(UNSW), GradDipEd

**Non-executive Director** since July 2020

Mrs Sukkar is Principal of Australian construction company Buildcorp, which she established with her husband 30 years ago. She is an experienced public company director having previously been a director of The Trust Company. She is a director of the Property Council of Australia and holds a number of honorary roles across government, sport and the community. Mrs Sukkar is a Fellow of the University of Sydney and a member of the Order of Australia.

Other current listed company directorships:

- Growthpoint Properties Australia 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

Company Secretary until 25 September 2020

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.

### Ida Lawrance BCom(Hon)(Queens's), LLM(UNSW), FGIA, GAICD

Company Secretary since September 2020

Ms Lawrance is a legal and governance professional with over 20 years experience. Her experience includes 14 years within the financial services industry, including as a Company Secretary and Division Director of an Australian listed diversified financial services company, Macquarie Group. Prior to this Ms Lawrance practiced as a lawyer in both the private and public sectors.

## 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:

	Committee Member	Board		Audit Committee		Nomination Committee		Remuneration Committee		Risk Committee	
		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
<b>Mr R D Millner</b>	N,Re,Ri	14	13	–	–	4	4	2	2	8	8
<b>Mr T J Barlow</b>	Ri	14	14	–	–	–	–	–	–	8	8
<b>Mrs T L Fuller</b>	A,N,Re,Ri	14	14	11	10	4	4	2	2	8	7
<b>Mr M J Hawker</b>	A,N,Re,Ri	14	14	11	11	4	4	2	2	8	8
<b>Mr T C D Millner</b>	N,Re,Ri	14	14	–	–	4	4	2	2	8	8
<b>Mr W M Negus</b>	A,N,Re,Ri	14	14	11	11	4	4	2	2	8	8
<b>Mr R G Westphal</b>	A,N,Re,Ri	14	14	11	11	4	4	2	2	8	8
<b>Mrs J L Sukkar</b>		1	1	–	–	–	–	–	–	–	–

A A Member of the Audit Committee of Directors during the year.

Re Member of the Remuneration Committee of Directors during the year.

N Member of the Nomination 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	19,975,093*
Mr T J Barlow	42,033
Mrs T L Fuller	1,800
Mr M J Hawker	35,300
Mr T C D Millner	19,267,977*
Mr W M Negus	47,000
Mr R G Westphal	23,739

\* 19,252,592 shares in which Mr R D Millner and Mr T C D Millner have an interest relate to holdings by the same entities.

### Rights to Deferred Shares

	Rights to Deferred Shares
Mr T J Barlow	315,295

Refer to the following Remuneration Report for further information.

### Interests in Contracts

#### Co-investment agreement with URB Investments Limited (URB)

WHSP was party to 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) until December 2019 when URB was delisted.

Mr W M Negus is a director of WHSP and was a director of 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 38% shareholder of Contact. WHSP is a 19% 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 \$330,000 were paid to Contact for the year ended 31 July 2020. 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 38% shareholder of Contact. WHSP is a 19% shareholder of Contact.

For further information regarding the above contracts refer to note 38 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 2020.

When assessing remuneration this year your Board has been careful to take into account a range of factors related to the effects of COVID-19. WHSP has not been a beneficiary of JobKeeper, rent holidays or abatement, deferrals of payroll tax or any other support mechanism offered by Australian Governments during this time of crisis<sup>1</sup>. Our shares declined in value during the financial year but the Company has since announced a 20th year of consecutive dividend increase. Over three years our shares continue to outpace the market.

In summary, the Board of WHSP has elected not to use discretion to further decrease remuneration. Instead, we have applied the measures already in place to determine remuneration entitlements for our senior executives.

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

WHSP was admitted into the ASX100 in 2019. Since then the number of shareholders in WHSP has increased to over 29,000 (vs less than 19,000 at the end of 2018). The proportion of shares owned by individuals has also increased commensurately.

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 2020, the company delivered strong results against both measures. Consequently, the STI awards for 2020 were towards the upper end of the range.

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. 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. 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 once 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.

<sup>1</sup> *Subsidiary investee companies that received small amounts of Job Keeper assistance did not pay dividends and WHSP supported those investments through a challenging time. See note 41 for details of JobKeeper received by these subsidiaries.*

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 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. Therefore, the Executive KMP of New Hope are not included in WHSP's Remuneration Report. New Hope KMP disclosure is included in the FY20 New Hope Annual Report (ASX:NHC).

## Abbreviations used in this report

<b>ASX</b>	Australian Securities Exchange
<b>CAGR</b>	Compound annual growth rate
<b>EPS</b>	Earnings per share
<b>KMP</b>	Key management personnel
<b>KPI</b>	Key performance indicator
<b>LTI</b>	Long-term incentive
<b>NAPSG</b>	Net assets per share growth

<b>New Hope</b>	New Hope Corporation Limited
<b>STI</b>	Short-term incentive
<b>TSR</b>	Total shareholder return
<b>VWAP</b>	Volume weighted average price
<b>WHSPRP</b>	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	
Mr Michael J Hawker AM	Lead Independent Director
Mr Warwick M Negus	
Mr Thomas C D Millner	
Mrs Josephine L Sukkar AM	Appointed 14 July 2020
Mr Robert G Westphal	

### Executive Directors

Mr Todd J Barlow	Managing Director and Chief Executive Officer
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### Other key management personnel of the Parent Company and Consolidated Entity

Mr Ian D Bloodworth	Company Secretary
Mr David R Grbin	Chief Financial Officer

Details of remuneration paid by New Hope to its Executive KMP can be found in New Hope's Remuneration Report in 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.

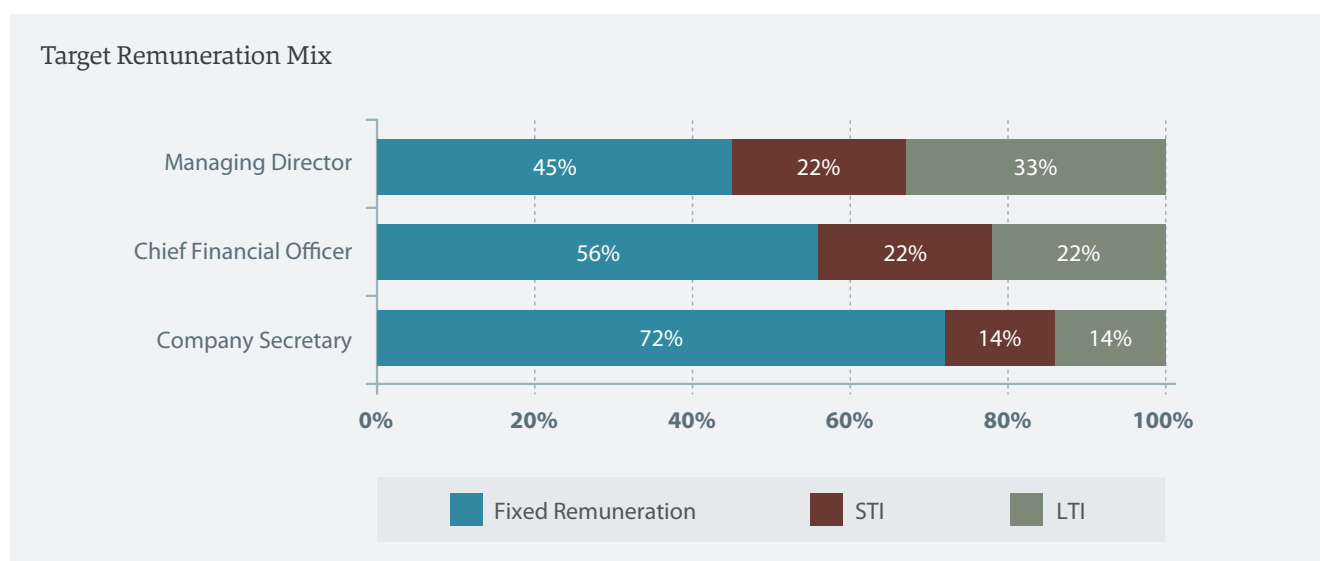
The Executive KMP are remunerated by way of fixed remuneration, STIs and LTIs. Annual STIs are set in order to drive performance without encouraging undue risk taking. LTIs are assessed over a three and/or four year period and are designed to promote long-term stability in shareholder returns.

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 2020 was:



### 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 2020 was in line with the 50th percentile for ASX listed Companies with a market capitalisation between \$3.5 billion and \$7.5 billion.

The total 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 total aggregate amount was given at the 2016 Annual General Meeting.

During the year ended 31 July 2020 remuneration of the Non-executive Directors by the Parent Company and unlisted controlled entities amounted to \$1,404,585.

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					
<b>STI pool</b>	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.						
<b>Determination of STI pool</b>	The pool determination metrics align with WHSP's strategic goals to maximise shareholders' returns.					
	<b>Objective</b>	<b>Weighting</b>	<b>Threshold (80%)</b>	<b>Target (100%)</b>	<b>Outperformance</b>	
	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.						
<b>Entitlement to the STI pool</b>	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.					
<b>Delivery of STI</b>	100% of the STI awarded is paid in cash following release of the year end results.					
<b>Board Discretion</b>	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.



## LTI

### WHSPRP (current plan) – in place for the years ended 31 July 2018 to 31 July 2020

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																
<b>Opportunity/ Allocation</b>	75% of Managing Director's fixed remuneration 40% of Chief Financial Officer's fixed remuneration 20% of Company Secretary's fixed remuneration																
<b>Number of Performance Rights</b>	<p>Number of Rights = <math>\text{Stretch LTI Value} \div \text{Right Value}</math></p> <p>Where:</p> <p>Stretch LTI Value = <math>\text{Fixed Remuneration} \times \text{Target LTI \%} \div \text{Target Vesting \%}</math></p> <p>Target vesting = 50%</p> <p>Right Value = <math>\text{Share Price} - (\text{Annual Dividend} \times \text{Measurement Period in Years})</math></p> <p>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.</p> <p>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.</p>																
<b>TSR rights</b>	50% of rights issued are subject a TSR performance condition – tranche 1																
<b>NAPSG rights</b>	50% of rights issued are subject a NAPSG performance condition – tranche 2																
<b>TSR performance hurdle</b>	<p>The TSR incentive is designed to focus executives on delivering sustainable long-term Shareholder returns.</p> <p>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.</p> <p>If the Company's TSR is negative then nil vesting will apply to this Tranche.</p> <p>Otherwise the following vesting scale will be applied, subject to an overriding discretion held by the Board:</p> <table border="1"> <thead> <tr> <th>Performance Level</th> <th>Company's TSR Compared to the All Ordinaries Accumulation Index</th> <th>Vesting % of Tranche</th> </tr> </thead> <tbody> <tr> <td>Below Threshold</td> <td>&lt;100% of Index</td> <td>0%</td> </tr> <tr> <td><b>Target &amp; Threshold</b></td> <td><b>100% of Index</b></td> <td><b>50%</b></td> </tr> <tr> <td>Between Target and Stretch</td> <td>&gt;100% &amp; &lt; 100% of Index Plus 3% CAGR</td> <td>Pro-rata</td> </tr> <tr> <td>Stretch</td> <td>≥100% of Index Plus 3% CAGR</td> <td>100%</td> </tr> </tbody> </table> <p>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.</p>	Performance Level	Company's TSR Compared to the All Ordinaries Accumulation Index	Vesting % of Tranche	Below Threshold	<100% of Index	0%	<b>Target &amp; Threshold</b>	<b>100% of Index</b>	<b>50%</b>	Between Target and Stretch	>100% & < 100% of Index Plus 3% CAGR	Pro-rata	Stretch	≥100% of Index Plus 3% CAGR	100%	
Performance Level	Company's TSR Compared to the All Ordinaries Accumulation Index	Vesting % of Tranche															
Below Threshold	<100% of Index	0%															
<b>Target &amp; Threshold</b>	<b>100% of Index</b>	<b>50%</b>															
Between Target and Stretch	>100% & < 100% of Index Plus 3% CAGR	Pro-rata															
Stretch	≥100% of Index Plus 3% CAGR	100%															

<b>NAPSG performance hurdle</b>	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:	
	<b>Performance Level</b>	<b>CAGR in Net Assets Per Share during the Measurement Period</b>
	Below Threshold	<3%
	Threshold	3%
	Between Threshold and Target	>3% & <5%
	<b>Target</b>	<b>5%</b>
	Between Target and Stretch	>5% & <10%
	Stretch	≥10%
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.		
<b>Payable by participants</b>	Nil	No amounts are payable by the participants upon the granting or the exercising of the Rights.
<b>Vesting of Performance Rights</b>	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.	
<b>Measurement Periods</b>	The Measurement Period will be the three financial years from 1 August of the relevant year of the tranche. 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.	
<b>Cessation of Employment</b>	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.	
<b>Terms and Conditions</b>	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.	
<b>Lapse and Forfeiture of Performance Rights</b>	Performance Rights will lapse if the prescribed Vesting Conditions are not satisfied within the prescribed Measurement Period, subject to retesting.	
<b>Board Discretion and Clawback</b>	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	
<b>Opportunity/ Allocation</b>	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.	
<b>TSR rights</b>	50% of rights issued are subject a TSR performance condition	
<b>EPS rights</b>	50% of rights issued are subject an EPS performance condition	
<b>TSR performance hurdle</b>	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.	
	<b>TSR performance per annum</b>	<b>Rights to vest</b>
	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%	
<b>EPS performance hurdle</b>	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 Alternative Performance Measures information.
	<b>Regular EPS CAGR over measurement period</b>	<b>Rights to vest</b>
	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%	
<b>Payable by participants</b>	Nil No amounts are payable by the participants upon the granting or the exercising of the rights.	
<b>Delivery of LTI</b>	Rights vest over the 3 years following the 3 year performance period unless retesting applies.	
<b>Service Condition</b>	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.	
<b>Board Discretion</b>	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.	
<b>Expiry</b>	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 Packages

The total value of each remuneration package is approved by the Remuneration Committee and reflects each executive's role, responsibilities and market data. Based on this data the remuneration packages of Executive KMP for the year ended 31 July 2020 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
<b>STI</b>			
Regular cash to the parent company net of regular expenses	4% higher than previous year	48.7% higher than previous year	150% of target STI pool awarded
Adjusted net asset value (post tax) per share	2% higher than ASX200 Accumulation Index	9.99% higher than ASX200 Accumulation Index	150% of target STI pool awarded
Entitlement to the STI pool	<p>The Remuneration Committee determines each participating Executive's entitlement to an STI based on individual performance.</p> <p>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.</p> <p>The total of all STIs determined by the Remuneration Committee cannot exceed the STI pool.</p> <p>In FY20, the Managing Director was awarded 95.8% of his proportional share of the bonus pool. The Remuneration Committee assessed performance against KPIs relating to investment management and portfolio allocation, Company management and advice to the Board, interaction with the investment community and risk management.</p> <p>The Chief Financial Officer was awarded 113.3% of his proportional share of the bonus pool. The Remuneration Committee assessed performance against KPIs relating to statutory reporting, market information, management reporting, engagement in group strategy, risk management and overall management of the group finance function.</p> <p>The Company Secretary was awarded 82% of his proportional share of the bonus pool. The Remuneration Committee assessed performance against KPIs relating to market reporting, board reporting, management reporting, shareholder management and risk management.</p>		
<b>LTI</b>			
First vesting of December 2016 rights in September 2019. 50% of rights were eligible to vest.			
TSR performance hurdle	3% higher than ASX All Ordinaries Accumulation Index	Annualised TSR of 12.39% exceeding the ASX All Ordinaries Accumulation Index by 0.96% per annum	Vesting of 65.96% of TSR rights
EPS performance hurdle	Regular EPS CAGR higher than 10%	Annualised EPS CAGR of 20.13% over 3 years	Vesting of 100% 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:

	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2020 \$'000
<b>Consolidated Entity</b>					
Regular profit after tax	177,222	282,019	331,143	307,262	169,800
<b>Parent Company</b>					
Net cash flow from investments	137,435	143,511	143,596	169,583	252,300
Share price at year end	\$17.43	\$17.64	\$21.82	\$22.71	\$19.55
Ordinary dividends paid/declared	52 cents	54 cents	56 cents	58 cents	60 cents

## 5. Remuneration expenses for KMP (statutory remuneration)

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

Table is shown on pages 52 – 53.

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

	Fixed Remuneration		At Risk – STI		At Risk – LTI	
	2020	2019	2020	2019	2020	2019
<b>Parent Company</b>						
T J Barlow	39%	37%	26%	14%	35%	49%
D R Grbin	44%	52%	32%	16%	24%	32%
I D Bloodworth	66%	67%	16%	9%	18%	24%

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 2020

2020	Target STI \$	Awarded %	Forfeited %
<b>Parent Company</b>			
T J Barlow	629,167	144%	0%
D R Grbin	200,000	170%	0%
I D Bloodworth	74,000	123%	0%

## 5. Remuneration expenses for KMP (statutory remuneration)

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

	WHSP and unlisted controlled entity <sup>1</sup>					
	Short-term Benefits			Post-Employment Benefits	Long-term Benefits	
	Salary & Fees \$	STI \$	Non-monetary <sup>3</sup> \$	Super-annuation \$	Long Service Leave \$	Termination Benefits \$
<b>Non-executive Directors – 2020</b>						
R D Millner	358,871	–	29,572	25,753	–	–
T L Fuller	178,848	–	–	16,857	–	–
M J Hawker	186,575	–	–	17,725	–	–
T C D Millner	161,461	–	–	15,339	–	–
W M Negus	188,973	–	–	17,811	–	–
R G Westphal	188,858	–	–	17,942	–	–
J L Sukkar – appointed 14 Jul 2020	8,006	–	–	761	–	–
<b>Executive Directors – 2020</b>						
T J Barlow	1,287,272	904,500	32,022	25,753	38,479	–
<b>Other KMP – 2020</b>						
D R Grbin	478,940	340,000	(19,658)	21,003	–	–
I D Bloodworth	345,795	91,000	(2,899)	24,960	5,263	–
<b>Total</b>	<b>3,383,599</b>	<b>1,335,500</b>	<b>39,037</b>	<b>183,904</b>	<b>43,742</b>	<b>–</b>
<b>Non-executive Directors – 2019</b>						
R D Millner	352,920	–	25,606	25,321	–	–
T L Fuller	175,654	–	–	16,687	–	–
M J Hawker	184,787	–	–	17,555	–	–
T C D Millner	159,672	–	–	15,169	–	–
W M Negus	185,700	–	–	17,641	–	–
R G Westphal	187,069	–	–	17,772	–	–
<b>Executive Directors – 2019</b>						
T J Barlow	1,229,429	448,076	4,637	25,321	19,580	–
<b>Other KMP – 2019</b>						
D R Grbin	458,595	150,292	2,254	20,571	–	–
I D Bloodworth	329,872	49,468	14,962	24,960	10,258	–
<b>Total</b>	<b>3,263,698</b>	<b>647,836</b>	<b>47,459</b>	<b>180,997</b>	<b>29,838</b>	<b>–</b>

		<b>Listed controlled entity<sup>2</sup></b> New Hope Corporation Limited (payments from NHC to WHSP KMP who are non-executive directors of NHC)							
<b>Share-based Payments</b>		<b>Short-term Benefits</b>		<b>Post-Employment Benefits</b>	<b>Long-term Benefits</b>	<b>Share-based Payments</b>		<b>Consolidated Entity</b>	
<b>LTI Rights<sup>4</sup></b>	<b>Total</b>	<b>Salary, Fees &amp; non-monetary<sup>3</sup></b>	<b>STI</b>	<b>Super-annuation</b>	<b>Long Service Leave</b>	<b>LTI Rights<sup>4</sup></b>	<b>Total</b>	<b>Total</b>	
\$	\$	\$	\$	\$	\$	\$	\$	\$	
–	414,196	300,514 <sup>5</sup>	–	20,307 <sup>5</sup>	–	–	320,821 <sup>5</sup>	735,017	
–	195,705	–	–	–	–	–	–	195,705	
–	204,300	–	–	–	–	–	–	204,300	
–	176,800	140,848 <sup>5</sup>	–	13,381 <sup>5</sup>	–	–	154,229 <sup>5</sup>	331,029	
–	206,784	–	–	–	–	–	–	206,784	
–	206,800	–	–	–	–	–	–	206,800	
–	8,766	–	–	–	–	–	–	8,766	
	<b>1,413,351</b>							<b>1,888,401</b>	
1,218,826	3,506,852	140,848 <sup>5</sup>	–	13,381 <sup>5</sup>	–	–	154,229 <sup>5</sup>	3,661,081	
262,231	1,082,516		–	–	–	–	–	1,082,516	
102,452	566,571		–	–	–	–	–	566,571	
<b>1,583,509</b>	<b>6,569,290</b>	<b>582,210</b>	<b>–</b>	<b>47,069</b>	<b>–</b>	<b>–</b>	<b>629,279</b>	<b>7,198,569</b>	
–	403,847	304,704	–	20,590	–	–	325,294	729,141	
–	192,341	–	–	–	–	–	–	192,341	
–	202,342	–	–	–	–	–	–	202,342	
–	174,841	140,392	–	13,337	–	–	153,729	328,570	
–	203,341	–	–	–	–	–	–	203,341	
–	204,841	–	–	–	–	–	–	204,841	
	<b>1,381,553</b>							<b>1,860,576</b>	
1,611,878	3,338,921	140,392	–	13,337	–	–	153,729	3,492,650	
295,996	927,708	–	–	–	–	–	–	927,708	
138,204	567,724	–	–	–	–	–	–	567,724	
<b>2,046,078</b>	<b>6,215,906</b>	<b>585,488</b>	<b>–</b>	<b>47,264</b>	<b>–</b>	<b>–</b>	<b>632,752</b>	<b>6,848,658</b>	

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 2019 and 31 July 2020 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 56 of this report.

5. Director fees are paid by New Hope from the total annual aggregate amount approved by its shareholders.

## 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 2020 and 2019 financial years. This information differs from the statutory tables in item 5 above which present remuneration in accordance with accounting standards.

	WHSP and unlisted controlled entity <sup>1</sup>	
	Total Fixed Remuneration \$	STI Paid \$
<b>Non-executive Directors – 2020</b>		
R D Millner	414,196	–
T L Fuller	195,705	–
M J Hawker	204,300	–
T C D Millner	176,800	–
W M Negus	206,784	–
R G Westphal	206,800	–
J L Sukkar – appointed 14 Jul 2020	8,766	–
<b>Executive Directors – 2020</b>		
T J Barlow	1,313,025	448,076
<b>Other KMP – 2020</b>		
D R Grbin	499,943	150,292
I D Bloodworth	372,723	49,468
<b>Total</b>	<b>3,599,042</b>	<b>647,836</b>
<b>Non-executive Directors – 2019</b>		
R D Millner	403,847	–
T L Fuller	192,341	–
M J Hawker	202,342	–
T C D Millner	174,841	–
W M Negus	203,341	–
R G Westphal	204,841	–
<b>Executive Directors – 2019</b>		
T J Barlow	1,254,750	697,522
<b>Other KMP – 2019</b>		
D R Grbin	479,166	59,098
I D Bloodworth	365,515	76,792
<b>Total</b>	<b>3,480,984</b>	<b>833,412</b>

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 2019 and 31 July 2020 was 50.0%.

3. Director fees are paid by New Hope from the total annual aggregate amount approved by its shareholders.



	WHSP and unlisted controlled entity <sup>1</sup>			Listed controlled entity <sup>2</sup> New Hope Corporation Limited (payments from NHC to WHSP KMP who are non-executive directors of NHC)			Consolidated Entity
	LTI Vested \$	Termination Payments \$	Total Remuneration \$	Total Fixed Remuneration \$	Other Remuneration \$	Total Remuneration \$	Total Remuneration \$
	–	–	414,196	320,821 <sup>3</sup>	–	320,821 <sup>3</sup>	735,017
	–	–	195,705	–	–	–	195,705
	–	–	204,300	–	–	–	204,300
	–	–	176,800	154,229 <sup>3</sup>	–	154,229 <sup>3</sup>	331,029
	–	–	206,784	–	–	–	206,784
	–	–	206,800	–	–	–	206,800
	–	–	8,766	–	–	–	8,766
	489,156	–	2,250,257	154,229 <sup>3</sup>	–	154,229 <sup>3</sup>	2,404,486
	–	–	650,235	–	–	–	650,235
	72,725	–	494,916	–	–	–	494,916
	<b>561,881</b>	<b>–</b>	<b>4,808,759</b>	<b>629,279</b>	<b>–</b>	<b>629,279</b>	<b>5,438,038</b>
	–	–	403,847	325,294 <sup>3</sup>	–	325,294 <sup>3</sup>	729,141
	–	–	192,341	–	–	–	192,341
	–	–	202,342	–	–	–	202,342
	–	–	174,841	153,729 <sup>3</sup>	–	153,729 <sup>3</sup>	328,570
	–	–	203,341	–	–	–	203,341
	–	–	204,841	–	–	–	204,841
	465,512	–	2,417,784	153,729 <sup>3</sup>	–	153,729 <sup>3</sup>	2,571,513
	–	–	538,264	–	–	–	538,264
	74,492	–	516,799	–	–	–	516,799
	<b>540,004</b>	<b>–</b>	<b>4,854,400</b>	<b>632,752<sup>3</sup></b>	<b>–</b>	<b>632,752<sup>3</sup></b>	<b>5,487,152</b>

<b>Total Fixed Remuneration</b>	<i>Salary, directors' fees, superannuation and non-monetary benefits paid or provided to KMP during the year.</i>
<b>STI Paid</b>	<i>STI paid during the year. These payments were in respect of performance in the previous year.</i>
<b>LTI Vested</b>	<i>The value of shares received upon vesting of performance rights during the year in respect of performance in previous years.</i>

## 7. Contractual arrangements for Executive KMP

	<b>Term of agreement and notice period<sup>1</sup></b>	<b>Base remuneration including Superannuation<sup>2</sup></b>	<b>Termination Payments<sup>3</sup></b>
T J Barlow	No fixed term 6 months notice period	\$1,300,000	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 2020.*

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 Grant Date	Vesting Date		Grant Date Value \$
	If met over 3 years	If re-tested over 4 years	
<b>TSR Rights</b> December 2015	20% August 2020	20% August 2020	10.87
<b>EPS Rights</b> December 2015	20% August 2020	20% August 2020	13.86
<b>TSR Rights</b> December 2016	30% August 2020	50% September 2020	5.22
	20% August 2021	30% September 2020	3.25
		20% August 2021	2.56
<b>EPS Rights</b> December 2016	30% August 2020	50% September 2020	13.10
	20% August 2021	30% September 2020	13.10
		20% August 2021	13.10
<b>TSR Rights</b> December 2017	100% September 2020	100% September 2021	6.16
<b>NAPSG Rights</b> December 2017	100% September 2020	100% September 2021	7.70
<b>TSR Rights</b> December 2018	100% September 2021	100% September 2022	22.11
<b>NAPSG Rights</b> December 2018	100% September 2021	100% September 2022	17.28
<b>TSR Rights</b> December 2019	100% September 2022	100% September 2023	13.52
<b>NAPSG Rights</b> December 2019	100% September 2022	100% September 2023	12.16

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

WHSP	Grant Date	Balance at start of year Number	Granted during the year Number	Rights to deferred shares				Balance at end of year Number	Maximum value in future periods <sup>1</sup> \$
				Vested		Forfeited			
				Number	% <sup>2</sup>	Number	% <sup>2</sup>		
T J Barlow	Dec 2015	15,522	–	9,313	30%	–	–	6,209	–
	Dec 2016	29,398	–	12,197	41.5%	–	–	17,201	–
	Dec 2017	124,839	–	–	–	–	–	124,839	–
	Dec 2018	75,144	–	–	–	–	–	75,144	–
	Dec 2019	–	91,902	–	–	–	–	91,902	–
M R Roderick <sup>3</sup>	Dec 2017	26,747	–	–	–	–	–	26,747	–
D R Grbin	Apr 2018	7,319	–	–	–	–	–	7,319	–
	Dec 2018	15,029	–	–	–	–	–	15,029	–
	Dec 2019	–	20,423	–	–	–	–	20,423	–
I D Bloodworth	Dec 2015	2,483	–	1,490	30%	–	–	993	–
	Dec 2016	4,116	–	1,708	41.5%	–	–	2,408	–
	Dec 2017	9,987	–	–	–	–	–	9,987	–
	Dec 2018	6,012	–	–	–	–	–	6,012	–
	Dec 2019	–	7,556	–	–	–	–	7,556	–

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.

2. Percentage of the original number of rights granted.

3. Finance Director and Chief Financial Officer until 12 April 2018.

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; and
- shares in New Hope;

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
<b>Directors of WHSP</b>					
R D Millner	19,575,093	185,000	–	–	19,760,093*
T J Barlow	20,523	–	21,510	–	42,033
T L Fuller	1,800	–	–	–	1,800
M J Hawker	35,300	–	–	–	35,300
T C D Millner	18,872,977	185,000	–	–	19,057,977*
W M Negus	47,000	–	–	–	47,000
R G Westphal	28,739	–	–	(5,000) <sup>1</sup>	23,739
J L Sukkar – appointed 14 July 2020	–	–	–	–	–
<b>Other key management personnel</b>					
I D Bloodworth	2,484	–	3,198	–	5,682

1. Distribution of the Estate of Frederick Westphal.

\* 19,042,592 shares in which Mr R D Millner and Mr T C D Millner have an interest relate to holdings by the same entities.

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
<b>Directors of WHSP</b>					
R D Millner	4,157,774	20,000	–	–	4,177,774
T J Barlow	19,900	–	–	–	19,900
T C D Millner	3,974,368	20,000	–	–	3,994,368
R G Westphal	40,000	–	–	–	40,000

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 2019 Remuneration Report

The Parent Company's Remuneration Report for the 2019 financial year was adopted at its 2019 Annual General Meeting on a poll 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 \$292,246 for providing tax compliance and other services in respect of the Group. Details of the amounts paid to the auditors are disclosed in note 40 of the financial statements.

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

- All non-audit services were subject to the corporate governance procedures adopted by the 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 (including Independence Standards), 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 2020 has been received and is included on page 61.

## 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 26th day of October 2020.



# Auditor's Independence Declaration



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Sydney NSW 2000

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

In relation to the independent audit for the year ended 31 July 2020, 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 APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

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

26 October 2020

Adelaide Brisbane Melbourne Newcastle Perth Sydney

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# Financial Report

for the year ended 31 July 2020

## 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 2020. 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 'Company' or '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 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 26 October 2020.

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# Consolidated Statement of Comprehensive Income

for the year ended 31 July 2020

	Notes	2020 \$'000	2019 \$'000
<b>Revenue from continuing operations</b>	4	1,368,467	1,615,888
Other income	5	9,885	117,409
<b>Expenses</b>			
Cost of sales		(1,021,189)	(978,217)
Selling and distribution expenses		(193,679)	(194,394)
Administration expenses		(67,500)	(64,540)
Acquisition costs expensed		(2,366)	(46,041)
Impairment expense	6	(483,887)	(60,450)
Other expenses		14,058	(21,675)
Finance costs		(35,474)	(27,857)
Total contribution from equity accounted associates, including fair value gain on derecognition of TPG	14	1,534,868	134,343
<b>Profit before income tax expense from continuing operations</b>		1,123,183	474,466
Income tax expense	7	(248,728)	(115,197)
<b>Profit after income tax expense for the year from continuing operations</b>		874,455	359,269
Profit after income tax expense from discontinued operations		–	220
<b>Profit after income tax expense for the year</b>		874,455	359,489
<b>Profit for the year is attributable to:</b>			
<b>Owners of Washington H. Soul Pattinson and Company Limited</b>		952,967	247,943
Non-controlling interests		(78,512)	111,546
		874,455	359,489
<b>Other comprehensive income/(loss)</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Changes in the fair value of equity investments at fair value through other comprehensive income		(143,437)	28,211
Disposal of long term equity investments, net of tax		(16,575)	(19,299)
Net movement after tax in capital gains reserve		9,159	22,815
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net movement after tax in hedge reserve		57,512	(15,251)
Net movement after tax in foreign currency translation reserve		(2,821)	2,275
Net movement after tax in equity reserve		1,756	(913)
<b>Total other comprehensive (loss)/income for the year, net of tax</b>		(94,406)	17,838
<b>Total comprehensive income for the year</b>		780,049	377,327
<i>Total comprehensive income for the year is attributable to:</i>			
<b>Owners of Washington H. Soul Pattinson and Company Limited</b>		835,943	264,304
Non-controlling interests		(55,894)	113,023
		780,049	377,327

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

# Consolidated Statement of Comprehensive Income (continued)

for the year ended 31 July 2020

	2020 Cents	2019 Cents
<b>Earnings per share from continuing operations attributable to the Owners of Washington H. Soul Pattinson and Company Limited</b>		
Basic earnings per share	398.07	103.48
Diluted earnings per share <sup>1</sup>	398.07	103.48
<b>Earnings per share from discontinued operations attributable to the Owners of Washington H. Soul Pattinson and Company Limited</b>		
Basic earnings per share	–	0.09
Diluted earnings per share <sup>1</sup>	–	0.09
<b>Earnings per share attributable to the Owners of Washington H. Soul Pattinson and Company Limited</b>		
Basic earnings per share	398.07	103.57
Diluted earnings per share <sup>1</sup>	398.07	103.57
<hr/>		
	No. of shares	No. of shares
Weighted average number of shares used in calculating basic and diluted earnings per share	239,395,320	239,395,320

<sup>1</sup> 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 the market.

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 2020

	Notes	31 July 2020 \$'000	31 July 2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	23	293,231	125,445
Term deposits	24	51,582	1,470
Trade and other receivables	9	148,845	162,258
Inventories	10	114,102	120,471
Biological assets	11	2,062	–
Assets classified as held for sale	12	26,879	53
Financial assets held for trading	13	204,160	77,148
Derivative financial instruments	26	45,852	–
Current tax asset		16,283	–
<b>Total current assets</b>		<b>902,996</b>	<b>486,845</b>
<b>Non-current assets</b>			
Trade and other receivables	9	30,031	38,588
Equity accounted associates	14	915,458	1,603,610
Long term equity investments	15	2,616,094	785,135
Derivative financial instruments	26	8,912	190
Investment properties	16	75,724	106,281
Property, plant and equipment	17	2,239,586	2,351,799
Exploration and evaluation assets	18	109,422	333,623
Right-of-use assets	19	117,512	–
Deferred tax assets	8	95,909	56,669
Intangible assets	20	117,186	114,479
<b>Total non-current assets</b>		<b>6,325,834</b>	<b>5,390,374</b>
<b>Total assets</b>		<b>7,228,830</b>	<b>5,877,219</b>
<b>Current liabilities</b>			
Trade and other payables	21	142,172	158,874
Contract liabilities		829	591
Interest bearing liabilities	25	259,011	32,537
Lease liabilities	19	22,215	–
Derivative financial instruments	26	–	10,774
Current tax liabilities		1,410	9,234
Provisions	22	58,851	93,029
<b>Total current liabilities</b>		<b>484,488</b>	<b>305,039</b>
<b>Non-current liabilities</b>			
Trade and other payables	21	773	15,989
Interest bearing liabilities	25	575,422	370,213
Lease liabilities	19	99,151	–
Deferred tax liabilities	8	672,843	422,445
Provisions	22	284,166	252,064
<b>Total non-current liabilities</b>		<b>1,632,355</b>	<b>1,060,711</b>
<b>Total liabilities</b>		<b>2,116,843</b>	<b>1,365,750</b>
<b>Net assets</b>		<b>5,111,987</b>	<b>4,511,469</b>
<b>Equity</b>			
Share capital	27	43,232	43,232
Reserves	28	63,253	176,603
Retained profits		4,133,308	3,301,831
<b>Parent Entity interest</b>		<b>4,239,793</b>	<b>3,521,666</b>
Non-controlling interests		872,194	989,803
<b>Total equity</b>		<b>5,111,987</b>	<b>4,511,469</b>

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 2020

	Share capital \$'000	Retained profits \$'000	Reserves \$'000	Total Parent Entity interest \$'000	Non-controlling interest \$'000	Total equity \$'000
<b>Year ended 31 July 2020</b>						
<b>Total equity at the beginning of the year</b>						
<b>1 August 2019</b>	43,232	3,301,831	176,603	3,521,666	989,803	4,511,469
Effect of initial adoption of AASB 16 (refer to note 36)	–	(2,859)	–	(2,859)	–	(2,859)
<b>Restated balance at the beginning of the year</b>						
<b>1 August 2019</b>	43,232	3,298,972	176,603	3,518,807	989,803	4,508,610
<b>Net profit for the year after tax</b>	–	952,967	–	952,967	(78,512)	874,455
<b>Other comprehensive income/(loss) for the year</b>						
Net movement after tax in asset revaluation reserve	–	(1,534)	(158,216)	(159,750)	(262)	(160,012)
Net movement after tax in hedge reserve	–	–	34,633	34,633	22,879	57,512
Net movement after tax in foreign currency translation reserve	–	–	(2,822)	(2,822)	1	(2,821)
Net movement after tax in equity reserve	–	(1,035)	2,791	1,756	–	1,756
Net movement after tax in general reserve <sup>1</sup>	–	2,342	(2,342)	–	–	–
Net movement after tax in capital gains reserve	–	–	9,159	9,159	–	9,159
<b>Total comprehensive income/(loss) for the year</b>	–	952,740	(116,797)	835,943	(55,894)	780,049
<b>Transactions with owners</b>						
Dividends provided for or paid <sup>2</sup>	–	(116,876)	–	(116,876)	(64,946)	(181,822)
Net movement in share based payments reserve	–	(1,828)	3,447	1,619	346	1,965
Transactions with non-controlling interests	–	300	–	300	3,520	3,820
Return of capital	–	–	–	–	(635)	(635)
<b>Total equity at the end of the year</b>						
<b>31 July 2020</b>	43,232	4,133,308	63,253	4,239,793	872,194	5,111,987

<sup>1</sup> The general reserve historically recorded funds set aside for future requirements of the Group and relates to the Parent Entity.

<sup>2</sup> After the elimination of \$24.367 million of the Parent Entity dividend paid to Brickworks Limited (2020: 43.8%).

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

<b>Year ended 31 July 2019</b>	<b>Share capital</b> \$'000	<b>Retained profits</b> \$'000	<b>Reserves</b> \$'000	<b>Total Parent Entity interest</b> \$'000	<b>Non-controlling interest</b> \$'000	<b>Total equity</b> \$'000
<b>Total equity at the beginning of the year 1 August 2018</b>	43,232	2,718,057	605,865	3,367,154	974,451	4,341,605
Effect of initial adoption of AASB 9	–	52,687	(53,892)	(1,205)	–	(1,205)
Effect of initial adoption of AASB 15	–	1,174	–	1,174	–	1,174
<b>Restated balance at the beginning of the year 1 August 2018</b>	43,232	2,771,918	551,973	3,367,123	974,451	4,341,574
<b>Net profit for the year after tax</b>	–	247,943	–	247,943	111,546	359,489
<b>Other comprehensive income/(loss) for the year</b>						
Net movement after tax in asset revaluation reserve	–	–	9,260	9,260	(348)	8,912
Net movement after tax in hedge reserve	–	–	(12,720)	(12,720)	(2,531)	(15,251)
Net movement after tax in foreign currency translation reserve	–	–	2,275	2,275	–	2,275
Net movement after tax in equity reserve	–	–	(913)	(913)	–	(913)
Net movement after tax in general reserve <sup>1</sup>	–	402,206	(402,206)	–	–	–
Net movement after tax in capital gains reserve	–	(8,715)	27,174	18,459	4,356	22,815
<b>Total comprehensive income/(loss) for the year</b>	–	641,434	(377,130)	264,304	113,023	377,327
<b>Transactions with owners</b>						
Dividends provided for or paid <sup>2</sup>	–	(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)
<b>Total equity at the end of the year 31 July 2019</b>	43,232	3,301,831	176,603	3,521,666	989,803	4,511,469

<sup>1</sup> The general reserve historically recorded funds set aside for future requirements of the Group and relates to the Parent Entity.

<sup>2</sup> After the elimination of \$24.730 million 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 Cash Flows

for the year ended 31 July 2020

	Notes	31 July 2020 \$'000	31 July 2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers inclusive of GST		1,418,130	1,563,833
Payments to suppliers and employees inclusive of GST		(1,147,545)	(1,077,978)
		270,585	485,855
Dividends received		211,664	89,723
Interest received		4,393	14,607
Interest on lease liabilities	19	(6,703)	–
Acquisition costs expensed	35b	(2,366)	(46,041)
Finance costs paid		(16,877)	(12,561)
Income taxes paid		(27,748)	(165,581)
<b>Net cash inflow from operating activities</b>	23	<b>432,948</b>	<b>366,002</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant, equipment and intangibles		(205,543)	(165,243)
Proceeds from sale of property, plant and equipment		7,510	96,255
Payments for capitalised exploration and evaluation activities		(17,523)	(29,591)
Net (payments to)/proceeds from term deposits		(50,112)	204,574
Payments for acquisition and development of investment properties		(406)	(32,577)
Proceeds from sale of investment properties		3,794	100,068
Payments for equity investments		(252,210)	(95,025)
Proceeds from sale of equity investments		129,360	94,882
Payments to acquire equity accounted associates		(17,989)	(11,172)
Payments for acquisition of business, net of cash acquired	35b	(52,683)	(839,086)
Proceeds from sale of debt to third party		–	8,000
Loan repayments from external parties		27,966	29,084
Loans advanced to external parties		(18,147)	(56,911)
<b>Net cash outflow from investing activities</b>		<b>(445,983)</b>	<b>(696,742)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to WHSP shareholders	2	(141,243)	(136,455)
Dividends paid by subsidiaries to non-controlling interests		(64,941)	(74,997)
Proceeds from external borrowings		583,341	790,000
Repayments of external borrowings		(168,206)	(425,272)
Payment for establishment costs of debt/guarantee facilities		–	(12,802)
Principal repayments of lease liabilities	19	(30,003)	–
Payments for return of capital		(629)	(22,937)
Payment of shares acquired for the employee long term incentive plan		(590)	(569)
Transactions with subsidiaries non-controlling interest		2,379	–
<b>Net cash inflow from financing activities</b>		<b>180,108</b>	<b>116,968</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the financial year		125,445	337,933
Effects of exchange rate changes on cash and cash equivalents		713	1,284
<b>Cash and cash equivalents at the end of the financial year</b>	23	<b>293,231</b>	<b>125,445</b>

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





# Notes to the Financial Statements

## 01 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 2019;
- does not adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note 36 – New or amended accounting standards and interpretations 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.

### **OTHER ACCOUNTING POLICIES**

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

## Key judgements and estimates

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

Note reference	Key judgements and estimates	Page
Note 6	Recoverable value	83
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## 02 Payment of Dividends to Shareholders

### ACCOUNTING POLICY

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

	2020 \$'000	2019 \$'000
<b>a) Dividends paid during the year</b>		
Final dividend for the year ended 31 July 2019 of 34 cents (2018: 33 cents) per fully paid ordinary share paid on 9 December 2019 (2018: 10 December 2018) fully franked based on tax paid at 30%	81,394	79,000
Interim dividend for the year ended 31 July 2020 of 25 cents (2019: 24 cents) per fully paid ordinary share paid on 14 May 2020 (2019: 9 May 2019) fully franked based on tax paid at 30%	59,849	57,455
<b>Total dividends paid</b>	<b>141,243</b>	<b>136,455</b>
<b>b) Dividends not recognised at year end</b>		
In addition to the above dividends, since year end the Directors have declared the payment of: A final dividend of 35 cents fully paid ordinary share, (2019: 34 cents) fully franked based on tax paid of 30%	83,788	81,394
The dividend is due to be paid on 14 December 2020 (2019: 9 December 2019) out of retained profits as at 31 July 2020, and has not been recognised as a liability at year end.		
<b>c) Franking of dividends</b>		
The final dividend for 31 July 2020 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 2020.		
<b>Franking credits available for future dividend payments</b>		
Franking credits available for subsequent financial years based on an Australian company tax rate of 30% (2019: 30%).	645,193	554,977
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 14 December 2020 (2019: 9 December 2019)	(35,909)	(34,883)
<b>Balance of franking credits available after payment of the final dividend</b>	<b>609,284</b>	<b>520,094</b>

## 03 Segment Information

### Segment reporting

The Consolidated Entity operates 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 Chief Operating Decision Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of the Parent Entity.

The Group's operating segments are described as:

#### TPG Telecom Limited (TPG)

TPG is a telecommunications and internet provider.

As at 31 July 2020, the Parent Entity had a 12.6% (previously 25.3%) investment in TPG. During the financial year, the Group's share of ownership in TPG was diluted from 25.3% to 12.6% as a result of the TPG and Vodafone Hutchison Australia Pty Limited ("VHA") merger. As of the merger date (29 June 2020), the Group lost significant influence over TPG and discontinued equity accounting for its investment in TPG.

#### Brickworks Limited (Brickworks)

The Parent Entity has a 43.8% investment in Brickworks.

Brickworks has four divisions: the manufacture of building products in Australia, the manufacture of building products in North America, property ownership and development, and an investment in Washington H. Soul Pattinson and Company Limited.

#### New Hope Corporation Limited (New Hope)

The Parent Entity has a 50.0% investment in New Hope.

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

#### Round Oak Minerals Pty Limited (Round Oak)

The Parent Entity has a 100% investment in Round Oak.

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

#### Other investing activities

Other investing activities include the Group's diversified investment portfolio across different asset classes (including equities, hybrid instruments, derivatives, property, corporate loans and cash), subsidiaries (that own and operate farmland assets, direct property and swim schools) and equity accounted associates.

### Acquisition

During the year, a subsidiary of the Parent Entity, WHSP Agriculture Holding Trust acquired various agricultural businesses. Refer to note 35b. The financial results of this subsidiary are included in the other investing activities segment.

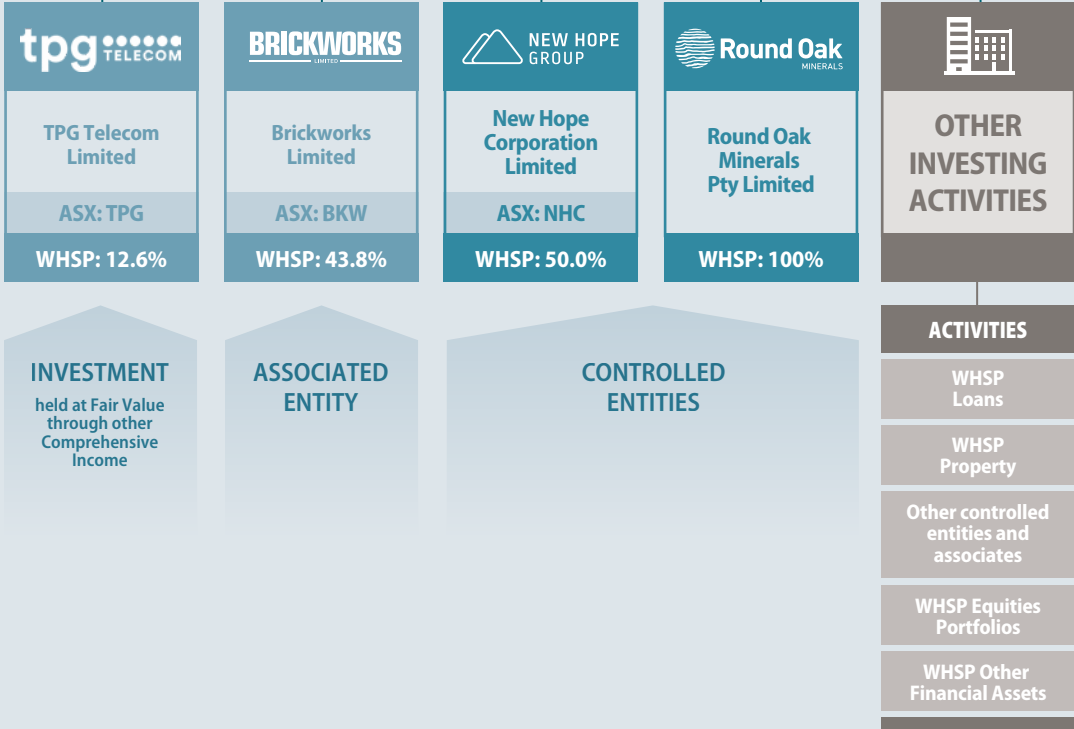


# WHSP GROUP

(CONSOLIDATED ENTITY)

## SEGMENTS

Segments are based on Group percentage ownership and board representation which determines the extent the Parent Entity is able to influence the underlying operations



### 03 Segment Information (continued)

Reporting Segments	TPG Telecom Limited <sup>1</sup>	Brickworks Limited <sup>1</sup>	New Hope Corporation Limited	Round Oak Minerals Pty Limited	Other Investing activities	Intersegment/unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 31 July 2020</b>							
Revenue from external customers	–	–	1,083,918	222,878	61,671	–	1,368,467
Intersegment revenue <sup>2</sup>	–	–	–	–	234,261	(234,261)	–
<b>Total revenue from continuing operations</b>	–	–	1,083,918	222,878	295,932	(234,261)	1,368,467
<b>Profit/(loss) before income tax</b>	1,510,803	2,032	(225,551)	(134,879)	(10,428)	(18,794) <sup>3</sup>	1,123,183
Less income tax (expense)/benefit	(389,187) <sup>4</sup>	17,179 <sup>4</sup>	68,768	40,049	8,825	5,638	(248,728)
<b>Profit/(loss) after tax</b>	1,121,616	19,211	(156,783)	(94,830)	(1,603)	(13,156)	874,455
Less loss attributable to non-controlling interests	–	–	78,424	–	88	–	78,512
<b>Profit/(loss) after tax attributable to members</b>	1,121,616	19,211	(78,359)	(94,830)	(1,515)	(13,156)	952,967
<b>Year ended 31 July 2019</b>							
Revenue from external customers	–	–	1,306,429	133,138	176,321	–	1,615,888
Intersegment revenue <sup>2</sup>	–	–	–	–	116,730	(116,730)	–
<b>Total revenue from continuing operations</b>	–	–	1,306,429	133,138	293,051	(116,730)	1,615,888
<b>Profit/(loss) before income tax</b>	43,908	81,891	307,770	(103,769)	159,906	(15,240) <sup>3</sup>	474,466
Less income tax (expense)/benefit	(9,783) <sup>4</sup>	(17,795) <sup>4</sup>	(97,338)	30,303	(25,156)	4,572	(115,197)
Profit after tax from discontinued operations	–	–	220	–	–	–	220
<b>Profit/(loss) after tax</b>	34,125	64,096	210,652	(73,466)	134,750	(10,668)	359,489
Less (profit) attributable to non-controlling interests	–	–	(105,305)	–	(6,241)	–	(111,546)
<b>Profit/(loss) after tax attributable to members</b>	34,125	64,096	105,347	(73,466)	128,509	(10,668)	247,943

1 No revenue recognised as only the share of associates profit after tax is recognised for equity accounted associates. TPG was derecognised as an associate on 29 June 2020.

2 Represents inter-segment dividends and interest received from subsidiaries and associates that are eliminated on consolidation.

3 Unallocated represents Parent Entity corporate costs that are not allocated to individual segments.

4 The income tax expense relates to the deferred tax recognised on consolidation in respect of these investments.

## 04 Revenue

### ACCOUNTING POLICY

#### *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 sale terms, in this instance when the risks and benefits of ownership has transferred. The legal title, risks and rewards, and therefore the fulfillment 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 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.

## 04 Revenue (continued)

### a) Revenue from continuing operations

	2020 \$'000	2019 \$'000
<b>Revenue from contracts with customers</b>		
Revenue from sale of goods	1,299,851	1,509,588
Revenue from provisional pricing adjustment	(10,236)	5,041
Rental revenue	7,990	9,901
Revenue from services	21,383	32,044
	1,318,988	1,556,574
<b>Other revenue</b>		
Dividend and distribution revenue	30,417	36,838
Interest revenue	8,242	16,261
Other	10,820	6,215
	49,479	59,314
<b>Revenue from continuing operations</b>	1,368,467	1,615,888



## Revenue from contracts with customers

### Disaggregation of revenue

The Consolidated Entity presents 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	Round Oak Minerals Pty Limited \$'000	Other Investing activities \$'000	Total \$'000
<b>Year ended 31 July 2020</b>				
<b>Major product lines</b>				
Coal, oil and gas	1,060,621	–	–	1,060,621
Copper, gold and zinc	–	222,862	–	222,862
Other goods and services	13,213	–	22,292	35,505
<b>Total revenue from contracts with customers</b>	<b>1,073,834</b>	<b>222,862</b>	<b>22,292</b>	<b>1,318,988</b>
Other revenue	10,084	16	39,379	49,479
<b>Total revenue from continuing operations</b>	<b>1,083,918</b>	<b>222,878</b>	<b>61,671</b>	<b>1,368,467</b>
<b>Total revenue from contracts with customers by geographical regions</b>				
Australia	118,904	33,492	22,292	174,688
Japan	446,852	–	–	446,852
Switzerland	–	189,370	–	189,370
China	127,418	–	–	127,418
Taiwan	80,069	–	–	80,069
Korea	68,680	–	–	68,680
India	27,094	–	–	27,094
Chile	26,280	–	–	26,280
Vietnam	10,196	–	–	10,196
Other*	168,341	–	–	168,341
<b>Total revenue from contracts with customers</b>	<b>1,073,834</b>	<b>222,862</b>	<b>22,292</b>	<b>1,318,988</b>
<b>Timing of revenue recognition from contracts with customers</b>				
Goods and services transferred at a point in time	1,060,621	222,862	15,379	1,298,862
Goods and services transferred over time	13,213	–	6,913	20,126
<b>Total revenue from contracts with customers</b>	<b>1,073,834</b>	<b>222,862</b>	<b>22,292</b>	<b>1,318,988</b>

\* Other revenue from customer contracts relates to third party customer contracts with undisclosed geographical information.

### Major product lines

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

### Major customers

There are no customers which represent more than 10% of revenue from customer contracts for the year ended 31 July 2020. During the prior year, there was one customer of New Hope that represented 10% with total revenue of \$189.013 million.

## 04 Revenue (continued)

### a) Revenue from continuing operations (continued)

Revenue from contracts with customers (continued)

	New Hope Corporation Limited \$'000	Round Oak Minerals Pty Limited \$'000	Other Investing activities \$'000	Total \$'000
<b>Year ended 31 July 2019</b>				
<b>Major product lines</b>				
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
<b>Total revenue from contracts with customers</b>	<b>1,294,800</b>	<b>133,016</b>	<b>128,758</b>	<b>1,556,574</b>
Other revenue	11,629	122	47,563	59,314
<b>Total revenue from continuing operations</b>	<b>1,306,429</b>	<b>133,138</b>	<b>176,321</b>	<b>1,615,888</b>
<b>Total revenue from contracts with customers by geographical regions</b>				
Australia	81,786	30,417	128,758	240,961
Japan	557,285	–	–	557,285
Switzerland	–	102,599	–	102,599
China	116,322	–	–	116,322
Taiwan	312,722	–	–	312,722
Korea/Indonesia	96,967	–	–	96,967
India	10,231	–	–	10,231
Chile	19,360	–	–	19,360
Vietnam	1,890	–	–	1,890
Other *	98,237	–	–	98,237
<b>Total revenue from contracts with customers</b>	<b>1,294,800</b>	<b>133,016</b>	<b>128,758</b>	<b>1,556,574</b>
<b>Timing of revenue recognition from contracts with customers</b>				
Goods and services transferred at a point in time	1,281,235	133,016	118,397	1,532,648
Goods and services transferred over time	13,565	–	10,361	23,926
<b>Total revenue from contracts with customers</b>	<b>1,294,800</b>	<b>133,016</b>	<b>128,758</b>	<b>1,556,574</b>

\* Other revenue from customer contracts relates to third party customer contracts with undisclosed geographical information.

## 05 Other income

### ACCOUNTING POLICY

Other income includes gains or losses made on:

- changes in fair value for certain assets including financial assets held for trading, investment property and where an equity accounted associate becomes an equity investment;
- the sale of an asset including the sale of financial assets held for trading, 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.

	<b>2020</b>	<b>2019</b>
	\$'000	\$'000
Gain on sale of property, plant and equipment	2,975	90,641
Reclassification adjustment from reserves on derecognition of an associate	(11,653)	–
Gain on fair value of biological assets	4,951	–
Gain on deemed disposal of equity accounted associates	5,348	1,921
Gain on financial assets held for trading at fair value through profit or loss	5,780	6,700
Gain on revaluation of investment property	–	7,655
Gain on sale of investment properties	38	6,657
Insurance recovery	56	3,264
Other	2,390	571
	<b>9,885</b>	<b>117,409</b>

## 06 Expenses

### **ACCOUNTING POLICY**

#### ***Depreciation and amortisation expense***

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, mining reserves and development and right-of-use assets, 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 expense***

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 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 expenses***

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 18 for discussion on the criteria.

	2020 \$'000	2019 \$'000
<b>Profit before income tax from continuing operations includes the following specific expenses:</b>		
<b>Depreciation</b>		
Buildings	(3,517)	(2,255)
Plant and equipment	(85,336)	(60,694)
Bearer plants	(958)	–
Right-of-use asset	(32,453)	–
<b>Total depreciation</b>	<b>(122,264)</b>	<b>(62,949)</b>
<b>Amortisation</b>		
Mining reserve and mine development	(114,878)	(88,747)
Intangible assets	(4,210)	(3,280)
Oil producing assets	(7,791)	(7,885)
Lease incentive and leasing fee assets	(57)	(88)
<b>Total amortisation</b>	<b>(126,936)</b>	<b>(100,000)</b>
<b>Impairment expense</b>		
Equity accounted associates <sup>(1)</sup>	(61,640)	(34,807)
Property, plant and equipment (including mine development costs) <sup>(2)</sup>	(163,655)	(24,209)
Exploration and evaluation assets <sup>(3)</sup>	(174,733)	–
Oil producing and exploration assets <sup>(4)</sup>	(66,381)	–
Other assets <sup>(5)</sup>	(17,478)	(1,434)
<b>Total impairment expense</b>	<b>(483,887)</b>	<b>(60,450)</b>
<b>Operating lease costs expensed<sup>(6)</sup></b>	<b>(3,600)</b>	<b>(20,656)</b>
<b>Employee benefits expenses<sup>(7)</sup></b>	<b>(257,446)</b>	<b>(231,140)</b>
<b>Finance costs<sup>(8)</sup></b>	<b>(35,474)</b>	<b>(27,857)</b>
<b>Exploration costs expensed<sup>(9)</sup></b>	<b>(19,677)</b>	<b>(16,009)</b>
<b>Onerous contract and other liquidation related expenses<sup>(10)</sup></b>	<b>106</b>	<b>(21,675)</b>

## KEY JUDGEMENTS AND ESTIMATES

### *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.

#### **(1) Impairment of equity accounted associates**

The recoverable amount of investments in equity accounted associates has been assessed as at 31 July 2020. 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 consolidated statement of comprehensive income.

During the current financial year, an impairment expense of \$22.069 million was recognised on the investment in Pengana Capital Group Limited, \$32.553 million on the investment in API Limited and \$7.579 million on the investment in Palla Pharma Limited. A reversal of an impairment of \$0.561 million was recognised for Verdant Minerals Limited.

In the previous financial year, an impairment expense of \$46.519 million was recognised on the investment in Pengana Capital Group Limited and reversals of impairment of \$9.915 million and \$1.797 million were recognised for Verdant Minerals Limited and Palla Pharma Limited respectively.

## 06 Expenses (continued)

### (2) 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 costs of disposal ("FVLCD") and its value in use ("VIU"). 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 or CGU's). At each balance date, an assessment is undertaken to determine if there are any circumstances that would indicate that an asset has been impaired. Individual business units adopt assumptions on pricing and exchange rates suitable for the markets in which they operate. During the financial year, the following impairment expenses were recognised:

#### **New Hope – Queensland coal mining CGU**

The impairment expense of \$110.783 million and the recoverable amount recognised for the Queensland coal mining CGU is outlined below:

	Notes	2020	
		Recoverable amount \$'000	Impairment expenses \$'000
Property, plant and equipment			
Land and buildings – mining	17	29,592	–
Plant and equipment	17	62,208	12,864
Mining reserves, leases and development assets	17	866	–
Plant under construction	17	516	52,585
Intangibles			
Software	20	688	–
Exploration and evaluation assets			
Exploration and evaluation at cost	18	–	45,334
		<b>93,870</b>	<b>110,783</b>

New Hope has determined the recoverable amount for the CGU based on a FVLCD calculation. This calculation uses discounted cash flow projections, adjusted with probability weightings specific to individual scenarios to derive a weighted average recoverable amount. Several scenarios have been assessed, considering a combination of different assumptions.

In assessing the recoverable amount for the CGU, New Hope has used reasonable assumptions and judgements of future uncertainties in key pricing, discount rate and foreign exchange assumptions, probabilities of scenarios as well as those associated with COVID-19. Any changes in probabilities or other assumptions could result in additional impairment of the remaining carrying value of the CGU at risk of \$93.870 million as at 31 July 2020.

#### **Round Oak**

An impairment expense of \$52.600 million was recognised on property, plant and equipment and mine development costs (2019: an impairment expense of \$24.209 million). In assessing the recoverable amount for the CGU, Round Oak has used a VIU calculation for its CGUs with reasonable assumptions and judgements of future uncertainties in key pricing, discount rate and foreign exchange assumptions, probabilities of scenarios as well as those associated with COVID-19 and climate risk. Any changes in probabilities or other assumptions could result in additional impairment of the remaining carrying value of the CGU at risk of \$95.7 million as at 31 July 2020.

Key assumptions used in VIU calculations:

Assumption	Description
Commodity prices	The commodity price ranges for assessments as at 31 July 2020 are: <ul style="list-style-type: none"> <li>● Zinc (US\$/t): US\$2,186 – US\$2,379 (nominal basis)</li> <li>● Copper (US\$/t): US\$5,942 – US\$6,378 (nominal basis)</li> <li>● Gold (US\$/oz): US\$ 1,521 – US\$ 1,485 (nominal basis)</li> </ul>
Foreign exchange	The assumed AUD:USD foreign exchange rate modelled is 0.64 – 0.67.
Discount rates	The future cash flows have been discounted using a post-tax discount rate of 7.8% (2019: 8.0%).

### **Farmland assets**

Agricultural assets comprises, farming property and improvements (“farmland assets”) are carried at their revalued amount, which is their fair value at the date of the revaluation, less, where applicable, any subsequent accumulated depreciation and impairment losses. Revaluations are performed at least every 12 months, by independent valuers to ensure that the carrying amount of an asset does not differ materially from fair value. During the year ended 31 July 2020, an impairment expense of \$0.272 million was recognised on farmland assets (2019: \$nil).

### **(3) Impairment of exploration and evaluation assets**

#### ***New Hope – coal exploration and evaluation assets CGU***

New Hope determined that an indicator of impairment existed as at 31 July 2020 in respect of the North Surat and Yamala coal exploration projects. The indicator arose as a result of the market conditions for coal exploration assets.

The recoverable amount of the CGU has been determined based on a FVLCD calculation underpinned by a resource multiple. A resource multiple is considered the appropriate valuation methodology for an exploration asset of this type as it represents the price paid for the resources in market transactions for exploration tenures.

In the current market conditions, New Hope determined that a resource multiple of \$0.03 per tonne be ascribed to The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves or JORC resources.

New Hope concluded the recoverable amount for the CGU was below its carrying value.

As a result of this impairment assessment an impairment charge of \$157.197 million was recognised in the consolidated statement of comprehensive income for the year ended 31 July 2020.

The recoverable amount and impairment charge calculated is outline below:

	Notes	2020	
		Recoverable amount \$'000	Impairment expenses \$'000
North Surat coal project			
Exploration and evaluation	18	23,069	147,816
Property, plant and equipment	17	10,861	–
Yamala coal project			
Exploration and evaluation	18	5,939	9,381
		39,869	157,197

Any changes in other assumptions could result in additional impairment, with the remaining carrying value of the CGU at risk of \$39.869 million.

#### **Round Oak**

Round Oak determined that an indicator of impairment existed in respect of certain exploration tenements. The indicator of impairment was the anticipated implementation of care and maintenance of these tenements in May 2020 following the cessation of mining (December 2019) and processing (May 2020). As a result, an impairment test was undertaken and an impairment of \$17.536 million was recognised during the financial year. Any changes in other assumptions could result in additional impairment, with the remaining carrying value of the CGU at risk of \$15.199 million.

## 06 Expenses (continued)

### (4) Impairment of oil producing and exploration assets

#### *New Hope - oil producing and exploration assets CGU*

New Hope has classified its Cooper Basin operated assets, Cooper Basin non-operated assets and Surat Basin assets as separate CGUs.

New Hope determined that an indicator of impairment existed at 31 July 2020 in respect of certain oil producing and exploration assets. The indicator arose due to the significant decline in global oil prices impacted by the COVID-19 pandemic and the potential expiration of exploration rights in the future.

The recoverable amount for each CGU is based on a FVLCD calculation. This calculation uses discounted cash flow projections, with key assumptions including economically recoverable reserves, future production profiles, commodity prices, foreign exchange rates, operating costs and future development costs necessary to produce the reserves.

Key assumptions used in FVLCD calculations:

Assumption	Description
Oil price	The oil price range for assessments as at 31 July 2020 is US\$40 – US\$65/bbl (real basis).
Foreign exchange	The assumed AUD:USD foreign exchange rate modelled is 0.68 – 0.73.
Discount rates	The future cash flows have been discounted using a post-tax discount rate of 10.0% (2019: 10.0%).

Oil exploration assets have been assessed with respect to their ongoing investment. Due to the potential relinquishment of certain interests if expenditure commitments are not satisfied, it was determined that the recoverable amount for each CGU was below their carrying amounts.

As a result of this impairment assessment a total impairment charge of \$66.381 million was recognised in the consolidated statement of comprehensive income for the year ended 31 July 2020.

	Notes	2020	
		Recoverable amount \$'000	Impairment expenses \$'000
Property, plant and equipment	17	2,000	812
Oil producing assets			
Cooper Basin operated	17	5,832	25,985
Cooper Basin non-operated	17	7,825	12,479
Surat Basin operated	17	1,747	9,165
Exploration and evaluation assets	18	–	17,940
		<b>17,404</b>	<b>66,381</b>

Any changes in other assumptions could result in additional impairment, with the remaining carrying value of the CGU at risk of \$17.404 million.



**(5) Impairment of other assets**

An impairment expense of \$17.478 million (2019: \$1.434 million) was recognised on goodwill attached to coal and copper exploration assets and investment property.

**(6) Operating lease costs expensed**

From 1 August 2019, under AASB 16, lease payments made in relation to short-term and low value lease are recognised as an expense on a straight-line basis over the lease term. Refer to note 19.

In the prior year, all operating leases were expensed as incurred.

**(7) Employee benefits expenses**

Employee benefits expenses represent expenses paid to all employees within the Group. This amount mainly relates to \$193.984 million (2019: \$185.559 million) paid to employees of New Hope and \$48.052 million (2019: \$42.936 million) paid to employees of Round Oak. Employee benefits expenses include superannuation expenses of \$16.036 million (2019: \$15.364 million).

**(8) Finance costs**

This amount mainly includes \$26.375 million (2019: \$22.964 million) paid by New Hope, \$3.761 million (2019: \$3.109 million) paid by Round Oak and \$4.307 million (2019: \$0.774 million) paid by the Parent Entity on borrowings, unwinding of the discount on provisions and interest expense in relation to leases.

**(9) Exploration costs expensed**

This amount relates to New Hope exploration costs expensed.

**(10) Onerous contract and other liquidation related expenses**

In the prior year, these amounts relate to New Hope future handling charges arising from an onerous contract and liquidation related expenses.

## 07 Income tax expense

### ACCOUNTING POLICY

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.

Subsidiaries 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.

	2020 \$'000	2019 \$'000
a) <b>Income tax expense comprises:</b>		
<b>Current income tax expense</b>		
Current year	7,650	97,947
(Over) provision in prior year	(10,674)	(990)
<b>Deferred income tax expense</b>		
Related to the origination and reversal of temporary differences	268,727	17,316
Adjustment in respect of prior year's deferred tax (assets)/liabilities previously not recognised	(16,975)	924
<b>Income tax expense recognised in the profit or loss</b>	<b>248,728</b>	<b>115,197</b>
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(26,917)	(21,861)
Increase in deferred tax liabilities	295,644	39,177
	<b>268,727</b>	<b>17,316</b>

	2020 \$'000	2019 \$'000
<b>b) Reconciliation of prima facie tax expense to income tax expense:</b>		
Profit before income tax expense from continuing operations	1,123,183	474,466
Profit before income tax expense from discontinued operations	-	220
<b>Profit before income tax expense</b>	<b>1,123,183</b>	<b>474,686</b>
Tax at the Australian rate of 30% (2019: 30%)	336,955	142,406
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Net impairment expense	23,628	18,135
Franking credits received (excluding subsidiary and associate entities)	(7,280)	(8,455)
Tax (benefit) on the carrying value of equity accounted associates	(94,855)	(26,671)
(Over) provision for income tax	(10,674)	(9,633)
Other	954	(585)
<b>Total income tax expense</b>	<b>248,728</b>	<b>115,197</b>
Effective tax rate:	22.1%	24.3%
<b>Income tax expense is attributable to:</b>		
Profit from continuing operations	248,728	115,197
Profit from discontinued operations	-	-
	<b>248,728</b>	<b>115,197</b>
<b>c) Amounts recognised directly in equity</b>		
Aggregate current and deferred tax arising in the year and not recognised in net profit or loss but directly charged or credited to equity		
(Increase)/decrease to deferred tax assets	(10,798)	1,770
(Decrease)/ increase to deferred tax liabilities	(46,757)	12,987
<b>Net deferred tax charged directly to equity</b>	<b>(57,555)</b>	<b>14,757</b>
<b>d) Unrecognised deferred tax assets</b>		
Relating to the tax consolidated groups of:		
Washington H. Soul Pattinson and Company Limited	100,075	38,435
New Hope Corporation Limited	12,799	12,697
<b>Total unrecognised deferred tax assets</b>	<b>112,874</b>	<b>51,132</b>
<b>Potential tax benefit at 30%</b>	<b>33,862</b>	<b>15,340</b>

## 08 Deferred tax assets and deferred tax liabilities

### ACCOUNTING POLICY

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.

	2020 \$'000	2019 \$'000
<b>a) Deferred tax assets comprises temporary differences attributable to:</b>		
<b>Amounts recognised in profit or loss:</b>		
Provision	105,130	106,009
Accrued expenses	138	98
Impairment expense	60,399	19,219
Capitalised exploration	2,260	2,702
Property, plant and equipment	3,298	5,566
Tax value of losses carried forward	20,123	22,949
Lease liabilities	23,374	–
Other	2,895	2,896
	217,617	159,439
<b>Amounts recognised in equity:</b>		
Long term equity investments	1,590	3,290
Lease liabilities	2,578	–
Share issue costs	10	10
	4,178	3,300
<b>Total deferred tax assets</b>	221,795	162,739
Set-off of deferred tax liabilities pursuant to set-off provisions	(125,886)	(106,070)
<b>Net deferred tax assets</b>	95,909	56,669
<b>Movements:</b>		
Opening balance at 1 August	162,739	129,712
Adjustment on adoption of AASB 16	21,327	–
Charged to profit or loss	26,917	21,861
Credited/(debited) to equity	10,798	(1,770)
Additions through business combinations	14	12,936
<b>Closing balance at 31 July</b>	221,795	162,739

## 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.

	2020 \$'000	2019 \$'000
<b>b) Deferred tax liabilities* comprises temporary differences attributable to:</b>		
<b>Amounts recognised in profit or loss:</b>		
Property, plant and equipment	11,250	12,575
Inventories	4,475	7,300
Capitalised exploration	10,327	62,030
Investments	633,983	264,557
Other	5,310	6,152
	665,345	352,614
<b>Amounts recognised in equity:</b>		
Long term equity investments	34,813	97,492
Property, plant and equipment	81,465	77,225
Other investments	17,106	1,184
	133,384	175,901
<b>Total deferred tax liabilities</b>	<b>798,729</b>	<b>528,515</b>
Set-off of deferred tax liabilities pursuant to set-off provisions	(125,886)	(106,070)
<b>Net deferred tax liabilities</b>	<b>672,843</b>	<b>422,445</b>
<b>Movements:</b>		
Opening balance at 1 August	528,515	463,415
Adjustment on adoption of AASB 16	21,327	–
Charged to profit or loss	295,644	39,177
(Debited)/credited to equity	(46,757)	12,987
Additions through business combinations	–	12,936
<b>Closing balance at 31 July</b>	<b>798,729</b>	<b>528,515</b>

\* 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.

## 09 Trade and other receivables

### ACCOUNTING POLICY

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.

Under provisional pricing arrangements, sales contracts for commodities often incorporate provisional pricing. The price to be received on the sales of commodity is provisionally priced and using either the 'expected value' or 'most likely amount' method. Subsequently, provisionally priced sales are repriced at each reporting period until final pricing and settlement is confirmed based on final quality of products delivered and testing at its destination. The period between provisionally pricing and final invoice is generally between 90–180 days.

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 uncollectable 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

Loans to external parties are held at amortised cost, less any allowance for expected credit loss.

#### 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.

	2020 \$'000	2019 \$'000
<b>Current assets</b>		
Trade receivables	41,198	55,336
Trade receivables – provisionally priced	19,075	20,294
Loans to external parties – secured	44,755	41,388
Other receivables	26,361	32,663
Prepayments	17,456	12,577
	<b>148,845</b>	<b>162,258</b>
<b>Non-current assets</b>		
Loans to external parties – secured	28,187	36,200
Other receivables and prepayments	1,844	2,388
	<b>30,031</b>	<b>38,588</b>

The Group assessed the ECL in relation to trade and other receivables (including loans) 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 29.

The carrying value less impairment of trade receivables are assumed to approximate their fair value.

### *Trade receivables*

The balance at 31 July 2020 includes \$26.252 million (2019: \$74.261 million) relating to New Hope and \$32.253 million relating to Round Oak (2019: \$1.011 million). As at reporting date, trade receivables past due but not impaired were \$nil (2019: \$nil).

### *Trade receivables – provisionally priced*

The balance at 31 July 2020 includes \$19.075 million (2019: \$1.009 million) relating to Round Oak and \$nil (2019: \$19.285 million) relating to New Hope.

### *Loans to external parties – secured*

During the year, the Consolidated Entity, provided loans to external parties on commercial rates. The total balance of loans at 31 July 2020 was \$72.942 million (2019: \$77.588 million). These loans are secured by general security deeds that provide fixed and floating charges over all assets and property mortgages.

## 10 Inventories

### **ACCOUNTING POLICY**

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.

	2020 \$'000	2019 \$'000
<b>Current assets</b>		
Raw materials and stores	48,069	41,607
Work in progress	4,183	155
Finished goods	64,732	80,962
Provision for obsolescence	(2,882)	(2,253)
	61,850	78,709
	114,102	120,471

### Inventory expense

Inventories recognised as an expense during the year ended 31 July 2020 amounted to \$1.049 billion (2019: \$869.156 million).

The write-down of inventory to net realisable value recognised as an expense during the year amounted \$38.909 million (2019: \$2.400 million).

## 11 Biological assets

### ACCOUNTING POLICY

The Group only recognise biological assets when it:

- controls the asset as a result of past event;
- has determined that the future economic benefits associated with the asset will flow to the group; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at fair value less cost to dispose at each reporting date. The fair value is determined as the net present value of cash flows expected to be generated by the crops (including a risk adjustment factor). Where the fair value cannot be measured reliably, biological assets are measured at cost.

The fair value is to be determined with regards to quoted prices of an active market in which the assets are located. Where more than one active market is available, the market expected to be used is the market from which the value of the asset is derived.

In the event that there is no active market, a determination shall be made taking into various factors including the most recent market transaction price; market prices for similar assets with adjustments to reflect differences and sector benchmarks.

Finally and integral to management's internal valuation process for biological assets, where the present condition of the assets is immature and fair value cannot be reliably measured within a market, the fair value of the biological assets may be calculated using the present value of the expected net cash flows from the assets. Net increments and decrements in the fair value of the growing assets are recognised as income or expense in the statement of comprehensive income, determined as:

- the difference between the total fair value of the biological assets recognised at the beginning of the reporting period and the total fair value of the biological assets recognised at reporting date.
- cost incurred in maintaining or enhancing the biological assets recognised at the beginning of the reporting period and the total fair value of the biological assets recognised at reporting date.
- the market value of the produce picked during the reporting period is measured at their fair value less estimated costs to be incurred up until the time of picking. Market price is determined based on underlying market prices of the product.

	2020 \$'000	2019 \$'000
<b>Current assets</b>		
Opening balance	–	–
Business combination additions	102	–
Additions	452	–
Sale or transfer to inventory	(3,443)	–
Change in fair value due to biological transformation	4,951	–
	2,062	–



## 12 Assets classified as held for sale

### ACCOUNTING POLICY

Assets classified as held for sale during the financial year was measured at the lower of its carrying amount and fair value less cost of disposal at the time of the reclassification.

	2020 \$'000	2019 \$'000
<b>Current assets</b>		
Assets classified as held for sale at carrying amount	26,879	53

On 3 July 2020, a subsidiary, in which the Group owned a 50.1% interest, entered into a contract for sale of a property Tattersalls Centre and the Tattersalls Hotel business at 510-536 High Street Penrith, New South Wales, for \$27.400 million and \$0.100 million respectively. The settlement is set for November 2020. In the current year, the carrying values of the property and the business have been revalued to the sale price less cost of disposal, which resulted in an impairment expense of \$0.694 million.

This property was previously included as part of investment properties.

## 13 Financial assets held for trading

### ACCOUNTING POLICY

Financial assets held for trading 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 financial assets held for trading are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

#### *Classification*

Financial assets held for trading are classified as financial assets at fair value through profit or loss and are included in current assets.

#### *Subsequent measurement*

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

#### *Derecognition*

Financial assets held for trading 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.

	2020 \$'000	2019 \$'000
<b>Current assets</b>		
Financial assets held for trading – listed	180,068	60,950
Financial assets held for trading – unlisted	24,092	16,198
	204,160	77,148

### Fair value and price risk

Information regarding the Group's exposure to price risk is set out in note 29 and fair value classification is set out in note 30.

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 30 for details of these valuation techniques.

## 14 Equity accounted associates

### ACCOUNTING POLICY

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.

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. 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 in note 35.

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.

	2020 \$'000	2019 \$'000
<b>Non-current assets</b>		
Equity accounted associates	915,458	1,603,610
<b>a) Movement in equity accounted carrying values</b>		
Opening balance at 1 August	1,603,610	1,517,125
New investments during the period	17,990	11,172
Reclassification of a long term equity investment to equity accounted associate	–	20,000
Reclassification of equity accounted associate to a long term equity investment	(553,704)	–
Gain on deemed disposal of equity accounted associates	5,348	1,921
Share of profits after income tax, before impairment <sup>(1)</sup>	60,343	134,343
Net impairment expense of equity accounted associates	(61,640)	(34,807)
Dividends received/receivable	(260,093)	(59,069)
Non-cash in specie dividend of Tuas Limited from TPG Telecom Limited	79,683	–
Add back share of dividends received by associate	24,367	24,730
Share of associates increments/(decrements) in reserves	2,414	(11,774)
Effect of initial adoption of AASB 9 and 15 from associates	(2,860)	(31)
<b>Closing balance at 31 July</b>	<b>915,458</b>	<b>1,603,610</b>

<sup>1</sup> The share of equity accounted associates profits after income tax, before impairment excludes the fair value gain on derecognition of TPG Telecom Limited as associate which is included in the total contribution from equity accounted associates in 14 (b) below.

## b) Details of investments and results in associates

	Group's percentage of holding at balance date <sup>1</sup>		Contribution to Group result for the year <sup>2</sup>		Equity accounted carrying value <sup>3</sup>	
	2020 %	2019 %	2020 Total \$'000	2019 Total \$'000	2020 Total \$'000	2019 Total \$'000
<b>Year ended 31 July</b>						
<b>Associates – held by the Parent Entity</b>						
Apex Healthcare Berhad <sup>(i)</sup>	29.9	30.1	5,947	5,821	43,986	40,130
Australian Pharmaceutical Industries Limited <sup>(i)</sup>	19.3	19.3	10,302	9,288	105,051	131,412
Brickworks Limited <sup>(i)</sup>	43.8	43.8	2,032	81,891	519,195	531,234
Pengana Capital Group Limited <sup>(ii)</sup>	38.7	38.6	2,366	(5,508)	39,828	59,742
Palla Pharma Limited <sup>(iii)</sup>	19.9	19.9	(2,500)	(1,240)	22,286	21,352
TPG Telecom, including fair value gain on derecognition <sup>(iv)</sup>	–	25.3	1,510,803	43,908	–	732,177
Tuas Limited <sup>(v)</sup>	25.3	–	–	–	79,683	–
Other associates	various	various	5,918	183	105,429	87,563
<b>Total contributions from equity accounted associates, including fair value gain on derecognition of TPG</b>			<b>1,534,868</b>	<b>134,343</b>	<b>915,458</b>	<b>1,603,610</b>
Gain on deemed disposal of equity accounted associates, net of tax			5,225	1,345		
Deferred tax expense on gain on derecognition of TPG Telecom as an associate <sup>(iv)</sup>			(389,187)	–		
Deferred tax benefit/(expense) recognised on equity accounted associates			14,210	(13,632)		
Net impairment expense of associates			(61,640)	(34,807)		
<b>Net contribution from equity accounted associates</b>			<b>1,103,476</b>	<b>87,249</b>		

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

2 Contribution to Group result represents the amount included in profit after income tax before non-controlling interests as shown on the consolidated statement of comprehensive income.

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

- (i) During the financial year, Apex Healthcare Berhad, Australian Pharmaceutical Industries Limited and Brickworks Limited issued shares by way of employee share schemes. The Parent Entity did not participate in the share issues. As a result, there has been an immaterial decrease in the Group's shareholding in each of these investments.
- (ii) During the financial year, the Parent Entity's holding percentage increased from its non-participation in the Pengana Capital Group Limited share buy-back program and was partly offset by reduction of ownership attributable to shares issued under Pengana Capital's Employee Loan Share Plan. This resulted in a net increment of 0.06% in the shareholding in Pengana Capital to 38.7%.
- (iii) During the financial year, the Parent Entity purchased additional shares in Palla Pharma Limited for \$6.21 million under its Accelerated Non-Renounceable Entitlement Offer.

## 14 Equity accounted associates (continued)

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

- (iv) As at 31 July 2020, the Parent Entity has a 12.6% investment in TPG, a telecommunications and internet provider. During the financial year, the Group's share of ownership in TPG was diluted from 25.3% to 12.6% as a result of the TPG and Vodafone Hutchison Australia Pty Limited ("VHA") merger. As of the merger date (29 June 2020), the Group lost significant influence over TPG and discontinued equity accounting its investment in TPG and contributed \$1.122 billion (after tax) to profit during the financial year. This contribution reflects the Parent Entity's share of TPG's equity accounted results and reserves up until the merger date, and a gain from initial recognition of a financial asset held at Fair Value Through Other Comprehensive Income. From 29 June 2020, the Consolidated Entity's investment in TPG is held as an investment at Fair Value through Other Comprehensive Income. Refer to note 15.
- (v) Following the approval of the merger of TPG and VHA, the Tuas Limited Group ("Tuas") was demerged from TPG via a non-cash in-specie dividend of Tuas shares. Tuas owns and operates the fourth largest mobile network in Singapore. The Parent Entity received an in-specie dividend of \$79.7 million on 13 July 2020. The Parent Entity owns 25.26% of Tuas and holds a board seat. As at the de-merger date the Parent Entity has significant influence over Tuas and commenced equity accounting of the investment. Tuas was listed on the ASX from 30 June 2020. In the segment information note (refer to note 3, above), the equity accounted results of Tuas are included in the other investing activities.

#### KEY JUDGEMENTS AND ESTIMATES

##### Recoverable value of investments in associates

The recoverable value of investments in equity accounted associates is reviewed at each reporting date after taking into consideration any applicable impairment indicators. Refer to note 6 for more details.

	2020 \$'000	2019 \$'000
<b>c) Group's share of associates' expenditure commitments</b>		
Capital commitments	27,719	80,783
Lease commitments*	–	113,760
<i>* Prior year information presented relates to operating lease arrangements and is presented in accordance with the predecessor accounting standard AASB 17 Leases.</i>		
<b>d) Group's share of associates' contingent liabilities</b>		
Share of contingent liabilities incurred jointly with other investors of the associate	27,798	16,011
<b>e) Summarised Group's share of associates financial information</b>		
Assets	1,904,490	2,919,135
Liabilities	(704,632)	(1,102,816)
Net assets	1,199,858	1,816,319
Revenue	1,737,530	2,015,107
Profit before income tax	86,702	173,078
Income tax expense	(26,359)	(38,735)
Profit after income tax	60,343	134,343

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 amended to reflect adjustments made by the Group in applying the equity method.

	<b>Brickworks Limited</b>	
	<b>2020</b> \$'000	<b>2019</b> \$'000
Current assets	637,416	495,024
Non-current assets	1,646,297	1,385,888
Current liabilities	(232,882)	(261,798)
Non-current liabilities	(917,025)	(461,078)
<b>Net assets</b>	<b>1,133,806</b>	<b>1,158,036</b>
<b>Group's percentage holding</b>	<b>43.8%</b>	<b>43.8%</b>
Group's share of total net assets	496,399	507,568
Goodwill	22,796	23,666
<b>Equity accounted carrying value</b>	<b>519,195</b>	<b>531,234</b>
Revenue	953,404	918,695
Profit after tax attributable to members	298,883	154,642
Other comprehensive income	8,115	2,646
<b>Total comprehensive income</b>	<b>306,998</b>	<b>157,288</b>
<b>Dividends received by the Parent Entity from the associate</b>	<b>38,074</b>	<b>36,105</b>

**Derecognition of TPG Telecom Limited**

As at 31 July 2020, the Parent Entity had a 12.6% (previously 25.3%) investment in TPG Telecom Limited ("TPG"), a telecommunications and internet provider. During the financial year, the Group's share of ownership in TPG was diluted from 25.3% to 12.6% as a result of the TPG and Vodafone Hutchison Australia Pty Limited ("VHA") merger. As of the merger date (29 June 2020), the Group lost significant influence over TPG and discontinued equity accounting for its investment in TPG.

## 15 Long term equity investments

### ACCOUNTING POLICY

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 long-term 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 equity investments are subject to capital gains tax.

#### Derecognition

Long term equity investments are derecognised on trade date and when the rights to receive cash flows from the long term 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.

	2020 \$'000	2019 \$'000
<b>Non-current assets</b>		
Long term equity investments - listed	2,502,944	753,966
Long term equity investments – unlisted	113,150	31,169
	<b>2,616,094</b>	<b>785,135</b>
<b>Dividends</b>		
Dividends from long term equity investments held at FVOCI recognised in profit or loss in other income:		
Related to investments sold during the year	2,326	1,920
Related to investments held at the end of the year	24,614	31,435
<b>Total dividends</b>	<b>26,940</b>	<b>33,355</b>

a) **Long term equity investments pledged as security for short term finance and long-term loan**

Long term equity investments with a fair value of \$334.69 million (2019: \$37.19 million) have been transferred to the Parent Entity's bank as security for the \$245.98 million (2019: \$30.0 million) equity finance loans. 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 on the consolidated statement of financial position.

In addition, long term equity investments with a fair value of \$759.84 million (2019: \$nil) have been transferred to Credit Suisse as security for the \$200 million Parent Entity's term loan facility. 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. Refer to note 25 for further details.

b) **Fair value and price risk**

Information regarding the Group's exposure to price risk is set out in note 29 and fair value classification is set out in note 30.

The Group has used the following valuation techniques: market approach, income approach and cost approach to determine the fair value of unlisted long term equity investments. Refer to note 30 for details of these valuation techniques.

***Long term equity investments***

At 31 July 2020, the Parent Entity held \$2.595 billion (2019: \$758.780 million) of long term equity investments. The significant increase in long term equity investments was predominately due to the derecognition and transfer of TPG Telecom Limited from an equity accounted associate to a long term equity investment.

## 16 Investment properties

### ACCOUNTING POLICY

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.

	2020 \$'000	2019 \$'000
<b>Non-current assets</b>		
<b>Investment properties</b>		
Industrial property	30,051	33,734
Commercial property	45,673	72,547
	75,724	106,281
<b>Reconciliation</b>		
Opening balance at 1 August	106,281	158,254
Disposals	(3,757)	(85,756)
Transfer to held for sale assets	(26,583)	–
Capitalised costs	489	26,321
Net fair value (loss)/gain on investment properties	(692)	7,655
Movement in tenant incentives, 'make good' contributions, contracted rent uplift balance and leasing fee asset	(14)	(193)
<b>Closing balance at 31 July</b>	<b>75,724</b>	<b>106,281</b>

On 3 July 2020, a subsidiary, in which the Group owned a 50.1% interest, entered into a contract for sale of an investment property Tattersalls Centre and the Tattersalls Hotel business at 510-536 High Street Penrith, New South Wales, for \$27.400 million and \$0.100 million respectively. The settlement is set for November 2020. In the current year, the carrying values of the property and the business have been revalued to the sale price less costs of disposal, before being classified as held for sale assets (refer to note 12).

During the prior year, the Group sold two investment properties for a total of \$100.068 million. The Parent Entity held 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.



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

	2020 \$'000	2019 \$'000
Rental revenue	6,465	8,674
Direct operating expenses from property that generated rental income*	5,837	4,532

\*Includes finance costs of \$351,000 (2019: \$688,000).

### 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 30 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

One of the Group's investment properties, the Tattersalls Centre with a carrying value of \$26.583 million (2019: \$26.848 million) and classified as a held for sale asset at 31 July 2020, was pledged as security. Refer to note 25 for information on non-current assets pledged as security by the Group.

### d) Leasing arrangements

	2020 \$'000	2019 \$'000
The Group is entitled to receive rental revenue 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	1,373	4,678
Later than one year but not later than five years	2,187	6,716
Later than five years	964	2,069
	<b>4,524</b>	<b>13,463</b>

## KEY JUDGEMENTS AND ESTIMATES

### *Recoverable value of investment properties*

In determining the fair value of a property, 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.

## 17 Property, plant and equipment

### ACCOUNTING POLICY

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

Property, plant and equipment, (excluding investment properties, refer to note 16), are 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 income statement during the reporting period in which they are incurred.

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

Capitalised lease property and plant and equipment have been transferred to right-of-use assets (refer to note 19) at the adoption of AASB 16 *Leases* from 1 August 2019.

### *Mine development costs, mining reserves and leases and oil producing assets*

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

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

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

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

### *Farmland assets and bearer plants*

Agricultural assets comprising farming property and improvements ("farmland assets") are carried at their revalued amount, which is their fair value at the date of the revaluation, less, where applicable, any subsequent accumulated depreciation and impairment losses.

Bearer plants are carried at cost less any accumulated depreciation and impairment.

Revaluations are performed at least every 12 months, by independent valuers, so as to ensure that the carrying amount of an asset does not differ materially from fair value.

Under the revaluation model, increases in the carrying amount of an asset arising on revaluation are recognised in other comprehensive income and accumulated in the asset revaluation reserve in equity (except where an increase reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of that decrease). Decreases in the carrying amount of an asset arising on revaluation are recognised in profit or loss (except where a decrease reverses a revaluation increase of the same asset recognised in the revaluation reserve, in which case the decrease is recognised in other comprehensive income and reduces the revaluation reserve).

Bearer plants are plants used in the production or supply of agricultural produce, are expected to bear produce for more than one period and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. They include, for example, the Group's citrus trees, macadamia trees and table grapevines. Bearer plants are accounted for as property, plant and equipment. However, produce growing on bearer plants is accounted for as a biological asset (refer note 11, above).

Depreciable agricultural assets are depreciated on a straight-line basis consistent with other property, plant and equipment as described above. The expected useful life of property improvements, including buildings, is 2 to 20 years and bearer plants is 10 to 30 years.

#### ***Impairment of non-current assets***

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

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

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

## 17 Property, plant and equipment (continued)

	Land \$'000	Buildings \$'000
<b>At 1 August 2019</b>		
Cost	180,458	90,358
Accumulated depreciation/amortisation and impairment	–	(28,785)
<b>Net book value</b>	180,458	61,573
Initial adoption of AASB 16	–	–
<b>Adjusted net book value</b>	180,458	61,573
Opening net book value	180,458	61,573
Acquisition of businesses	–	–
Additions	–	3,898
Mining and restoration and rehabilitation	–	–
Transfers in/(out)	–	5,401
Transfer to intangibles	–	–
Transfer to held for sale	–	–
Transfer from investment properties	–	–
Disposal of assets	–	(3,795)
Fair value adjustments	–	–
Impairment of assets	–	–
Depreciation/amortisation	–	(3,364)
<b>Closing net book value</b>	180,458	63,713
<b>At 31 July 2020</b>		
Cost	180,458	95,862
Accumulated depreciation/amortisation and impairment	–	(32,149)
<b>Net book value</b>	180,458	63,713
<b>At 1 August 2018</b>		
Cost	166,114	73,420
Accumulated depreciation/amortisation and impairment	–	(25,962)
<b>Net book value</b>	166,114	47,458
Opening net book value	166,114	47,458
Acquisition of businesses	14,344	13,618
Additions	–	3,212
Mining and restoration and rehabilitation	–	–
Transfers in/(out)	–	108
Disposal of assets	–	–
Impairment of assets	–	–
Depreciation/amortisation	–	(2,823)
<b>Closing net book value</b>	180,458	61,573
<b>At 31 July 2019</b>		
Cost	180,458	90,358
Accumulated depreciation/amortisation and impairment	–	(28,785)
<b>Net book value</b>	180,458	61,573

<b>Farmland assets</b>	<b>Plant, fixtures, motor vehicles</b>	<b>Oil producing assets</b>	<b>Mining reserves and leases</b>	<b>Mine development</b>	<b>Bearer plants</b>	<b>Total</b>
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
–	1,375,768	180,839	1,245,869	353,242	–	3,426,534
–	(633,574)	(98,725)	(138,880)	(174,771)	–	(1,074,735)
–	742,194	82,114	1,106,989	178,471	–	2,351,799
–	(6,444)	–	–	–	–	(6,444)
–	735,750	82,114	1,106,989	178,471	–	2,345,355
–	735,750	82,114	1,106,989	178,471	–	2,345,355
29,655	3,298	–	–	–	17,725	50,678
5,871	102,885	13,819	–	69,650	–	196,123
–	11,097	5,314	–	16,969	–	33,380
(245)	(23,203)	–	–	18,047	–	–
–	(459)	–	–	–	–	(459)
–	(239)	–	–	–	–	(239)
–	61	–	–	–	–	61
–	(7,139)	–	–	–	–	(10,934)
4,863	–	–	–	–	–	4,863
(273)	(93,260)	(47,629)	–	(25,600)	–	(166,762)
(153)	(85,336)	(7,791)	(62,753)	(52,125)	(958)	(212,480)
39,718	643,455	45,827	1,044,236	205,412	16,767	2,239,586
<b>40,144</b>	<b>1,455,625</b>	<b>199,972</b>	<b>1,245,869</b>	<b>457,908</b>	<b>17,725</b>	<b>3,693,563</b>
<b>(426)</b>	<b>(812,170)</b>	<b>(154,145)</b>	<b>(201,633)</b>	<b>(252,496)</b>	<b>(958)</b>	<b>(1,453,977)</b>
<b>39,718</b>	<b>643,455</b>	<b>45,827</b>	<b>1,044,236</b>	<b>205,412</b>	<b>16,767</b>	<b>2,239,586</b>
–	1,088,811	160,627	663,841	258,705	–	2,411,518
–	(558,066)	(90,840)	(93,325)	(122,752)	–	(890,945)
–	530,745	69,787	570,516	135,953	–	1,520,573
–	530,745	69,787	570,516	135,953	–	1,520,573
–	185,804	–	582,028	17,426	–	813,220
–	97,267	18,596	–	57,652	–	176,727
–	4,771	1,616	–	14,960	–	21,347
–	(518)	–	–	4,499	–	4,089
–	(367)	–	–	–	–	(367)
–	(162)	–	–	(24,047)	–	(24,209)
–	(75,346)	(7,885)	(45,555)	(27,972)	–	(159,581)
–	742,194	82,114	1,106,989	178,471	–	2,351,799
–	<b>1,375,768</b>	<b>180,839</b>	<b>1,245,869</b>	<b>353,242</b>	–	<b>3,426,534</b>
–	<b>(633,574)</b>	<b>(98,725)</b>	<b>(138,880)</b>	<b>(174,771)</b>	–	<b>(1,074,735)</b>
–	<b>742,194</b>	<b>82,114</b>	<b>1,106,989</b>	<b>178,471</b>	–	<b>2,351,799</b>

## 17 Property, plant and equipment (continued)

### Pledged assets

The net book values of plant, fixtures and motor vehicles under finance lease have been transferred to the right-of-use assets at the adoption of AASB 16 *Leases*. Refer note 19 for details. In the prior year, the net book value of leased assets included in property, plant and equipment was \$7.802 million.

### Impairments of property plant and equipment

During the year ended 31 July 2020, the impairment charges to property, plant and equipment was \$166.762 million mainly attributable to the impairment of plant and equipment and mine development assets of New Hope and Round Oak. In the prior year, the impairment charge was \$24.209 million. Refer below for details.

### KEY JUDGEMENTS AND ESTIMATES

#### *Impairment assessments*

The Consolidated Entity has undertaken a detailed assessment of the recoverable amount of all CGUs at 31 July 2020. Recoverable amounts were determined using either a FVLCD or VIU discounted cash flow model, with the exception of exploration related CGUs which use a comparable resource multiple. These methodologies are subject to critical judgement, estimates and assumptions. The recoverable amount of certain CGUs was determined to be below their carrying amount. These are detailed below and in note 6.

#### *Estimation of coal and oil reserves and resources*

New Hope estimates its coal reserves and resources based on information compiled by Competent Persons as defined in accordance with the JORC Code, which is produced by the Australasian Joint Ore Reserves Committee (JORC). The oil reserves and resources are equivalently calculated by appropriately qualified persons in accordance with the Society of Petroleum Engineers Petroleum Reserves Management System (SPE-PRMS) (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 and oil 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 and oil resources could have an impact on the recoverability of exploration and evaluation costs capitalised. Refer to note 6 for details on impairment of assets.

#### *Determination of recoverable value – New Hope (Queensland mining operations CGU)*

The Queensland coal mining operations CGU is predominantly comprised of the New Acland mine. New Hope carefully considered the potential impact that recent developments in the complex legal and regulatory environment may have and the possibility of resultant impacts on future cash flows and the recoverable amount for this CGU.

A summary of key events pertaining to New Acland Stage 3 project ("NAC03") approvals are detailed below:

On 31 May 2017, the Land Court recommended that the Environmental Approval (EA) and Mining Lease (ML) for the project not be granted.

On 14 February 2018, the Chief Executive of Department of Environment and Heritage Protection (DEHP) 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 Department of Environment and Science (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 Department of Environment and Science (DES) incorporating the changes in the amendment of the EA by 31 May 2019.

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, NAC lodged an Amended AWL application which has now progressed through public consultation and is with the Minister for decision.

On 12 February 2019, New Acland Coal Pty Ltd (NAC) 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.

With approvals not forthcoming by 1 September 2019 New Acland completed a partial redundancy process.

The Supreme Court of Queensland decision was appealed by Oakey Coal Action Alliance (OCAA). On 10 September 2019, the Queensland Court of Appeal found in New Acland's favour and dismissed the OCAA appeal. The orders requested by New Acland were granted on 1 November 2019. As a result of these orders there are no legal impediments to the Queensland Government issuing the requisite project approvals. On 5 June 2020, the High Court of Australia granted OCAA special leave to appeal in respect of the orders issued by the Queensland Court of Appeal given on 1 November 2019. The appeal was held on 6 October 2020. If the hearing of the High Court is found in favour of OCAA the NAC03 approvals will likely be remitted to the Land Court while if unsuccessful there are no further avenues for appeal for the OCAA.

The NAC03 project requires a Regional Interests Development Approval (RIDA) in accordance with the *Regional Planning Interests Act 2014*. The application was approved, with conditions, by the Queensland Treasury on the 27 August 2020.

The Minister for Natural Resources has indicated that a decision on the ML and the AWL will not be forthcoming while the appeal to the High Court of Australia remains outstanding.

New Hope has determined the recoverable amount for the CGU based on a FVLCD calculation. This calculation uses discounted cash flow projections, adjusted with probability weightings specific to individual scenarios to derive a weighted average recoverable amount. Several scenarios have been assessed, considering a combination of different assumptions.

Key assumptions used in the FVLCD calculations:

<b>Assumption</b>	<b>Description</b>
<b>Extensions of approval timelines and coal tonnages</b>	The extension of approval timelines has a direct impact on assumptions relating to the volume of coal tonnages to be produced and sold. The assessments have been considered based on project approvals being granted in 2021 in the earliest instance, or at the latest with operations recommencing on 1 August 2027. The assumptions of the impairment assessment reflect that once approvals are granted, NAC03 operates for the full life of mine with varying tonnage scenarios considered to optimise the return from the assets.
<b>Coal price</b>	The COVID-19 global pandemic has had a direct impact on the pricing assumptions in the short term. Short term coal prices have declined since 31 July 2019 while long term indications of pricing have remained largely consistent. However, given the current global market a slight reduction in this long-term pricing has been reflected. The coal price range for assessments at 31 July 2020 is US\$47.80 - US\$133.50 per tonne (nominal basis).
<b>Foreign exchange</b>	The assumed AUD:USD foreign exchange rate modelled is 0.68 – 0.73.
<b>Discount rates</b>	The future cash flows have been discounted using a post-tax discount rate of 10.5% (2019: 10.0%).

In undertaking its impairment assessment, New Hope has considered the potential impact of climate change risk on the future cash flows contained within the FVLCD calculation. 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.

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. Given the near to medium term timing and expected life of the project, New Hope does not consider there to be significant risk of climate change materially impacting project outcomes once current approvals are received.

Having due regard to all relevant information, New Hope has concluded that in aggregate these matters result in the recoverable amount for the CGU being below its carrying value.

As a result of this impairment assessment an impairment charge of \$110.783 million has been recognised in the consolidated statement of comprehensive income at 31 July 2020 (2019: nil).

## 17 Property, plant and equipment (continued)

In assessing the recoverable amount for the CGU, New Hope has used reasonable assumptions and judgements of future uncertainties in key pricing, discount and foreign exchange assumptions, probabilities of scenarios as well as those associated with COVID-19. Any changes in probabilities or other assumptions could result in additional impairment of the remaining carrying value of the CGU at risk of \$93.870 million as at 31 July 2020.

### ***Determination of recoverable value – New Hope (Port operations CGU)***

The major customer of the Port Operations CGU is the Queensland coal mining operations CGU. In the event there are circumstances which impact the Queensland coal mining operations CGU, this may be relevant to the recoverable value of the Port Operations CGU and will be a factor in any future impairment considerations. The Queensland coal mining operations 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.

The carrying value of the Port Operations CGU assets as at 31 July 2020 is \$155.311 million (2019: \$100.8 million). Included in the carrying value is \$5.596 million of goodwill (2019: \$5.596 million) that arose from the acquisition of Queensland Bulk Handling Pty Limited.

During the 2020 financial year no indicators of impairment were noted. However, in relation to goodwill the Port Operations CGU was tested for impairment.

The recoverable amount of the Port Operations CGU has been determined based on a VIU calculation. This calculation uses a discounted cash flow model. The future cash flows have been discounted using a post-tax discount rate of 9.5% (2019: 9.0%).

The recoverable amount was assessed to be greater than the carrying value for this CGU and as such no impairment charge was recognised for the 2020 financial year (2019: nil).

### ***Determination of recoverable value – Round Oak (capitalised mine development costs and associated plant and equipment)***

Round Oak performed its annual impairment assessment of recoverable value of its capitalised mine development costs and associated plant and equipment in July 2020 and July 2019. 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.

The 2020 year recoverable value assessment determined that the carrying values of the following CGUs exceeded their respective recoverable amounts and a pre-tax impairment charge of \$70.136 million (\$49.095 million post-tax) (2019: \$23.778 million pre-tax, \$16.645 million post-tax) was recognised as an impairment expense in the consolidated statement of comprehensive income. The recoverable value of CGUs are based on value in use estimates calculated using after tax cash flows that have been risk adjusted and a real after tax discount rate of 7.8% (2019: 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 \$23.2 million (2019: \$2.2 million)
- Wallace CGU required an impairment of \$0.7 million (2019: \$10.3 million)
- Cloncurry CGU required an impairment of \$27.0 million (2019: nil)
- Barbara CGU required an impairment of \$1.7 million (2019: \$11.3 million)
- Exploration and evaluation assets required on impairment of \$17.536 million (refer note 18)

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 2020 is appropriate.



## 18 Exploration and evaluation assets

### ACCOUNTING POLICY

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

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

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

Where a decision is made to proceed to the development of a mine, the relevant exploration and evaluation costs for that area of interest are transferred to mine development (disclosed within note 17 – Property, plant and equipment).

	2020 \$'000	2019 \$'000
<b>Non-current assets</b>		
Exploration and evaluation assets at cost	109,422	333,623
<b>Movement</b>		
Opening net book amount	333,623	310,798
Additions	17,524	29,591
Impairment expense (refer note 6)	(241,931)	(1,457)
Disposal	–	(1,159)
Movement in rehabilitation	206	–
Transfers out	–	(4,150)
<b>Closing balance at 31 July</b>	<b>109,422</b>	<b>333,623</b>

Exploration and evaluation assets include New Hope of \$94.223 million (2019: \$301.589 million) and Round Oak of \$15.199 million (2019: \$28.111 million).

### KEY JUDGEMENTS AND ESTIMATES

#### *Exploration and evaluation expenditure*

During the year, the subsidiaries of New Hope and Round Oak 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, future technology changes and climate changes.

If information becomes available suggesting the recovery of capitalised costs is unlikely, the amount capitalised is recognised in the profit or loss in the period when the new information becomes available. Refer to note 6 for the details of the impairment assessments performed at 31 July 2020 and related impairment charge to the profit or loss.

## 19 Lease assets and liabilities

### ACCOUNTING POLICY

Accounting standard AASB 16 *Leases* replaces AASB 117 *Leases* and introduces a single lessee accounting model that requires a lessee to recognise lease assets (also known as right-of-use assets) and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

#### *Lease assets or right-of-use assets*

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease (less any lease incentives received) any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

#### *Lease liabilities*

Lease liabilities are initially recognised at the present value of the future lease payments. These lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments. Interest expense on lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

Lease payments made in relation to leases of 12 months or less and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

The Consolidated Entity recognised the following right-of-use assets:

	<b>2020</b>
	\$'000
<b>Right-of-use assets</b>	
<b>Carrying amount of lease assets, by class of underlying asset:</b>	
Buildings <sup>(i)</sup>	33,276
Plant, fixtures and motor vehicles	84,236
<b>Total carrying amount of right-of-use assets</b>	<b>117,512</b>
Reconciliation of the carrying amount of right-of-use assets at the beginning and end of the year:	
Amount recognised at 1 August 2019 upon adoption of AASB 16 <sup>(ii)</sup>	125,594
Acquisition of businesses	706
Additions	24,516
Disposals	(851)
Depreciation	(32,453)
<b>Carrying amount at 31 July</b>	<b>117,512</b>

(i) Primarily relates to office premises and swimming pool sites.

(ii) Refer to note 36 for initial adoption of AASB 16 Leases.

The Consolidated Entity recognised the following lease liabilities:

	<b>2020</b> \$'000
<b>Lease liabilities</b>	
<b>The present value of lease liabilities is as follows:</b>	
Current	22,215
Non-current	99,151
<b>Recognised as lease liabilities</b>	<b>121,366</b>
Opening balance at 1 August upon adoption of AASB 16 <sup>(i)</sup>	126,949
Acquisition of businesses	706
Additions	24,521
Disposals	(807)
Accretion of interest	6,703
Payments	(36,706)
<b>Closing balance at 31 July</b>	<b>121,366</b>
<i>(i) Refer to note 36 for initial adoption of AASB 16 Leases.</i>	
<b>Lease liabilities (undiscounted) maturity analysis</b>	
Within one year	27,228
Later than one year but not later than five years	36,189
Greater than five years	111,625
<b>Total</b>	<b>175,042</b>

### Secured liabilities

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

The total cash outflow for leases for the financial year ended 31 July 2020 was \$36.706 million.

The Consolidated Entity recognised the following amounts in the consolidated statement of comprehensive income:

	<b>2020</b> \$'000
Depreciation expense of right-of-use assets	32,453
Interest expense on lease liabilities	6,703
Short-term lease expenses	3,156
Low value lease expenses	444

## 20 Intangibles

### ACCOUNTING POLICY

#### *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 cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or group of cash generating units that are expected to benefit from the business combination in which the goodwill arose. Cash generating units are discussed in the impairment section below.

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

#### *Water rights and mining information*

The Group benefits from water rights associated with its mining operations through the efficient and cost effective operations of the mine. These rights are amortised on a straight line basis over the life 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. The total value is amortised over the estimated life of the mine.

Permanent water rights associated with agricultural activities are treated as an intangible asset at acquisition cost. It has an indefinite life and is not subject to amortisation. Indefinite useful life assets are tested annually for impairment.

#### *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.

<b>Class of intangible assets</b>	<b>Useful life</b>
Goodwill	Indefinite life
Water rights and mining information	Estimated life of mine
Water rights (agriculture)	Indefinite life
Software	3–5 years
Other intangible assets (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 6 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Intangible assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Goodwill impairments are not reversible.

Impairment losses for intangible assets are recognised in the profit or loss.

	<b>Goodwill</b>	<b>Water rights</b>	<b>Mining information</b>	<b>Other intangibles</b>	<b>Software</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 August 2018</b>						
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)
<b>Net book value</b>	<b>26,594</b>	<b>5,926</b>	<b>32,432</b>	<b>6,786</b>	<b>1,815</b>	<b>73,553</b>
<b>Year ended 31 July 2019</b>						
Opening net book value	26,594	5,926	32,432	6,786	1,815	73,553
Additions	–	–	–	–	54	54
Acquisition 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 6)	–	(433)	(2,313)	–	(534)	(3,280)
<b>Closing net book value</b>	<b>29,105</b>	<b>12,004</b>	<b>65,119</b>	<b>6,786</b>	<b>1,465</b>	<b>114,479</b>
<b>At 31 July 2019</b>						
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)
<b>Net book value</b>	<b>29,105</b>	<b>12,004</b>	<b>65,119</b>	<b>6,786</b>	<b>1,465</b>	<b>114,479</b>
<b>Year ended 31 July 2020</b>						
Opening net book value	29,105	12,004	65,119	6,786	1,465	114,479
Additions	–	10,208	–	–	437	10,645
Acquisition of businesses	–	9,240	–	–	–	9,240
Disposals	(576)	–	–	–	–	(576)
Transfers in from property, plant and equipment	–	–	–	–	459	459
Impairment charged to profit or loss	(12,502)	(349)	–	–	–	(12,851)
Amortisation charged to the profit or loss (refer to note 6)	–	(557)	(2,977)	–	(676)	(4,210)
<b>Closing net book value</b>	<b>16,027</b>	<b>30,546</b>	<b>62,142</b>	<b>6,786</b>	<b>1,685</b>	<b>117,186</b>
<b>At 31 July 2020</b>						
Cost	20,184	32,170	70,809	6,786	18,506	148,455
Accumulated amortisation and impairment	(4,157)	(1,624)	(8,667)	–	(16,821)	(31,269)
<b>Net book value</b>	<b>16,027</b>	<b>30,546</b>	<b>62,142</b>	<b>6,786</b>	<b>1,685</b>	<b>117,186</b>

## 20 Intangibles (continued)

### Recoverable amount of goodwill

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

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

	Country of operation	2020 \$'000	2019 \$'000
<b>Energy<sup>(1)</sup></b>			
Carrying amount of goodwill	Australia	5,595	18,098
<b>Swimming pool owner and operator<sup>(2)</sup></b>			
Opening balance at 1 August	Australia	10,432	7,921
Goodwill acquired as part of business acquisition	Australia	–	2,511
Carrying amount of goodwill		10,432	10,432
<b>Consulting<sup>(3)</sup></b>			
Carrying amount of goodwill	Australia	–	575
<b>Closing net book value</b>		<b>16,027</b>	<b>29,105</b>

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 (FVLCD) or value in use (ViU) method. Assumptions and methodology applied to each cash generating unit are as follows:

#### (1) Energy

The brought forward balance of goodwill relates to acquisitions by New Hope, primarily Queensland Bulk Handling Pty Limited (goodwill of \$5.595 million) and certain coal exploration assets (goodwill of \$12.271 million). An impairment assessment during the year shows that the recoverable amount of the CGU is below its carrying value. The goodwill applied to the CGU was impaired as a result with an impairment charge of \$12.271 million recognised in the consolidated statement of comprehensive income. Refer to note 6. The goodwill after impairment is \$5.595 million at the end of the year.

In the impairment assessment, 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 30 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 17.

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 9.5% (2019: 9%). This assessment is determined under level 3 of the fair value hierarchy.

The recoverable amount of the exploration asset CGUs has been determined based on a comparable resource multiple attributable to the CGU. The impairment assessment for the CGU is outlined in note 6.

## (2) 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 learn-to-swim programs. Two additional swim schools were subsequently acquired. Goodwill totaling \$10.432 million has been recognised.

In addition, intangible assets comprising the Aquatic Achiever brand (\$1.429 million) and curriculum (\$5.357 million) have been recognised. These intangible assets are all considered to have indefinite lives with no amortisation applied.

The recoverable amounts of cash generating units, including brand and curriculum, have been determined based on FVLCD and VIU calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. The resulting income stream was used in the discounted cash flow model over a 5 year period at the post-tax discount rate of 10.8% per annum. This assessment is determined under level 3 of the fair value hierarchy.

## (3) Consulting

On 1 April 2020, Pitt Street Real Estate Partners Pty Limited was disposed to a third party and is no longer controlled by the Group. The carrying amount of goodwill attributed to this entity has been derecognised.

### **KEY ESTIMATES**

#### *Impairment of intangible assets*

At each reporting date the Group considers the recoverable value of intangible assets. Intangible assets are allocated to cash generating units for which the recoverable value is determined. The recoverable value may be determined based on fair value less costs of disposal or value in use calculations and is estimated based on recent market transaction information. These calculations require the use of assumptions. Refer to note 6.

## 21 Trade and other payables

### ACCOUNTING POLICY

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 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.

	2020 \$'000	2019 \$'000
<b>Current liabilities</b>		
Trade and other payables	142,172	158,874
<b>Non-current liabilities</b>		
Trade and other payables	773	15,989

#### *Current Liabilities*

##### **Trade and other payables**

The balance at 31 July 2020 includes \$82.0 million (2019: \$108.701 million) relating to New Hope and \$42.078 million (2019: \$43.676 million) relating to Round Oak.

#### *Non-current liabilities*

##### **Trade and other payables**

The prior year balance relates to the deferred purchase consideration of Jaguar copper-zinc operations and WHSP Aquatic Achievers Pty Limited acquired in previous reporting periods.



## 22 Provisions

### ACCOUNTING POLICY

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.

#### *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.

#### *Employee entitlements*

##### **Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and vesting sick leave and redundancy 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 rate with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

	2020 \$'000	2019 \$'000
<b>Current liabilities</b>		
Mining restoration and site rehabilitation <sup>(a)</sup>	11,400	17,717
Employee benefits	47,441	59,089
Onerous contracts	10	223
Other <sup>(b)</sup>	–	16,000
	<b>58,851</b>	<b>93,029</b>
<b>Non-current liabilities</b>		
Mining restoration and site rehabilitation <sup>(a)</sup>	275,873	242,836
Employee benefits	7,701	8,374
Onerous contracts	–	656
Other	592	198
	<b>284,166</b>	<b>252,064</b>

## 22 Provisions (continued)

### a) Mining restoration and site rehabilitation

<b>Movements</b>	<b>2020</b> \$'000	<b>2019</b> \$'000
<b>Opening balance at 1 August</b>	260,553	191,734
Provision arising on acquisition of businesses	–	35,552
Provisions recognised	30,945	31,973
Derecognition from disposals	(930)	–
Provisions credited to profit or loss	(7,787)	(3,427)
Unwinding of discount charged to profit or loss	4,492	4,721
<b>Closing balance at 31 July</b>	<b>287,273</b>	<b>260,553</b>
Disclosed as:		
Current liabilities	11,400	17,717
Non-current liabilities	275,873	242,836
<b>Total provision for mining restoration and site rehabilitation</b>	<b>287,273</b>	<b>260,553</b>

#### KEY ESTIMATES

##### *Determination of 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 17.

#### New Hope

During the year, the Jeebropilly Operation lodged a revised estimated rehabilitation calculation (ERC) with the DES. As a result, in January 2020, Jeebropilly Pty Ltd (Jeebropilly) was issued with a notice requesting additional financial assurance of \$65.659 million which was lodged on 4 March 2020. After the lodgement of this revised ERC as a result of the closure of the Jeebropilly Operation in November 2019, rehabilitation activities have been undertaken as well as further planning for the requirements of the site. On 18 September 2020, an updated ERC for the Jeebropilly Operation was lodged with the DES for assessment, which would reduce the rehabilitation obligation significantly. The rehabilitation provision for the year ended 31 July 2020, has been prepared to reflect this updated ERC as representing the Company's best estimate of future probable economic outflows to settle the obligation and as a result the provision has decreased with an impact on the statement of comprehensive income of \$9.782 million with a non-current liability of \$8.760 million.

New Hope has made judgements in respect of the probable future cash outflows associated with this rehabilitation based on the intentions of the Jeebropilly Operations in respect of the previously mined areas. It is noted that there are presently multiple commercial transactions which may influence the final land use of the areas previously mined at Jeebropilly and these have been relevantly considered in determining the likelihood and potential timing of rehabilitation activities and the revised ERC aligns with these potential uses within the existing EA requirements. Further progress in relation to the status of the commercial transactions may reduce the current rehabilitation provision. In the event the Company is unable to secure the approval of the updated ERC, and or complete one or more of the commercial transactions, additional provisions may be required.

## Round Oak

The provision for rehabilitation is the net present value of the estimated cost of rehabilitating the Cloncurry, Jaguar, Mount Colin, White Dam and Barbara sites in compliance with future regulations and practices at the end of commercial production.

## b) Other provisions (New Hope)

### Administration of New Hope subsidiaries

Northern Energy Corporation Limited (NEC) and Colton Coal Pty Ltd (Colton), wholly owned subsidiaries of New Hope, were placed the companies into voluntary administration on 17 October 2018. The companies were subsequently placed into liquidation by creditors at a meeting on 26 July 2019.

As at 31 July 2019, when Wiggins Island Coal Export Terminal Pty Ltd (WICET), NEC and Colton were claiming in proceedings that New Hope and certain of its subsidiaries had guaranteed the debts of NEC and Colton under the Deed of Cross Guarantee (DOCG) in an amount of approximately \$155 million, New Hope recognised a provision for \$16 million. At that time, New Hope considered the \$16 million provision was the best estimate of the future probable net economic outflows associated with the NEC and Colton matter.

A summary of the developments during the current financial year follows:

### Deed of Cross Guarantee (DOCG) proceedings

- On 20 August 2019, WICET and the Liquidators on behalf of NEC and Colton filed appeals with the Court of Appeal in New South Wales in relation to the Supreme Court's decision in favour of the Company on the DOCG.
- On 20 December 2019, the Court of Appeal in New South Wales dismissed (with costs) the WICET, NEC and Colton appeal, confirming the Supreme Court's declaration that New Hope had not guaranteed the debts of NEC and Colton Coal under the DOCG.
- In January 2020, applications were made by WICET and by the Liquidators on behalf of NEC and Colton for special leave to appeal to the High Court of Australia in relation to the New South Wales Court of Appeal decision; and
- On 12 June 2020, the High Court of Australia dismissed (with costs) WICET, NEC and Colton's applications for special leave to appeal. This left in place the determinations of the Supreme Court and Court of Appeal in New South Wales that New Hope had not guaranteed the debts of NEC and Colton under the Company's DOCG.

### Administration/liquidation process

On 19 July 2019, the administrators appointed to NEC and Colton issued a Voluntary Administrators' Report in advance of the second meeting of creditors. This Report identified potential claims that may be available to any Liquidators appointed to NEC and Colton, subject to the Liquidators obtaining funding and conducting further investigations.

On 5 December 2019, the Liquidators indicated that they intended to continue their investigations into NEC and Colton, including investigating whether NEC and Colton were trading whilst insolvent, and whether any claims existed in that regard.

On 15 May 2020, the Liquidators advised that their investigations into NEC and Colton were continuing and alleged that the value of the potential claims may be in the range of \$150.2 million to \$168.3 million. No proceedings have been commenced with respect to these potential claims. New Hope denies these alleged potential claims.

### Summary

Given the successful results in relation to the DOCG proceedings, that no proceedings have been commenced by the Liquidators against New Hope and given the uncertainty of future funding of the Liquidators, New Hope has considered its position and has determined that no provision is required to be made as at 31 July 2020 as a result of the liquidation process, and the \$16 million provision has therefore been released in full.

## 23 Cash and cash equivalents

### ACCOUNTING POLICY

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.

	2020 \$'000	2019 \$'000
<b>Current assets</b>		
Cash at bank and on deposit	293,231	125,445

Cash at bank and on deposit attracts interest at rates between 0% and 1.2% per annum (2019: 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 2020, the Parent Entity held \$204.862 million (2019: \$38.830 million) and New Hope held \$70.377 million (2019: \$58.827 million) of the consolidated balance.

### Reconciliation of profit after income tax and net cash flow from operations

	2020 \$'000	2019 \$'000
<b>Profit after tax for the year</b>	874,455	359,489
<b>Adjustments for non-cash items:</b>		
Depreciation and amortisation	249,200	162,949
Amortisation of transaction costs	2,076	1,384
Gain from discontinued operations	–	(220)
Gain on deemed disposal of equity accounted associates	(5,348)	(1,921)
Gain on derecognition of TPG as an equity accounted associate	(1,474,526)	–
Loss on derecognition of TPG reserves	11,653	–
Gain on revaluation of investment property	–	(7,655)
Gain on sale of investment property	(38)	(6,657)
Net loss/(gain) on sale of non-current asset	1,161	(90,641)
Loss on sale of a subsidiary	785	–
Gain on fair value of biological assets	(4,951)	–
Gain on financial assets held for trading fair value through profit or loss	(5,780)	(6,700)
Impairment expense	483,887	60,450
Net foreign exchange (gain)	(713)	(1,283)
Non-cash in-specie dividend	(79,683)	(3,592)
Non-cash share based payments	2,372	2,820
Unwinding of interest on deferred purchase consideration	928	–
Share of profits of associates not received as dividends or distributions	198,759	(75,272)
Other non-cash items	1,131	5,181
<b>Changes in operating assets and liabilities, net of effects from purchase and sales of business:</b>		
Decrease in trade debtors, other debtors and prepayments	13,964	19,718
Decrease/(increase) in inventory	11,370	(1,763)
(Decrease) in trade creditors and accruals	(34,327)	(1,282)
(Decrease)/increase in employee entitlements and provisions	(34,400)	6,619
(Increase) in current tax asset	(15,254)	–
(Increase)/decrease in deferred tax asset	(39,240)	14,898
Increase/(decrease) in current tax liability	25,069	(71,857)
Increase in deferred tax liability	250,398	1,337
<b>Net cash inflow from operating activities</b>	<b>432,948</b>	<b>366,002</b>

## 24 Term deposits

### ACCOUNTING POLICY

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.

	2020 \$'000	2019 \$'000
<b>Current assets</b>		
Term deposits	51,582	1,470

The balance at 31 July 2020 includes \$50.000 million relating to the Parent Entity (2019: \$nil) and \$1.582 million (2019: \$1.470 million) relating to Round Oak.

## 25 Interest bearing liabilities

### ACCOUNTING POLICY

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 unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

	Notes	2020 \$'000	2019 \$'000
<b>Current liabilities</b>			
<i>Secured</i>			
Equity finance loans	25(a)	245,980	30,000
Other loan facilities	25(a)	13,031	–
Finance lease liabilities	25(b)	–	2,537
		259,011	32,537
<b>Non-current liabilities</b>			
<i>Secured</i>			
Other loan facilities	25(a)	575,422	364,948
Finance lease liabilities	25(b)	–	5,265
		575,422	370,213
<b>Total interest bearing liabilities</b>		834,433	402,750
Less: cash and cash equivalents		(293,231)	(125,445)
<b>Net debt</b>		541,202	277,305
<b>Financing facilities</b>			
Facilities available <sup>(i)</sup>		1,472,404	935,589
Facilities utilised at reporting date:			
Equity finance and other loan facilities		(834,433)	(394,948)
Capitalised transaction costs		(4,878)	(7,052)
Bank guarantees		(269,656)	(244,564)
Facilities not utilised at reporting date		363,437	289,025

(i) Include secured loans, bank overdraft and lines of credit.

The fair values of interest bearing liabilities materially approximate their respective carrying values as at 31 July 2020.

## Financing facilities

As at 31 July 2020, the Consolidated Entity had the following financing facilities in place:

### a) Borrowings

#### Secured by assets pledged as security

The total borrowings secured are as follows:

	2020 \$'000	2019 \$'000
Equity finance loans <sup>(i)</sup>	245,980	30,000
Other loan facilities – short term borrowings <sup>(ii)</sup>	13,031	–
Other loan facilities – long term borrowings <sup>(ii)</sup>	575,422	364,948
	<b>834,433</b>	<b>394,948</b>

(i) **Equity finance loans:** The Parent Entity utilised \$190.182 million (2019: \$30.0 million) of the \$250 million equity finance facility with the National Australia Bank. The debt incurs interest at a variable rate and is repayable upon either the bank or the Parent Entity providing 30 days notice. In addition, during the current financial year, the Parent Entity entered into:

- \$100.0 million drawable equity finance facility with Macquarie Bank. The facility is repayable in 12 months. As at 31 July 2020 this facility is drawn to \$45.0 million (2019: \$nil); and,
- An International Swaps and Derivatives Association ('ISDA') Master Agreement with Goldman Sachs Financial Markets Pty Limited, which allows for substantially similar liquidity arrangements via the sale of listed shares and concurrent economic repurchase via cash settled swaps. As at 31 July 2020 the liquidity generated via these arrangements was \$10.798 million. The facility is repayable within 12 months.

As security for each of these loans, the Parent Entity transferred ownership of title over certain long-term equity investments to the banks. 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 assets on the Group's statement of financial position. Upon repayment of the debt, legal title of the equity investments are transferred back to the Parent Entity.

(ii) **Other loan facilities** facilities utilised comprised New Hope of \$355.952 million (2019: \$352.948 million), the Parent Entity Credit Suisse term loan facility of \$199.170 million (2019: \$nil), a subsidiary property trust's bank loan facility for a commercial property of \$12.0 million (2019: \$12.0 million) and term debt for the WHSP Agricultural Holding Trust of \$21.331 million (2019: \$nil).

The Group has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting periods.

#### **New Hope**

The New Hope secured loan facility is with a syndicate of Australian and international banks. The facility is comprised of a \$600.0 million drawable amortising facility and a \$300.0 million credit support facility. The facility's drawable line for credit is for general corporate purposes and has a maturity of November 2023. New Hope has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 financial years and has secured a waiver of a relevant covenant for the reporting period ending 31 January 2021, in the event that it is needed. The New Hope secured loan facility is non-recourse to the Parent Entity.

During the current financial year, \$135.0 million of debt drawn down under the facility by New Hope was repaid (2019: \$400.0 million).

At the end of the financial year, the New Hope secured loan facility had amortised to \$510.0 million (2019: \$570.0 million). Facilities utilised at the end of the financial year were as follows:

- the drawable amortising facility utilised \$360.0 million (2019: \$360.0 million); unutilised \$150.0 million (2019 \$210.0 million).
- unrestricted access for the credit support facility was utilised \$247.414 million (2019: \$220.975 million); unutilised \$52.586 million (2019: \$79.025 million).

Prior year transaction costs incurred by New Hope in obtaining the secured loan above were \$12.802 million. Amortisation of the transaction costs during the year of \$2.076 million (2019: \$5.750 million) was recorded as financing expenses in the income statement. As at 31 July 2020, the transaction costs balance was \$4.976 million (net of accrued interest of \$0.928 million) which offset against the secured loans balance (2019: \$7.052 million). The secured facility holds fixed and floating charges over all assets held by New Hope (with the exception of certain excluded New Hope subsidiaries).

## 25 Interest bearing liabilities (continued)

### Financing facilities (continued)

#### a) Borrowings (continued)

##### *Parent entity*

During the year, the Parent Entity entered into a \$200 million, 3 year secured term loan facility with Credit Suisse AG. The facility is for making investments, refinancing existing debt and general corporate purposes. As at 31 July 2020, the facility is fully drawn (2019: \$nil). Transaction costs of \$0.884 million were incurred to obtain the secured loan.

##### *Subsidiary property trust*

As at 31 July 2020, a subsidiary property trust of the Parent Entity has a \$12 million loan facility (2019: \$12 million) with the Commonwealth Bank of Australia, secured over a commercial property in Penrith, New South Wales. The expiry date of the facility is March 2021. A contract for sale of this property was exchanged in July 2020, with settlement due in November 2020. The loan facility is expected to be repaid from the net sale proceeds. In the current financial year, this loan has been reclassified as a current liability as it is directly associated with assets classified as held for sale. Security includes a real property mortgage over the Penrith property and a General Security Deed providing a fixed and floating charge over the assets of the Trust.

##### *WHSP Agriculture Holding Trust*

On 29 July 2020, the WHSP Agriculture Holding Trust entered into a 5-year secured loan facility with the Commonwealth Bank of Australia Limited. The facility comprises a \$30 million bank overdraft and market rate loan and a \$3.3 million asset finance facility. Only the market rate loan was utilised at the end of the financial year at \$21.335 million. Security given includes first ranking property mortgages, first ranking water mortgages over water entitlements, first ranking mortgages over water leases and first ranking General Security Interests. The expiry date of the facility is 29 July 2025.

#### b) Secured – finance lease liabilities

	2020 \$'000	2019 \$'000
<b>Commitments in relation to finance leases are payable as follows:</b>		
Within one year	–	2,767
Later than one year but not later than five years	–	5,353
Minimum finance lease	–	8,120
Future finance charges	–	(318)
<b>Total lease liability</b>	<b>–</b>	<b>7,802</b>
<b>The present value of finance lease liabilities is as follows:</b>		
Current	–	2,537
Non-current	–	5,265
Recognised as a liability	–	7,802

In the prior year, the Consolidated Entity recognised finance lease liabilities as part of the Group's interest-bearing liabilities. From 1 August 2019, finance lease liabilities have been reclassified and disclosed under lease liabilities at the adoption of AASB 16 *Leases*. Refer to note 19.



## 26 Derivative financial instruments

### ACCOUNTING POLICY

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

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

	2020 \$'000	2019 \$'000
<b>Current assets</b>		
Forward foreign exchange contracts	45,852	–
<b>Non-current assets</b>		
Forward foreign exchange contracts	8,912	190
<b>Current liabilities</b>		
Forward foreign exchange contracts	–	10,774

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

These instruments are used in accordance with New Hope'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.

### 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 New Hope is exposed to losses in the event that counterparties fail to deliver the contracted amount. At balance date \$474.685 million (2019: \$714.946 million) was receivable relating to forward foreign exchange contracts. Refer to note 29 for additional information.

## 26 Derivative financial instruments (continued)

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

	Sell US dollars Buy Australian dollars		Average exchange rate	
	2020 \$'000	2019 \$'000	2020 USD:AUD	2019 USD:AUD
<b>Maturity</b>				
0 to 6 months	225,630	365,570	0.6648	0.7057
6 to 12 months	202,736	311,894	0.6215	0.7022
12 to 18 months	46,319	37,482	0.5829	0.6937
	<b>474,685</b>	<b>714,946</b>		

## 27 Share capital

### ACCOUNTING POLICY

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			
	2020	2020	2019	2019
	Number of shares	\$'000	Number of shares	\$'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.

The Group's capital 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 68.

For details of interest bearing liabilities, refer to note 25a.

The Parent Entity has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 financial years.

### Securities purchased on market

WHSP purchased 25,854 shares (2019: 18,900) on market to satisfy the rights that vested during the year under the WHSP Rights Plan. The average share price per share was \$22.74 (2019: \$29.99).

## 28 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.

	2020 \$'000	2019 \$'000
<b>Reserves attributable to members</b>		
Asset revaluation reserve	(4,588)	167,561
Capital gains reserve	36,333	13,241
Hedge reserve	20,566	(14,067)
General reserve	–	2,342
Foreign currency translation reserve	1,236	4,058
Capital profits reserve	8,881	7,861
Share-based payments reserve	10,204	6,757
Equity reserve	(9,379)	(11,150)
<b>Closing balance at 31 July</b>	<b>63,253</b>	<b>176,603</b>
<b>Major movements in reserves consist of:</b>		
<b>Asset revaluation reserve</b>		
<b>Opening balance at 1 August</b>	167,561	198,260
Adjustment on initial adoption of AASB 9	–	(39,960)
Revaluation of long term equity investments, gross	(183,091)	65,374
Revaluation of long term equity investments, deferred tax	50,957	(27,065)
Transfer gain on sale of long term equity investments to capital gains reserve, gross	(25,563)	(25,530)
Transfer gain on sale of long term equity investments to capital gains reserve, deferred tax	8,988	6,231
Impairment of long term equity investments, gross	(12,762)	(13,167)
Impairment of long term equity investments, deferred tax	3,828	3,951
Share of associates – (decrements)	(573)	(329)
Transfer from capital gains reserve	(13,933)	–
Other revaluations	–	(204)
<b>Closing balance at 31 July</b>	<b>(4,588)</b>	<b>167,561</b>

### *Asset revaluation reserve*

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

	<b>2020</b> \$'000	<b>2019</b> \$'000
<b>General reserve</b>		
<b>Opening balance at 1 August</b>	2,342	404,548
Transfer to retained profits	(2,342)	(402,206)
<b>Closing balance at 31 July</b>	–	2,342

#### *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, this balance has been transferred back to retained profits.

	<b>2020</b> \$'000	<b>2019</b> \$'000
<b>Capital gains reserve</b>		
<b>Opening balance at 1 August</b>	13,241	–
Adjustment on initial adoption of AASB 9	–	(13,933)
Transfer to asset revaluation reserve	13,933	–
Gains on sale of long term equity investments, net of tax	9,159	27,174
<b>Closing balance at 31 July</b>	36,333	13,241

#### *Capital gains reserve*

The capital gains reserve predominately recorded net gains/(loss) on the sale of the Parent Entity's long term equity investments.

	<b>2020</b> \$'000	<b>2019</b> \$'000
<b>Hedge reserve</b>		
<b>Opening balance at 1 August</b>	(14,067)	(1,347)
Revaluation, gross	48,215	(14,167)
Revaluation, deferred tax	(14,465)	4,253
Transfer to profit, gross	(15,554)	10,554
Transfer to profit, deferred tax	4,666	(3,166)
Share of associates – increments/(decrements)	11,771	(10,194)
<b>Closing balance at 31 July</b>	20,566	(14,067)

#### *Hedge Reserve*

Movements in the hedge reserve predominately relate to New Hope's derivative financial instruments which are used to hedge exposures to foreign currency exchange rates.

## 29 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 for hedging purposes. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis 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:

	Fair value through Other Comprehensive Income \$'000	Hedging Derivatives \$'000	Amortised cost \$'000	Fair Value through Profit or Loss \$'000	Total \$'000
<b>Financial assets</b>					
<b>2020</b>					
Cash and cash equivalents	–	–	293,231	–	293,231
Term deposits	–	–	51,582	–	51,582
Trade and other receivables	–	–	178,876	–	178,876
Financial assets held for trading	–	–	–	204,160	204,160
Long term equity investments	2,616,094	–	–	–	2,616,094
Equity accounted associates	–	–	915,458	–	915,458
Derivative financial instruments	–	54,764	–	–	54,764
<b>Total financial assets</b>	<b>2,616,094</b>	<b>54,764</b>	<b>1,439,147</b>	<b>204,160</b>	<b>4,314,165</b>
<b>2019</b>					
Cash and cash equivalents	–	–	125,445	–	125,445
Term deposits	–	–	1,470	–	1,470
Trade and other receivables	–	–	181,561	19,285	200,846
Financial assets held for trading	–	–	–	77,148	77,148
Long term equity investments	785,135	–	–	–	785,135
Equity accounted associates	–	–	1,603,610	–	1,603,610
Derivative financial instruments	–	190	–	–	190
<b>Total financial assets</b>	<b>785,135</b>	<b>190</b>	<b>1,912,086</b>	<b>96,433</b>	<b>2,793,844</b>

	Fair value through Other Comprehensive Income \$'000	Hedging Derivatives \$'000	Amortised cost \$'000	Fair Value through Profit or Loss \$'000	Total \$'000
<b>Financial liabilities</b>					
<b>2020</b>					
Trade and other payables	–	–	143,774	–	143,774
Interest bearing liabilities	–	–	834,433	–	834,433
Lease liabilities	–	–	121,366	–	121,366
<b>Total financial liabilities</b>	–	–	<b>1,099,573</b>	–	<b>1,099,573</b>
<b>2019</b>					
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
<b>Total financial liabilities</b>	–	<b>10,774</b>	<b>578,204</b>	–	<b>588,978</b>

#### a) Market risk

##### i. Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the 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 and Round Oak.

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:

	2020 US\$'000	2019 US\$'000
<b>US dollar exposure</b>		
Cash and cash equivalents	23,853	19,620
Trade receivables	34,567	37,671
Trade payables	661	1,794
Forward exchange contracts – sell foreign currency (cash flow hedge)	303,000	503,000

##### 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.

##### *Sensitivity analysis*

Based on the cash, trade receivables, and trade payables held at 31 July 2020, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the year would have increased/(decreased) by \$5.635 million/(\$5.647 million) (2019: \$6.262 million/(\$5.123 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.

## 29 Financial risk management (continued)

Based on the forward exchange contracts held at 31 July 2020, 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 \$38.137 million/(\$46.608 million) (2019: \$79.647 million/(\$65.239 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 financial assets held for trading. As the market value of individual companies fluctuate, the fair value of this portfolio changes with the movement being recognised through the 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 5% increase/(decrease) in the market value of those investments (financial assets held for trading 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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Financial assets held for trading	(6,302)	(2,133)	–	–
Long term equity investments	–	–	(87,622)	(26,412)
	(6,302)	(2,133)	(87,622)	(26,412)

### iv. Fair value interest rate risk

Refer to note 29e 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 25c). 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:

	<b>2020</b>	<b>2019</b>
	\$'000	\$'000
Cash and cash equivalents	293,231	125,445
Term deposits	51,582	1,470
Trade and other receivables <sup>(ii)</sup>	178,876	200,846
Derivative financial instruments	54,764	190
Long term equity investments <sup>(i)</sup>	1,094,530	37,189
	<b>1,672,983</b>	<b>365,140</b>

(i) The long term equity investments balance as stated above represents amounts that bank holds as security against short term debt. Refer note 25.

(ii) The trade and other receivables balance as stated above reflect the recoverable value and are net of any impairments or allowance for expected credit loss. Refer note 9 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 financing arrangements are set out in note 25.

## 29 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 21.

New Hope's secured borrowings as outlined in note 25 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 \$246.0 million (2019:\$30 million). The outstanding debt can be repaid by providing 30 day notice.

During the year, the Parent Entity entered into a \$200 million, 3 year secured term loan facility with Credit Suisse AG. The facility is for making investments, refinancing existing debt and general corporate purposes. The balance at year end was \$200 million (2019: \$nil). The secured term loan is exposed to variable interest rates.

As security for the Parent Entity's short-term bank financing and term loan facility, the Parent Entity transferred ownership of title over certain long-term equity investments to the banks. 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 assets on the Group's statement of financial position. Upon repayment of the debt, legal title of the equity investments are transferred back to the Parent Entity.

On 29 July 2020, the WHSP Agriculture Holding Trust entered into a 5-year secured loan facility with the Commonwealth Bank of Australia Limited. The facility comprises a \$30 million bank overdraft and market rate loan and a \$3.3 million asset finance facility. Only the market rate loan was utilised at the end of the financial year at \$21.335 million. Security given includes first ranking property mortgages, first ranking water mortgages over water entitlements, first ranking mortgages over water leases and first ranking General Security Interests. The expiry date of the facility is 29 July 2025.

A property trust of the Parent Entity has a \$12 million bank loan facility for a commercial property in Penrith. The balance at year end was \$12 million (2019: \$12 million). This outstanding loan facility is due to be repaid within 1 year.

The Group's maturity analysis for derivative financial instruments is set out in note 26.

The Group's maturity analysis for lease liabilities is set out in note 19.

### 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 23 and 24 for details.

Based on the deposits held at reporting date, the sensitivity to a 1% per annum increase or decrease in interest rates would increase/(decrease) after tax profit by \$2.414 million (2019: \$0.888 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 \$246.0 million (2019: \$30 million). 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. All 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 2020, the Directors considered climate-related risk in the preparation of the financial statements.

## 30 Fair value estimation

### ACCOUNTING POLICY

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

### Fair value hierarchy

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

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

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

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

### Fair value measurement

The following table represents the Group's assets and liabilities measured and recognised at fair value as at 31 July 2020 and 31 July 2019.

<b>As at 31 July 2020</b>	<b>Level 1</b> \$'000	<b>Level 2</b> \$'000	<b>Level 3</b> \$'000	<b>Total</b> \$'000
<b>Financial assets</b>				
Financial assets held for trading	180,068	–	24,092	204,160
Long term equity investments	2,502,944	74,686	38,464	2,616,094
Derivative financial instruments	–	54,764	–	54,764
<b>Non-financial assets</b>				
Investment properties	–	–	75,724	75,724
<b>Total assets</b>	<b>2,683,012</b>	<b>129,450</b>	<b>138,280</b>	<b>2,950,742</b>
<b>Financial liabilities</b>				
Derivative financial instruments	–	–	–	–
<b>Total liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

### 30 Fair value estimation (continued)

<b>As at 31 July 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Financial assets held for trading	60,950	–	16,198	77,148
Long term equity investments	753,966	–	31,169	785,135
Derivative financial instruments	–	190	–	190
<b>Non-financial assets</b>				
Investment properties	–	–	106,281	106,281
<b>Total assets</b>	<b>814,916</b>	<b>190</b>	<b>153,648</b>	<b>968,754</b>
<b>Financial liabilities</b>				
Derivative financial instruments	–	10,774	–	10,774
<b>Total liabilities</b>	<b>–</b>	<b>10,774</b>	<b>–</b>	<b>10,774</b>

#### Listed equities

The fair value of listed equities and hybrid instruments 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 Consolidated Entity's investments being publicly traded on the Australian Securities Exchange.

#### KEY JUDGEMENTS AND ESTIMATES

##### *Financial assets (level 3) – valuation techniques*

##### 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.

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.

##### Investment Properties

Refer to note 16b for details on the valuation techniques used for investment properties.

### 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 2020 and 31 July 2019:

	Financial assets held for trading \$'000	Long term equity investments \$'000	Investment properties \$'000	Total \$'000
<b>Opening balance at 1 August 2018</b>	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 – realised	–	–	7,655	7,655
Gain/(loss) recognised in other income – unrealised	4,588	–	(193)	4,395
<b>Closing balance at 31 July 2019</b>	16,198	31,169	106,281	153,648
Acquisitions	2,733	4,109	437	7,279
Disposals	–	(14)	(3,757)	(3,771)
Gain recognised in other income – unrealised	5,161	–	38	5,199
Gain recognised in other comprehensive income – unrealised	–	3,200	–	3,200
Transfer to held-for-sale asset	–	–	(27,275)	(27,275)
<b>Closing balance at 31 July 2020</b>	24,092	38,464	75,724	138,280

## 31 Contingent liabilities

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

	2020 \$'000	2019 \$'000
Undertakings and guarantees issued by a subsidiary's bankers to the Department of Natural Resources and Mines, Statutory Power Authorities and various other entities	37,002	33,996
Undertakings and guarantees issued by the bankers of the Bengalla Joint Venture (of which a subsidiary is a party) for rail and port suppliers	13,669	13,422
	50,671	47,418

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 34. For contingent liabilities relating to associates refer to note 14.

Other than the above and the matters set out in note 22, there are no other contingent liabilities of the Group as at 31 July 2020.

## 32 Commitments

	2020 \$'000	2019 \$'000
<b>a) Lease commitments – operating</b>		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	126	35,188
One to five years	56	38,935
More than five years	–	24,549
	<b>182</b>	<b>98,672</b>

All leases have been recognised as lease liabilities (refer to note 19) at the adoption of AASB 16 *Leases* on 1 August 2019, except for the low value or short term leases which have been disclosed as operating lease commitments above.

In the prior year, the Group leased 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.

### b) Capital commitments

Capital expenditure contracted for at year end but not recognised as liabilities is as follows:		
Within one year	111,178	59,364
One to five years	34,613	58,106
More than five years	3,262	5,258
	<b>149,053</b>	<b>122,728</b>

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 14.

## 33 Events after the reporting period

Since the end of the financial year, no matters or circumstances not referred to elsewhere in this report have arisen that have or will significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

## 34 Parent entity information

### ACCOUNTING POLICY

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.

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 initial investment increased/(decreased) by profits/(losses) recognised in the statement of comprehensive income and decreased by dividends received. Dividends from both subsidiaries and associates are not recognised in the consolidated statement of comprehensive income.

<b>Statement of Financial Position</b>	<b>2020</b> \$'000	<b>2019</b> \$'000
Current assets	491,619	159,366
Non-current assets	3,641,099	1,863,751
<b>Total assets</b>	<b>4,132,718</b>	<b>2,023,117</b>
Current liabilities	259,271	33,171
Non-current liabilities	792,288	126,141
<b>Total liabilities</b>	<b>1,051,559</b>	<b>159,312</b>
<b>Net assets</b>	<b>3,081,159</b>	<b>1,863,805</b>
<b>Shareholders' equity</b>		
Issued capital	43,232	43,232
Reserves	34,085	183,984
Retained earnings	3,003,842	1,636,589
	<b>3,081,159</b>	<b>1,863,805</b>
<b>Profit after tax for the year</b>	<b>1,508,496</b>	<b>184,108</b>
<b>Total comprehensive income</b>	<b>1,348,677</b>	<b>158,587</b>

## 34 Parent entity information (continued)

### a) Interest bearing liabilities of the Parent Entity

During the year, the Parent Entity utilised \$190.182 million (2019: \$30.0 million) of the \$250 million equity finance facility with the National Australia Bank. The debt is secured by certain long term equities of the Parent Entity, incurs interest at a variable rate and is repayable upon either the bank or the Parent Entity providing 30 days notice. The interest rate at 31 July 2020 was 1.1% (2019: 1.76%) per annum.

In addition, during the current financial year, the Parent Entity entered into:

- \$100.0 million drawable equity finance facility with Macquarie Bank. The facility is repayable in 12 months. As at 31 July 2020 this facility is drawn to \$45.0 million (2019: \$nil) and the interest rate at 31 July 2020 was 0.68% (2019: nil) per annum;
- An International Swaps and Derivatives Association ('ISDA') Master Agreement with Goldman Sachs Financial Markets Pty Limited, which allows for substantially similar liquidity arrangements via the sale of listed shares and concurrent economic repurchase via cash settled swaps. As at 31 July 2020 the liquidity generated via these arrangements was \$10.798 million. The facility is repayable within 12 months; and
- \$200 million, 3 year secured term loan facility with Credit Suisse AG. The facility is for making investments, refinancing existing debt and general corporate purposes. As at 31 July 2020, the facility is fully drawn (2019: \$nil) and the interest rate at 31 July 2020 was 1.554% (2019: nil%) per annum. Transaction costs of \$0.884 million were incurred to obtain the secured loan.

The Parent Entity has complied with all the financial covenants of its borrowing facilities during the 2020 and 2019 reporting periods.

### b) Guarantees entered into by the Parent Entity

The Parent Entity provides guarantees for leases of offices and swimming pool sites, and environmental bonds that are required by the 100% owned subsidiary, Round Oak.

As at 31 July 2020 these guarantees totalled \$22.210 million (2019: \$22.678 million).

### c) Contingent liabilities of the Parent Entity

The Parent Entity did not have any contingent liabilities as at 31 July 2020 or 31 July 2019.

### 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 2020 are \$51.80 million (2019: \$44.0 million).

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

During the prior year, 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 1 April 2019. Other commitments include an operating lease for office equipment. From 1 August 2019, these leases have been recognised within the statement of financial position upon the adoption of AASB 16.

	2020 \$'000	2019 \$'000
<b>Operating leases</b>		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	–	1,234
Later than one year but not later than five years	–	5,468
Later than five years	–	2,519
<b>Total operating lease commitments</b>	–	9,221



## 35 Controlled entities and joint ventures

### 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 3, 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 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.

## 35 Controlled entities and joint ventures (continued)

### 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.

### a) Investments in subsidiaries

#### **ACCOUNTING POLICY**

Investments in subsidiaries such as New Hope, the PSRE Urban Regeneration Trust, Round Oak 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 50.0% (2019: 50.0%) shareholding in its subsidiary, New Hope. New Hope 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 50.0% (2019: 50.0%) shareholding in New Hope (non-controlling interests) has a proportional share in the results and equity of New Hope.

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:

- Non-controlling interest share of loss after income tax for the year \$78.514 million (2019: profit after income tax of \$105.305 million);
- Net increase in cash and cash equivalents \$11.109 million (2019: decrease \$217.432 million);
- Total assets \$2.546 billion (2019: \$2.801 billion);
- Total liabilities \$820.256 million (2019: \$840.401 million);
- Net assets \$1.725 billion (2019: \$1.961 billion); and
- Non-controlling interest share of net assets \$863.035 million (2019: \$980.310 million).

#### **Changes in Group Structure**

Please refer to note 3 for changes in the group structure.

## b) Business combinations

### **ACCOUNTING POLICY**

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 profit or loss.

If the Group recognises previously 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.

### **Acquisition of WHSP agricultural business**

In accordance with the Sustainable Investment Policy of the Parent Entity, a subsidiary of the Parent Entity, WHSP Agriculture Holding Trust, acquired on 18 October 2019, a 100% interest in the Mildura Citrus, MC Property, HK Farming and HK Farmland Trusts and a 97% interest in the Fitzroy Macadamias Trust, for a total purchase consideration of \$37.2 million. Collectively these entities formed the WHSP agricultural business.

This portfolio of farming businesses produces citrus fruit, macadamia nuts, cereal crops and cotton. The acquired business contributed revenue of \$6.3 million and loss before tax of \$2.6 million to the WHSP Agriculture Holding Trust for the period from the date of acquisition to 31 July 2020. If the acquisition had occurred on 1 August 2019, revenue and loss before tax would have been \$8.8 million and \$2.9 million, respectively.

The purchase price allocation of the acquisition is final as at 31 July 2020.

On 1 May 2020, WHSP Agriculture Holding Trust acquired 97% of Infinity Farms, a horticultural enterprise in Victoria which produces table grapes and stone fruits and owns serviced and uncleared horticultural development land. Total purchase price was \$16.971 million.

Infinity Farms contributed revenue of \$0.1 million and loss before tax of \$0.2 million to the Group from the date of acquisition to 31 July 2020. If the acquisition had occurred on 1 August 2019, revenue and loss before tax for the period ended 31 July 2020 would have been \$0.1 million and \$0.2 million respectively.

## 35 Controlled entities and joint ventures (continued)

### b) Business combinations (continued)

Purchase consideration and the net assets acquired are as follows:

	<b>18 October 2019</b>	<b>1 May 2020</b>
	\$'000	\$'000
<b>Total purchase consideration</b>		
Total cash consideration in the current period	37,200	16,481
Consideration by issue of units	–	490
<b>Total purchase consideration</b>	<b>37,200</b>	<b>16,971</b>
<b>The fair value of assets and liabilities recognised as a result of the acquisition are as follows:</b>		
Cash and cash equivalents	998	–
Trade and other receivables <sup>(i)</sup>	2,520	–
Inventories	1,998	83
Biological assets	102	–
Property, plant and equipment	38,700	11,978
Right-of-use assets	706	–
Deferred tax assets	296	–
Intangibles	4,330	4,910
Trade and other payables	(683)	–
Interest bearing liabilities	(11,197)	–
<b>Fair value of net identifiable assets</b>	<b>37,770</b>	<b>16,971</b>
Non-controlling interest measured at fair value	(570)	–
<b>Net assets acquired</b>	<b>37,200</b>	<b>16,971</b>
<b>Net cash outflow for the acquisition are as follows:</b>		
Outflow of cash to acquire subsidiary, net of cash acquired		
Total cash consideration – current year	37,200	16,481
Less cash balance acquired	(998)	–
<b>Outflow of cash – investing activities</b>	<b>36,202</b>	<b>16,481</b>
Acquisition costs expensed	1,821	545
<b>Total cash outflow</b>	<b>38,023</b>	<b>17,026</b>

(i) The fair value of trade and other receivables at acquisition date is equivalent to their gross receivable value and the contractual value of receivables.

#### KEY JUDGEMENT AND ESTIMATES

##### Acquisition fair value

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

### c) 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

	2020 \$'000	2019 \$'000
<b>Consolidated statement of comprehensive income – closed group</b>		
Profit before income tax	1,479,993	226,560
Income tax expense	(319,956)	(37,703)
<b>Profit after tax attributable to closed group</b>	<b>1,160,037</b>	<b>188,857</b>
<b>Other comprehensive income – closed group</b>		
Changes in the fair value of equity investments at fair value through other comprehensive income	(162,428)	(25,520)
Share of other comprehensive income movements, net of tax	20,898	14,215
<b>Total other comprehensive income for the year, net of tax</b>	<b>(141,530)</b>	<b>(11,305)</b>
<b>Total comprehensive loss for the year</b>	<b>1,018,507</b>	<b>177,552</b>
<b>Summary of movements in consolidated retained earnings – closed group</b>		
Opening balance at 1 August	2,376,672	1,857,408
Profit for the year	1,160,037	188,857
Transfer from general reserve to retained profits	2,342	402,206
Effect for initial adoption of AASB 9	–	38,754
Effect for initial adoption of AASB 15	–	1,174
Effect for initial adoption of AASB 16	(2,859)	–
Derecognition of TPG as an associate	(4,586)	–
Dividends declared and paid	(116,876)	(111,727)
<b>Closing balance at 31 July</b>	<b>3,414,730</b>	<b>2,376,672</b>

## 35 Controlled entities and joint ventures (continued)

	31 July 2020 \$'000	31 July 2019 \$'000
<b>Consolidated statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	204,952	38,874
Term deposits	50,000	–
Trade and other receivables	40,556	50,510
Assets classified as held for sale	53	53
Financial assets held for trading	204,160	77,148
<b>Total current assets</b>	<b>499,721</b>	<b>166,585</b>
<b>Non-current assets</b>		
Trade and other receivables	94,885	75,617
Equity accounted associates	917,810	1,621,058
Long term equity investments	2,942,722	1,049,298
Property, plant and equipment	7,516	7,808
Right-of-use assets	12,251	–
Deferred tax assets	139,529	73,708
<b>Total non-current assets</b>	<b>4,114,713</b>	<b>2,827,489</b>
<b>Total assets</b>	<b>4,614,434</b>	<b>2,994,074</b>
<b>Current liabilities</b>		
Trade and other payables	13,012	6,378
Interest bearing liabilities	245,980	30,000
Lease liabilities	612	–
Provisions	788	538
<b>Total current liabilities</b>	<b>260,392</b>	<b>36,916</b>
<b>Non-current liabilities</b>		
Trade and other payables	–	18,141
Interest bearing liabilities	199,170	–
Lease liabilities	12,249	–
Deferred tax liabilities	664,361	358,246
Provisions	612	597
<b>Total non-current liabilities</b>	<b>876,392</b>	<b>376,984</b>
<b>Total liabilities</b>	<b>1,136,784</b>	<b>413,900</b>
<b>Net assets</b>	<b>3,477,650</b>	<b>2,580,174</b>
<b>Equity</b>		
Share capital	43,232	43,232
Reserves	19,688	160,270
Retained profits	3,414,730	2,376,672
<b>Total equity</b>	<b>3,477,650</b>	<b>2,580,174</b>

## d) Investments in joint arrangements

### **ACCOUNTING POLICY**

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 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.

<b>Name</b>	<b>Accounted for as:</b>	<b>Group's interest</b>	<b>Segment allocated to:</b>
Bengalla Joint Venture	Joint operation	80%	New Hope Corporation Limited
Lenton Joint Venture	Joint operation	90%	New Hope Corporation Limited
White Dam Joint Venture	Joint operation	50%	Round Oak Minerals Pty Limited

### **Bengalla Joint Venture**

New Hope 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 increased its stake in the assets and liabilities of the Bengalla Joint Venture by 30% on 31 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's interest in Bengalla Joint Venture from 40% to 80%.

### **KEY JUDGEMENT AND ESTIMATES**

#### *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.

## 36 New or amended accounting standards and interpretations

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. Any new or amended Accounting Standards or interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standard has been adopted for the first time from 1 August 2019 and its impact on the Consolidated Entity's financial statement is disclosed below.

### AASB 16 Leases

New accounting standard AASB 16 replaces AASB 117 *Leases* and introduces a single lessee accounting model that requires a lessee to recognise lease assets (also known as right-of-use assets) and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

#### Accounting policy

On adoption of the new AASB 16 *Leases*, the Consolidated Entity recognised right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset was of low value. Right-of-use assets are initially measured at cost and lease liabilities are initially measured on a present value basis.

Subsequent to initial recognition:

- a) right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for on a cost basis unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
  - investment property, the lessee applies the fair value model in AASB 140 *Investment Property* to the right-of-use asset; or
  - property, plant or equipment, the lessee applies the revaluation model in AASB 116 *Property, plant and equipment* to all of the right-of-use assets that relate to that class of property, plant and equipment.
- b) lease liabilities are accounted for on a similar basis to other financial liabilities, whereby interest expense is recognised in respect of the lease liability and the carrying amount of the lease liability is reduced to reflect the principal portion of lease payments made.

For certain leases, the right-of-use asset at the date of initial application is recognised at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

AASB 16 substantially carries forward the lessor accounting requirements of the predecessor standard, AASB 117. Accordingly, under AASB 16 a lessor continues to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and accounts for each type of lease in a manner consistent with the current approach under AASB 117.

The Consolidated Entity elected to apply AASB 16 using the modified retrospective approach to those contracts that were previously identified as leases under the predecessor standard, with the cumulative effect (if any), of initially applying the new standard recognised as an adjustment to opening retained earnings at the date of initial application from 1 August 2019. Accordingly, comparative information has not been restated.

The Consolidated Entity leases various offices, equipment, vehicles and a port facility. Rental contracts are typically made for fixed periods of 1 year to 5 years but may have extension options. Contracts may contain both lease and non-lease components. The Consolidated Entity allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

#### Adoption of AASB 16 Leases

The Consolidated Entity has elected to apply the following practical expedients to the measurement of right-of-use assets and lease liabilities in relation to those leases previously classified as operating leases under the predecessor standard:

- to not recognise a right-of-use asset and a lease liability for leases for which the underlying asset is of low value;
- to not recognise a right-of-use asset and a lease liability for leases for which the lease term ends within 12 months of the date of initial application;
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- to adjust each right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application;
- to exclude initial direct costs from the measurement of each right-of-use asset at the date of initial application; and
- to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.



The application of AASB 16 resulted in the restatement of the assets and liabilities in the statement of financial position at 31 July 2019 as follows:

	<b>As reported 31 July 2019</b>	<b>AASB 16 transition adjustments</b>	<b>Opening balance 1 August 2019</b>
	\$'000	\$'000	\$'000
Property, plant and equipment	2,351,799	(6,444)	2,345,355
Right-of-use assets	–	125,594	125,594
Interest bearing liabilities (current and non-current)	(402,750)	7,802	(394,948)
Lease liabilities	–	(126,949)	(126,949)
Retained profits	3,301,831	(2,859)	3,298,972

The weighted average incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities was 5%.

The following is a reconciliation of non-cancellable operating lease commitments disclosed at 31 July 2019 to the aggregate carrying amount of lease liabilities recognised at the date of initial application, 1 August 2019:

	\$'000
Aggregate non-cancellable operating lease commitments at 31 July 2019	98,672
Add: finance lease liabilities recognised at 31 July 2019	7,802
Add: restoration to leased property provision included in the measurement of lease liabilities and not previously included in non-cancellable operating lease commitments	1,124
Add: extension options included in the measurement of lease liabilities and not previously included in non-cancellable operating lease commitments	65,288
Add: lease payments included in the measurement of lease liabilities and previously included in capital expenditure commitments	10,834
Less: lease payments previously included in non-cancellable lease commitments for leases with remaining terms of less than 12 months and leases of low value assets	(7,175)
Less: property lease rent outgoings and related costs previously included in non-cancellable lease commitments and not included in lease liabilities	(1,865)
Less: impact of discounting lease payments to their present value at 1 August 2019	(47,731)
Carrying amount of lease liabilities recognised at 1 August 2019	126,949

## 37 Share based payments

### ACCOUNTING POLICY

Share-based compensation benefits are provided to selected employees of the Parent Entity via an employee incentive scheme.

A summary of the scheme is provided below.

The fair value of options and rights granted under the scheme 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.

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.

Grant Date	Vest Date	Performance hurdle	Movement in number of performance rights granted					
		TSR Hurdle or Non TSR Hurdle	Fair value	Balance at start of year	Granted during the year	Vested	Forfeited	Balance at year end
Dec-19	Sep-22 Sep-23*	Non-TSR	\$12.16	–	30,656	–	–	30,656
Dec-19	Sep-22 Sep-23*	TSR	\$13.52	–	30,656	–	–	30,656
Dec-19	Aug-23 Sep-23*	Non-TSR	\$12.16	–	18,394	–	–	18,394
Dec-19	Aug-23 Sep-23*	TSR	\$13.52	–	18,394	–	–	18,394
Dec-19	Aug-24	Non-TSR	\$12.16	–	12,262	–	–	12,262
Dec-19	Aug-24	TSR	\$13.52	–	12,261	–	–	12,261
Dec-18	Sep-21 Sep-22*	Non-TSR	\$17.28	24,591	–	–	–	24,591
Dec-18	Sep-21 Sep-22*	TSR	\$22.11	24,591	–	–	–	24,591
Dec-18	Aug-22 Sep-22*	Non-TSR	\$17.28	14,755	–	–	–	14,755
Dec-18	Aug-22 Sep-22*	TSR	\$22.11	14,754	–	–	–	14,754
Dec-18	Aug-23	Non-TSR	\$17.28	9,836	–	–	–	9,836
Dec-18	Aug-23	TSR	\$22.11	9,835	–	–	–	9,835
Dec-17	Sep-20 Sep-21*	Non-TSR	\$7.70	43,110	–	–	–	43,110
Dec-17	Sep-20 Sep-21*	TSR	\$6.16	43,110	–	–	–	43,110
Dec-17	Aug-21 Sep-21*	Non-TSR	\$7.70	25,865	–	–	–	25,865
Dec-17	Aug-21 Sep-21*	TSR	\$6.16	25,864	–	–	–	25,864
Dec-17	Aug-22	Non-TSR	\$7.70	17,244	–	–	–	17,244
Dec-17	Aug-22	TSR	\$6.16	17,244	–	–	–	17,244
Dec-16	Sep-19 Sep-20*	Non-TSR	\$13.10	12,717	–	(7,258)	(3,969)	1,490
Dec-16	Sep-19 Sep-20*	TSR	\$5.22	12,716	–	(7,258)	(3,969)	1,489
Dec-16	Aug-20 Sep-20*	Non-TSR	\$13.10	7,630	–	–	–	7,630
Dec-16	Aug-20 Sep-20*	TSR	\$3.25	7,630	–	–	–	7,630
Dec-16	Aug-21	Non-TSR	\$13.10	5,086	–	–	–	5,086
Dec-16	Aug-21	TSR	\$2.56	5,086	–	–	–	5,086
Dec-15	Aug-19 Sep-19*	Non-TSR	\$13.86	8,518	–	(5,669)	(2,849)	–
Dec-15	Aug-19 Sep-19*	TSR	\$11.08	8,518	–	(5,669)	(2,849)	–
Dec-15	Aug-20	Non-TSR	\$13.86	5,679	–	–	–	5,679
Dec-15	Aug-20	TSR	\$10.87	5,678	–	–	–	5,678
				350,057	122,623	(25,854)	(13,636)	433,190

\* 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.

During the year an expense of \$1.620 million (2019: \$2.096 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 \$5.079 million (2019: \$3.922 million).

## 38 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 3.

### c) Key management personnel (KMP) compensation

	Paid to KMP of the Consolidated Entity		Paid to KMP of the Parent Entity	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Short-term employee benefits	5,340	4,544	4,757	3,959
Post-employment benefits	231	228	184	181
Long-term employee benefits	44	30	44	30
Share-based payments	1,584	2,046	1,584	2,046
	<b>7,199</b>	<b>6,848</b>	<b>6,569</b>	<b>6,216</b>

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

#### 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 advisory, consulting, underwriting, management fees, and rent received from/paid to associates, loans advanced and repaid, interest and dividend payments.

	<b>2020</b> \$'000	<b>2019</b> \$'000
<b>Summary of transactions</b>		
Advisory, consulting, underwriting, management and other fees: received by subsidiaries from associates	46	47
rent income received by Parent Entity from an associate	168	72
Management fees paid by Parent Entity to an associate	330	248
Interest income from associate	1,516	4,926

### Loans to associates

During the year, the Parent Entity decreased its stand-by loan facility to Palla Pharma Limited from \$31.0 million to \$16.0 million. The amount owed at 31 July 2020 was \$13.5 million (2019: \$31.0 million). Interest is charged at market rates. The facility matures on 31 August 2021.

All accrued interest was settled in cash. Interest was charged at market rates.

### 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 the Parent Entity and are Directors of Contact Asset Management Pty Limited. Mr T C D Millner is also a 40% shareholder of Contact.

In the prior year, the Parent Entity entered into an Investment Management Agreement with Contact. Under this agreement Contact is responsible for managing the Parent Entity's Large Caps investment portfolio and providing reports on the performance of that portfolio to the Parent Entity.

During the year, Contact was paid \$330,000 (2019: \$247,500) to manage the Large Caps portfolio on behalf of the Parent Entity. 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 the Parent Entity than an arm's length agreement for similar services.

#### Transactions with URB Investments Limited (ASX: URB)

In December 2019, the responsible entity for 360 Capital Total Return Fund (360 Capital TRF) (ASX: TOT) finalised the scheme of arrangement under which 360 Capital TRF acquired all of the ordinary shares of URB investments Limited (ASX: URB).

In a prior year, the Parent Entity had 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).

On conclusion of the finalisation of the scheme of arrangement with 360 Capital TRF Mr W M Negus and Mr R D Millner resigned as directors of URB Investments Limited (URB).

## 39 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 hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- 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

Stripping costs are costs incurred when removing overburden or waste materials in order to access mineral deposits. Under AASB Interpretation 20: *Stripping costs in the production phase of a surface mine*, stripping costs incurred during the development phase are capitalised as part of the mine development costs. Stripping costs incurred during the production phase are generally accounted for as part of the cost of producing the ore inventory or 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.

#### New Hope

New Hope does not recognise any deferred stripping costs. Based on the nature of the New Hope'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.

#### Round Oak

Round Oak has applied AASB Interpretation 20 to its stripping costs incurred in the production phase as part of its inventory cost. Amortisation of these costs is allocated on units of production basis.

### 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 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 consolidation 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:

<b>'Plain English' terminology</b>	<b>AASB terminology</b>
Share capital	Contributed equity
Financial assets held for trading	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	Financial assets at amortised cost

The accounting standards also require the presentation of a statement of comprehensive income which presents all items of recognised income and expenditure either in one statement or in two linked statements. The Group has elected to present one statement.

## 40 Remuneration of auditors

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

	2020 \$'000	2019 \$'000
<b>a) Audit services</b>		
<b>Parent Entity and Consolidated Entity</b>		
Pitcher Partners Sydney for audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	437	380
<b>Other Group entities</b>		
Pitcher Partners Sydney for audit and review of financial reports	214	292
Other audit firms for the audit or review of financial reports	657	612
<b>Total remuneration for audit and review services</b>	<b>1,308</b>	<b>1,284</b>
<b>b) Other services</b>		
<b>Pitcher Partners Sydney</b>		
Tax compliance services	58	139
Other services	234	24
<b>Other auditors of Group entities</b>		
Other services	337	161
<b>Total remuneration for other services</b>	<b>629</b>	<b>324</b>



## 41 Coronavirus (COVID-19)

During the second half of the financial year the Coronavirus (COVID-19) has had a significant impact on local and world economies. It has impacted the financial position and financial performance of the Consolidated Entity and may affect the future financial performance of the Consolidated Entity.

The majority of the Consolidated Entity's investments and businesses continued to operate, with a priority to protect the health and safety of all employees. The Consolidated Entity promptly implemented strict workplace protocols, including physical distancing, travel restrictions, roster changes, flexible working arrangements, rapid screening and personal hygiene controls.

Key financial impacts to the Consolidated Entity until 31 July 2020 were as follows:

- Changes to demand resulting in lower commodity prices, in particular, lower average realised prices achieved for thermal coal, copper and zinc. Since March 2020, copper and zinc prices have significantly improved.
- The impact on the sales volumes of major product lines, both in response to market demand and in response to government directives. For example, a reduction in demand for thermal coal from markets such as India and regulatory changes in China favouring domestic coal producers.
- The Consolidated Entity has not needed to grant any material deferrals or waiver of rents received from its investment properties.
- Changes to operating costs, including additional costs incurred to manage the impact on our assets (e.g. costs relating to controls such as cleaning, screening and roster changes) and the effect of favourable exchange rate and input cost movements. The Consolidated Entity has not received any material benefit from the deferral or waiver of lease payments.
- Receipt of Federal Government JobKeeper support of \$6.051 million comprising New Hope (\$3.909 million), Aquatic Achievers, which operates a network of learn-to-swim schools (\$2.088 million), and a subsidiary in the hospitality industry (\$0.054 million).
- Reassessment of the carrying value of non-current assets and, where required, asset impairments have been included in the financial year 2020 results.



# 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 note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 July 2020 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 35c 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**

*Director – Chairman*

**T J Barlow**

*Managing Director*

26 October 2020



# 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 2020, 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 2020 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 (including Independence Standards)* "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 26 October 2020, 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.

Adelaide Brisbane Melbourne Newcastle Perth Sydney

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## 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
<p><b>Reliance on the work of other auditors</b>  <i>Refer to note 35: Basis of Consolidation</i></p>	
<p>The consolidated financial report of the Group comprises the financial results of Washington H. Soul Pattinson and Company Limited, its subsidiaries, and its share of results from equity accounted associates.</p> <p>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.</p> <p>Given the number and financial significance of components, which are audited by firms other than Pitcher Partners, the key audit matter for us was ensuring that the work undertaken by these component auditors was sufficient and appropriate to address the risk of material misstatement.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>● Assessing the competency and capability of component auditors;</li> <li>● Obtaining confirmation of the independence of component auditors;</li> <li>● 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;</li> <li>● Reviewing the financial reports of significant subsidiaries and associates and evaluating the accounting policies of subsidiaries for consistency with Group policies and Australian accounting standards; and</li> <li>● 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.</li> </ul>

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Valuation and classification of equity investments</b>  <i>Refer to note 13: Financial assets held for trading and note 15: Long Term Equity Investments</i></p>	
<p>Equity investments are a significant asset within the consolidated statement of financial position, representing \$2.820 billion or 39.0% of total assets.</p> <p>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 significant 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.</p> <p>The determination of the valuation of financial investments held at fair value, is based on a range of inputs, approximately 95.1% 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 date and are subject to a higher level of judgement.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>● Obtaining an understanding, evaluating and auditing relevant controls surrounding investment purchases, disposals and classification;</li> <li>● 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;</li> <li>● Confirming the accurate recording and ownership of investments;</li> <li>● Confirming the valuation of the total listed investment portfolio at balance date by reference to external sources;</li> <li>● 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;</li> <li>● 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; and</li> <li>● Checking the mathematical accuracy of the impairment expense recognised in the financial report.</li> </ul>

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Accounting for the investment in TPG Telecom following the merger with Vodafone Hutchison Australia</b> Refer to note 14: Equity Accounted Associates</p>	
<p>The merger of TPG Telecom Limited (TPG) and Vodafone Hutchison Australia Limited (VHA) necessitated the Group to reassess the method of accounting for its investment in TPG.</p> <p>From the merger date (29 June 2020), the Group concluded that it no longer held significant influence over its investment in TPG.</p> <p>Consequently, the Group derecognised its investment in TPG as an associate and no longer applies the equity method of accounting.</p> <p>With effect from the merger date, the Group's investment in TPG (the newly merged entity) has been carried as a long-term equity investment and accounted for as a financial asset held at fair value through other comprehensive income.</p> <p>Upon derecognising TPG as an associate a gain on derecognition was recognised by the Group as consequence of the initial recognition of the TPG investment at fair value.</p> <p>The total contribution to profit from TPG, including the fair value gain on derecognition, after tax was \$1.122 billion.</p> <p>The significance of the financial impact on the reported consolidated profit before tax of the Group and the composition of its statement of financial position have necessitated the accounting of the investment in TPG, a Key Audit Matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>● Obtaining an understanding of the TPG and VHA merger with reference to the Scheme Implementation Deed;</li> <li>● Obtain and evaluate, engaging with our technical accounting team as required, the Group's assessment of the accounting treatment of the investment in TPG;</li> <li>● Confirming the existence and accuracy of the recording and ownership of this investment;</li> <li>● Confirming the accuracy of the equity accounting of this investment up until derecognition;</li> <li>● Confirming the accuracy of the gain upon derecognition of this investment as an equity accounted associate;</li> <li>● Confirming the accuracy of the unrealised gain recognised in other comprehensive income for the period from initial recognition at fair value to balance date of the newly merged TPG entity;</li> <li>● Confirming the accuracy of dividend income reported in profit or loss in relation to this investment; and</li> <li>● Assessing the adequacy of the disclosures contained in the financial report in respect of accounting for this investment.</li> </ul>

### 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, actions taken to eliminate threats or safeguards applied.

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 2020 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 42 to 59 of the Directors' Report for the year ended 31 July 2020. In our opinion, the Remuneration Report of Washington H. Soul Pattinson and Company Limited, for the year ended 31 July 2020, 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*

27 October 2020



# ASX Additional Information

## Distribution of Equity Securities as at 1 October 2020

Size of Holding	Ordinary Shares		Performance Rights	
	Number of Holders	% of Total Ordinary Shares	Number of Holders	% of Total Issued Rights
1 – 1,000	19,799	2.93%	–	–
1,001 – 5,000	7,194	7.10%	–	–
5,001 – 10,000	1,225	3.77%	1	2.3%
10,001 – 100,000	927	9.57%	3	22.9%
100,001 and over	83	76.63%	1	74.8%
<b>TOTAL</b>	<b>29,228</b>	<b>100%</b>	<b>5</b>	<b>100%</b>
Holding less than a marketable parcel	342			

## Top 20 Shareholders as at 1 October 2020

	Ordinary Shares Held	% of Issued Shares
1 Brickworks Limited	94,314,855	39.40%
2 HSBC Custody Nominees (Australia) Limited	18,227,440	7.61%
3 Dixon Trust Pty Limited	9,767,180	4.08%
4 Milton Corporation Limited	9,174,640	3.83%
5 J S Millner Holdings Pty Limited	9,027,859	3.77%
6 J P Morgan Nominees Australia Pty Limited	8,009,154	3.35%
7 T G Millner Holdings Pty Limited	3,491,051	1.46%
8 Hexham Holdings Pty Limited	3,023,127	1.26%
9 Argo Investments Limited	2,182,606	0.91%
10 Citicorp Nominees Pty Limited	2,007,679	0.84%
11 National Nominees Limited	1,721,133	0.72%
12 BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,466,590	0.61%
13 Mary Millner Holdings Pty Limited	1,176,860	0.49%
14 Australian United Investment Company Limited	1,150,000	0.48%
15 Mr Geoffrey Edward Marshall	1,050,612	0.44%
16 Diversified United Investment Limited	1,000,000	0.42%
17 Mr Frank Lewy Mills	979,722	0.41%
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 2020

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 2020 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	421,454	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.

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### **Registered Office**

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### **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) 6370 4203 or +61 8 6370 4203 (outside Australia)

[www.advancedshare.com.au](http://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