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2021

Annual Report

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 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 telecommunications, mining, building products, property, financial services and other equity investments.

Calendar

Final Dividend

Record date	22 November 2021
Payment date	14 December 2021

Annual General Meeting

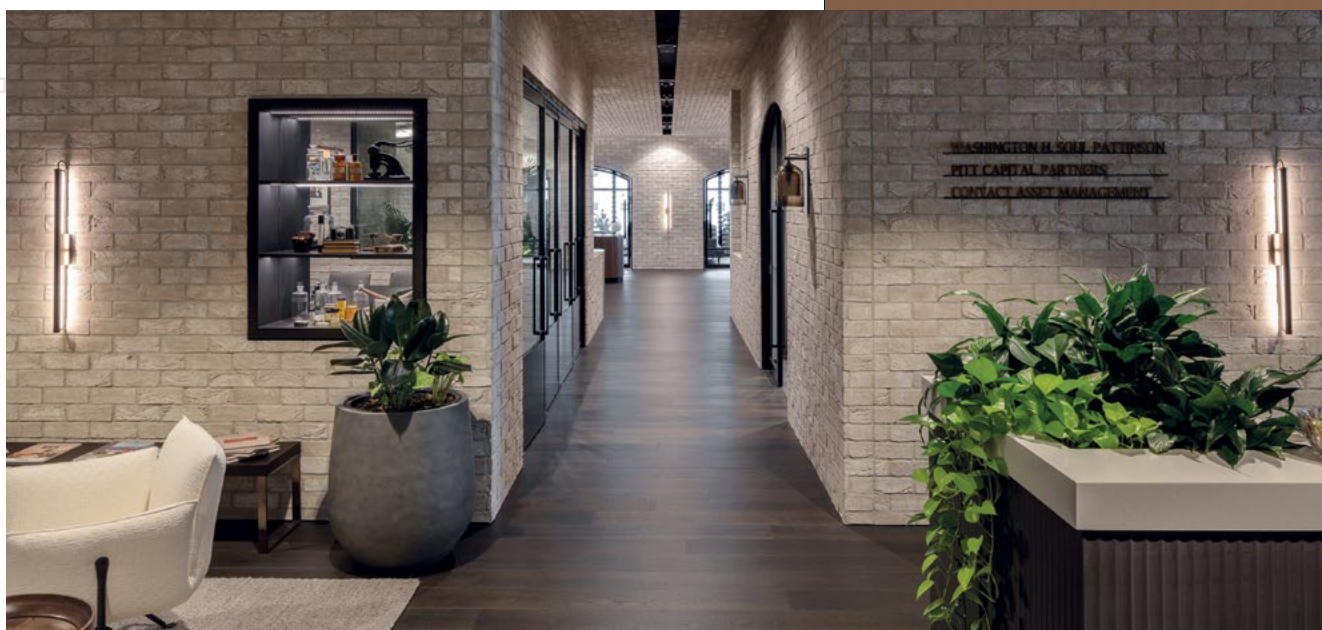
AGM date	10 December 2021
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Given the ongoing changes to restrictions to manage COVID-19 and for the safety of shareholders and staff, the AGM will be held online this year.

To register and join the meeting go to <https://web.lumiagm.com>

Online registration commences	11am
AGM commences	12 noon

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



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Key Highlights

Group Regular NPAT

\$328.1m

▲
93%

Group Regular NPAT

Regular profit after tax attributable to members is the main measure of profitability used by WHSP. Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to group statutory profit is included on page 25.

Group Statutory NPAT

\$273.2m

▼
71%

Group Statutory NPAT

Statutory profit attributable to members of WHSP is calculated in accordance with Australian Accounting Standards. The prior year statutory profit incorporated a one-off accounting gain of \$1.05 billion arising from TPG's merger with Vodafone. See WHSP's Financial Report for further details.

Pre-tax value of portfolio

\$5.8bn

▲
12%

Pre-tax value of portfolio

The portfolio value is assessed at market value for some investments and at cost or Directors' valuation for others. See page 7 for details of the portfolio valuation.

Net cash flow from investments

\$180.3m

▼
29%

Net cash flow 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 WHSP Board determines dividends having regard to net cash flows from investments.

20 Year TSR

13.4% p.a

Outperforming
All Ordinaries
Index by
4.7%

20 Year TSR

Performance is compared to the All Ordinaries Accumulation Index, which also includes the reinvestment of dividends. WHSP is focused on delivering long term growth above the market.



Chairman's Review

Dear Shareholders,

I am pleased to present the 2021 Washington H. Soul Pattinson and Company Limited (WHSP, Company, Parent Entity) Annual Report on behalf of the Board of Directors of the Company.

Key Highlights

Performance for the period	12 months to 31 July 2021	% Change
Group regular profit after tax ¹	\$328.1 million	+93%
Group statutory profit after tax	\$273.2 million	-71%

Key Performance Indicators	2021	% Change
WHSP net asset value (pre-tax) ²	\$5,803 million	+12%
Net cash flow from investments ³	\$180.3 million	-29%
2021 dividends per share (fully franked)	62 cents	+3%
Total Dividend growth over 20 years (ordinary dividend compound annual growth rate)	+8.1%	
Total Shareholder Return over 20 years (to 31 July 2021)	+13.4% per annum	

Group Regular
profit after tax¹
increased by

93%

Overview

WHSP's objective is to provide superior returns to our shareholders by creating capital growth along with steadily increasing dividends over the long term. Despite volatile markets, the Company has again increased its dividend and continued to generate solid cashflows from its investments.

Dividends are paid out of the net cash flows from our investments, which fell by 29% on the prior corresponding period, but increased by 6% over the FY2019 result. This is a robust performance given the significant reduction in the dividends received from New Hope, as well as the large one-off special dividend received from TPG Telecom in the 2020 financial year following the merger with Vodafone.

Solid cash generation from our diversified investment portfolio continued to support another increase to the final dividend making WHSP the only company in the All Ordinaries Index to have increased its dividends every year for over 20 years. WHSP is proud of its history of paying dividends every year since listing in 1903.

WHSP also has a strong track record of delivering outperformance over the long term with its Total Shareholder Returns exceeding the All Ordinaries Accumulation Index over 1, 3, 5, 10 and 20 year periods.

Despite the ongoing impacts of COVID-19, the portfolio continues to perform well with most investments increasing earnings in FY21. This was reflected in the Group regular profit after tax increasing 93% on the previous year.

¹ Group regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. In the prior year, TPG was derecognised as an Associate, which means there is no longer an equity accounted regular profit contribution from TPG. In addition, following the merger, TPG changed its balance date to 31 December which impacted the timing of its interim and final dividends. In the current year, there was only one dividend included from TPG recorded in regular profit after tax. A reconciliation to statutory profit is included in Alternative Performance Measures, page 25.

² Refer to page 7 for details of the portfolio valuation.

³ Refer to Alternative Performance Measures on page 24 for the definition of net cash flow from investments.

20 Year Total
Shareholder
Return

13.4%
per annum

The Net Asset Value of the portfolio significantly outperformed the Index in FY20 when the market was sold off and WHSP's defensive portfolio increased. Consequently, the Net Asset Value of the portfolio did not match the rate of market recovery in FY21, underperforming by 18.3% over the previous 12 months.

One of WHSP's key advantages to generating returns is its flexible mandate to make long term investment decisions and adjust its portfolio by changing the mix of investment classes over time. WHSP was an active investor in FY21, with investments and disposals totalling approximately \$1.1 billion.

WHSP maintains a strong balance sheet with modest gearing and a relatively high level of liquidity. WHSP also has available profit reserves and franking credit balances that provide confidence and support its aim of paying a stable and growing dividend year-on-year.

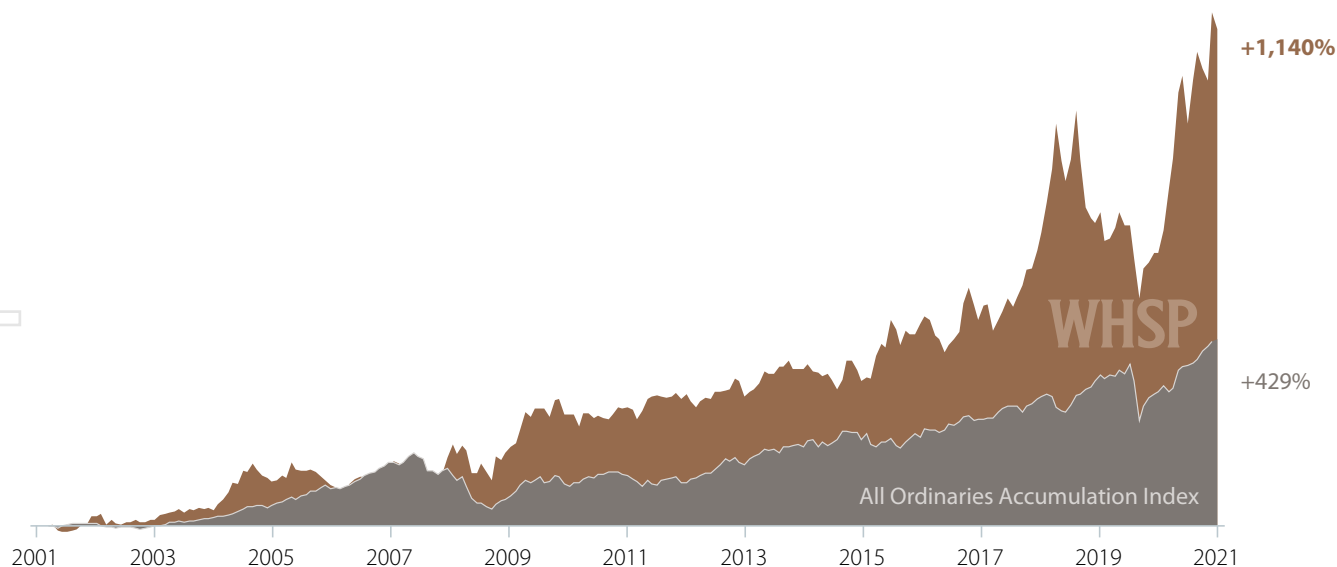
Total Shareholder Returns (TSR) to 31 July 2021

Annualised TSRs	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
WHSP	70.4%	17.1%	16.4%	13.0%	13.6%	13.4%
All Ordinaries Accumulation Index	30.4%	10.2%	10.4%	9.9%	7.3%	8.7%
Relative Performance ¹	40.0%	6.8%	6.0%	3.1%	6.3%	4.7%

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 every period shown above. Over the last 20 years, WHSP has outperformed the market by 4.7%.

20 Year Total Shareholder Return

Since 1 August 2001, an investment in WHSP has increased 1,140% over the last 20 years while an investment in the ASX All Ordinaries Accumulation Index has increased by just 429% for the same period.



Cumulative performance to 31 July 2021 (Including reinvestment of dividends).

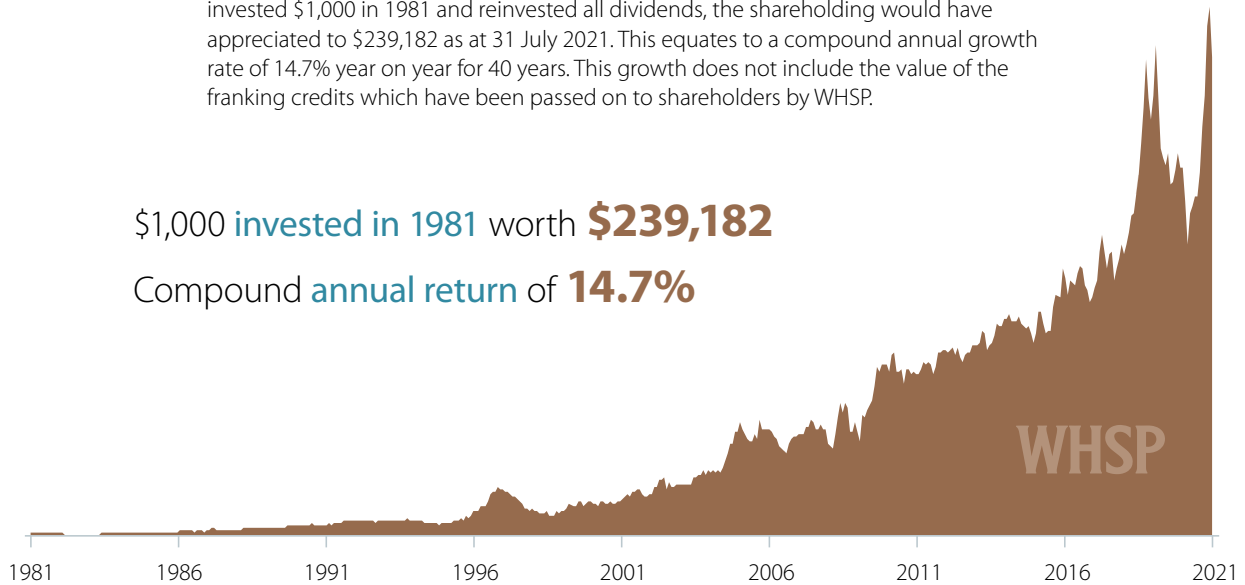
¹ Relative performance compared to the All Ordinaries Accumulation Index.

40 Year Total Shareholder Return

This performance has been maintained for a long period of time. If a shareholder had invested \$1,000 in 1981 and reinvested all dividends, the shareholding would have appreciated to \$239,182 as at 31 July 2021. This equates to a compound annual growth rate of 14.7% 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.

\$1,000 invested in 1981 worth **\$239,182**

Compound annual return of **14.7%**



Cumulative performance to 31 July 2021 (Including reinvestment of dividends).

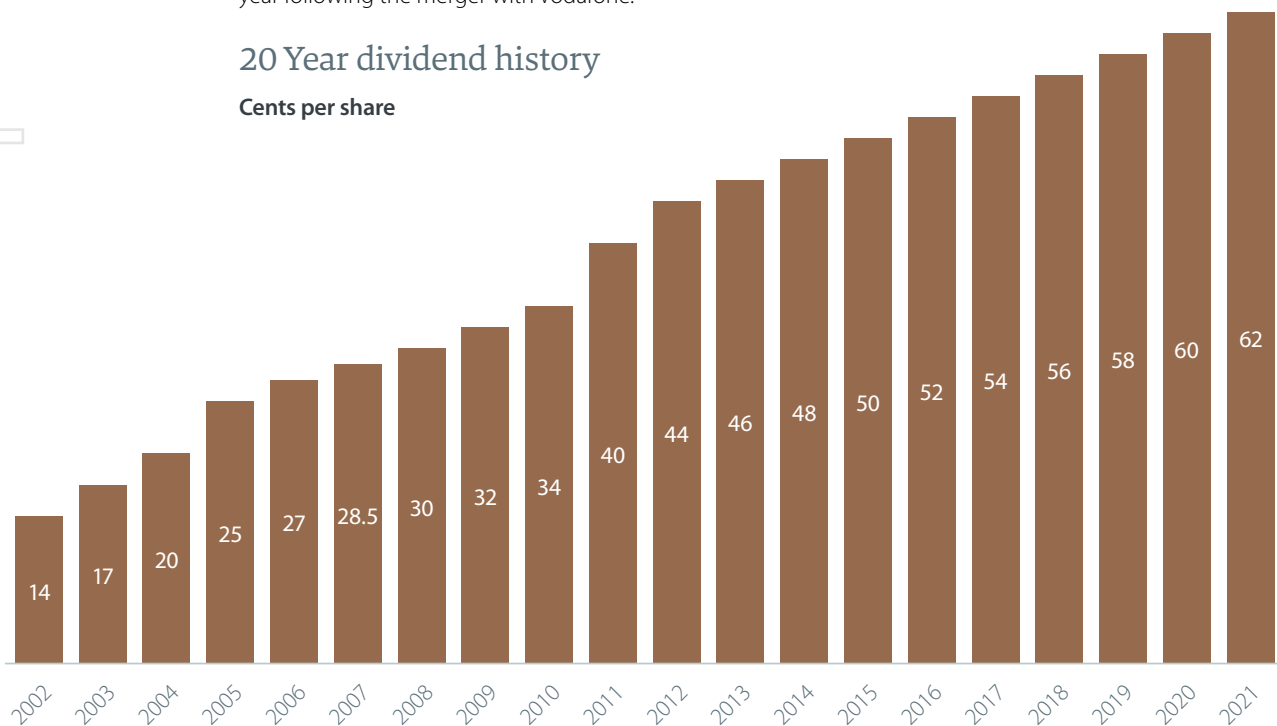
Dividends

Given the diversified mix of investments and long term focus on cash generation from investments, WHSP has an exceptional history of consistently 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 Directors determine interim and final dividends based on the Company's net cash flow from investments. These cash flows include dividends and distributions from its investments, interest income and gains on assets held for trading.

The net cash inflow from investments for the year was \$180.3 million, down 29% compared to the 2020 financial year. This decrease was mainly due to the large TPG special dividend received in the 2020 financial year following the merger with Vodafone.

20 Year dividend history

Cents per share



Full Year dividend¹

The Directors have resolved to pay a fully franked final dividend of 36 cents per share in respect of the period ending 31 July 2021 (2020: 35 cents fully franked).

The record date for the final dividend will be 22 November 2021 with payment due on 14 December 2021. The last day to purchase shares and be eligible for the final dividend is 18 November 2021.

For the 2021 financial year, WHSP will pay 82% of its net cash flow from investments as dividends to shareholders (2020: 56%).

Consolidated financial performance and portfolio Net Asset Value

Regular profit after tax attributable to members¹

The regular profit after tax attributable to shareholders for the period ending 31 July 2021 was \$328.1 million compared to \$169.8 million for the previous corresponding period.

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

	\$m	% Change
Round Oak Minerals saw increased revenues from improved production levels at all operations combined with strengthening commodity prices and lower ore treatment charges	103.3	243%
Higher investment and trading income	50.3	89%
Brickworks building products Australia and property divisions increased their contributions through cost savings and property revaluations respectively, partly offset by a lower contribution from building products North America where the COVID-19 pandemic significantly disrupted operations	39.9	95%
New Hope revenues were higher due to increased USD thermal coal prices	18.8	45%
Partly offset by a reduced contribution from the Telecommunications portfolio due to the FY2020 derecognition of TPG as an associate, removing any profit recognition during FY2021	(54.0)	-75%
Total	158.3	93%

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.

¹ Refer to Alternative Performance Measures on page 24 for the definition of net cash flow from investments.

Net profit after tax attributable to members

The statutory profit after tax attributable to shareholders includes unusual or non-operating gains and losses which are typically one-off in nature. In FY2021 statutory profit was \$273.2 million compared to \$953.0 million for the same time last year. The decrease of \$679.8 million was largely due to the prior year including a one-off accounting gain of \$1.05 billion arising from the derecognition of TPG as an equity accounted associate following the merger of TPG and Vodafone. This large one-off gain in FY2020 was not repeated in FY2021.

A comparison with the previous corresponding period is as follows:

	2021 \$m	2020 \$m	Change %
Regular profit after tax¹ attributable to shareholders	328.1	169.8	93%
Statutory profit after tax attributable to shareholders	273.2	953.0	-71%
Final dividend (to be paid 14 December 2021)	36 cents	35 cents	3%
Interim dividend (paid 13 May 2021)	26 cents	25 cents	4%
Total dividends (calendar year)	62 cents	60 cents	3%

Net Asset Value of WHSP

As at 31 July 2021	Value of WHSP's Holding \$m	12 month Movement \$m	%
Telecommunications Portfolio ²	1,523	(444)	-23%
Brickworks ²	1,592	520	49%
New Hope Corporation ²	662	117	21%
Financial Services Portfolio ^{2,3}	398	87	28%
Pharmaceutical Portfolio ²	280	(5)	-2%
Round Oak Minerals ³	234	73	45%
Equities Portfolio ²	786	275	54%
Private Equity Portfolio ³	367	95	35%
Property Portfolio ³	110	20	22%
Structured Yield Portfolio ³	295	148	100%
Cash and other net assets (excluding borrowings)	71	(193)	-73%
Less: external borrowings ⁴	(515)	(69)	15%
Net asset value (pre-tax)^{5,6}	5,803	624	12%

The net asset value of WHSP is summarised in the table above. The pre-tax value as at 31 July 2021 was \$5.8 billion, up 12.1% compared to 31 July 2020. This is 18.3% below the All Ordinaries Index which increased by 30.4% for the same period.

¹ Regular profit after tax is a non-statutory profit measure and represents profit before non-regular items. A reconciliation to statutory profit is included in Alternative Performance Measures on page 25.

² At market value

³ At cost or Directors' valuation

⁴ Refer to note 25 for details regarding external borrowings

⁵ The tax payable would be approximately \$1.119 billion if all assets had been realised at NAV as at 31 July 2021

⁶ Net asset value (pre-tax) is calculated as follows: the value of WHSP's assets less all its liabilities (other than the tax that would be payable upon the sale of its assets). Assets are valued at market value, cost or independent valuation or Directors' valuation

Significant investments and divestments in the portfolio over the 2021 financial year were as follows:

- In December 2020, the investment in New Hope Corporation was sold down from 49.98% to 43.94% realising proceeds of \$70.0 million.
- In July 2021, the investment in New Hope Corporation was sold down further from 43.94% to 39.85% (34 million shares) realising proceeds of \$61.5 million. Concurrently, WHSP entered into a cash settled equity swap to maintain its economic exposure to 34 million New Hope shares.
- New investments included a net increase in the corporate loan book included in the Structured Yield portfolio.

To fund new acquisitions and to provide liquidity for further investment opportunities WHSP increased its borrowings by \$69 million since 31 July 2020. This included \$225 million from an unsecured senior convertible notes issue in January 2021.

The net proceeds from the convertible notes, after deducting all the related costs and expenses, were \$221.1 million. The issue of the convertible notes lowered WHSP's average cost of debt and increased WHSP's debt maturity profile. The proceeds were used to repay approximately \$200 million of existing financial indebtedness, with the remaining proceeds applied to strengthen the Parent Entity's liquidity position.

Milton merger provides increased diversification, liquidity and scale

On 13 September 2021, Milton shareholders approved the Scheme of Arrangement where Milton shares will be exchanged for shares in WHSP. The combination of these two great investment houses, with aligned value focused long term investment philosophies, will create a leading more diversified Australian investment house focused on continuing long term market outperformance and growth in dividends. In addition, the merger will:

- further diversify WHSP's portfolio and provide liquidity to pursue new investments in growth asset classes;
- increase cash generation from higher portfolio dividends;
- uplift Net Asset Value per share;
- significantly increase the number of WHSP shareholders creating greater liquidity for our shares;
- increase the free-float and index weighting of WHSP; and
- expand the WHSP investment team with the addition of the Milton team who bring complementary skills and experience.

The merger, including the issue of WHSP shares to Milton shareholders, was completed on 5 October 2021.

Board changes

Director Robert Westphal will be retiring from the Board at the close of this year's AGM having been appointed to the Board in April 2006. Since his appointment he has served as Chairman of the Board Audit Committee. Robert has made a significant contribution to the Company over the time he has served as a Director. On behalf of the Board, I would like to thank Robert for his commitment and contribution to the Company.

On behalf of the Board I would like to thank management for their efforts over the last 12 months. In particular our Managing Director Todd Barlow, David Grbin our CFO and Company Secretary Ida Lawrance. Also I would like to thank my fellow Board members for their efforts over the last 12 months.



R D Millner

Chairman

Review of Group Entities

as at 31 July 2021

Telecommunications Portfolio



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Brickworks Limited



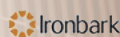
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New Hope Corporation Limited



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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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Structured Yield Portfolio

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Telecommunications Portfolio

TPG Telecom Limited

Investment: **12.6% held**
 Total market capitalisation: **\$11.49 billion**
 Value of WHSP's holding: **\$1.448 billion**
 ASX code: **TPG**



Tuas Limited

Associated entity: **25.3% held**
 Total market capitalisation: **\$297 million**
 Value of WHSP's holding: **\$75.01 million**
 ASX code: **TUA**



The Telecommunications Portfolio is made up of TPG Telecom Limited (ASX:TPG) and Tuas Limited (ASX:TUA) Limited. WHSP owns 12.6% of TPG and 25.3% of Tuas.

TPG has made strong progress on integrating the former TPG and Vodafone business and realising merger synergies in the first full year of combined operations. 5G coverage targets were exceeded and in June 2021, TPG launched its 5G home wireless product as an alternative to the NBN. In addition, the 4G home wireless customer base tripled over the first half of 2021.

The merged TPG now has 7.5 million consumer and business services, strong visible brands and a valuable portfolio of infrastructure assets to harness and improve customer experience and shareholder returns. However, external factors such as NBN margin erosion, the new Regional Broadband Scheme levy and the impact of COVID-19 on international roaming present challenges and weigh on current financial performance.

Tuas owns the former TPG Singapore business. Tuas 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.

Tuas Limited is in the process of rolling out mobile infrastructure in Singapore. It launched commercial services at the end of March 2020 and by September 2020 secured 133,000 paid active subscribers. Full coverage has been reached in outdoor locations and road tunnels. Coverage of rail tunnels is expected to be completed by the end of 2021.

Performance

TPG announced its half year 2021 results in August 2021. It reported revenue of \$2.6 billion, EBITDA of \$886 million and a net profit after tax of \$76 million. TPG delivered \$38 million in merger cost savings and expects to achieve annual savings of \$70 million over 2021.

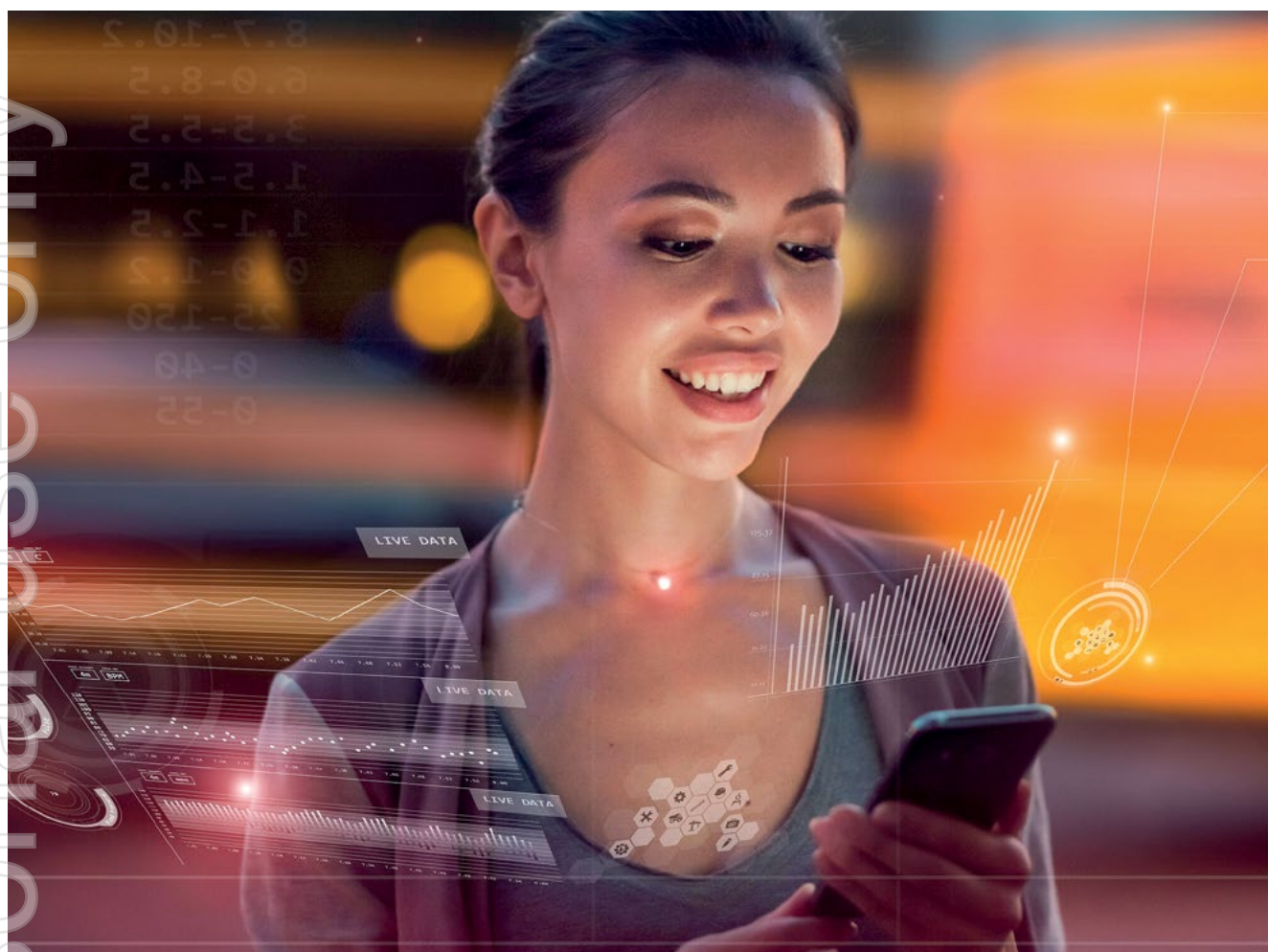
In the first full year of trading as a merged entity it generated operating cash flows of \$1,367 million and declared an interim dividend of 8 cents per share that was paid in October 2021. A final 2020 dividend of 7.5 cents was paid in April 2021.

Contribution to WHSP

The value of WHSP's telecommunications interests (TPG and TUA) fell by 22.5% to \$1.523 billion over the 12 months to 31 July 2021.

Dividends
paid to WHSP
\$**46.1**
million

Contribution
to WHSP
**\$10
million**



Source: TPG Telecom website

In the WHSP 2021 financial year, only one dividend was received from TPG, totalling \$17.6 million. No dividend income was recorded as revenue in the first half of the 2021 financial year due to the change in the TPG balance date. TPG did not contribute equity accounted profits to the Group's net profit after tax for the 2021 financial year (2020: \$1.1 billion) as WHSP ceased to equity account the profits of TPG from 29 June 2020.

Tuas is in a start-up phase and made an equity accounted loss for the 2021 financial year.

Outlook

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. It is targeting \$70m in annual cost synergies in calendar year 2021, growing to at least \$125m annual savings by 2023.

The stronger competitive position of the merged entity should enable it to robustly respond to the challenges of COVID-19 continuing to negatively impact international roaming and international visitor revenue, along with margin erosion from the NBN and introduction of the Regional Broadband Scheme levy.

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. Tuas expects the TPG Singapore business will be EBITDA breakeven once it has around a 5% market share of the Singapore mobile market (around 500,000 subscribers).

Brickworks Limited

Associated entity: **43.3% held**
 Total market capitalisation: **\$3.68 billion**
 Value of WHSP's holding: **\$1.59 billion**
 ASX code: **BKW**

BRICKWORKS
 LIMITED

Performance

Brickworks delivered a strong financial result for the 2021 financial year with underlying net profit after tax (NPAT) of \$285 million, up 95% on the prior year and demonstrating the resilience of its businesses in challenging times.

After including discontinued operations and the impact of significant items, the statutory NPAT of Brickworks was \$239 million, down 20% on the prior year. Last year's statutory result included an equity accounted share of a significant one-off gain booked by WHSP arising from the TPG-Vodafone merger.

The directors of Brickworks have declared a fully franked final dividend of 40 cents per share for the year ended 31 July 2021, up 2.6% from 39 cents in the prior year. For the 2021 financial year, Brickworks declared total dividends of 61 cents per share (2020: 59 cents per share).

Building Products Australia

Despite flat revenue, operational performance across all divisions improved significantly due to cost control. Building Products Australia recorded an EBITDA from continuing operations of \$97 million in 2021 up 8% compared to the same time last year.

Demand was subdued early in the half, steadily increasing as consumer confidence rebounded and supported by government stimulus. This momentum came to an abrupt halt in New South Wales late in the financial year, with the State Government announcing a two week pause of all construction work in greater Sydney, in response to a new outbreak of COVID-19.

A major capital investment program totalling \$205 million is underway to enhance Brickworks' competitive position. Commissioning of the masonry plant is now well underway. The brick plant is expected to be completed by the end of calendar 2022.

Dividends
 paid to WHSP
**\$39.4
 million**

Building Products North America

The total value of building activity over the 12 months to June 2021 was up 5% compared to the same time last year. Building Products North America delivered EBITDA of US\$20 million, up 10% on the prior year and EBIT of US\$6 million, down 6%. Reported in Australian dollars, EBITDA was relatively flat at \$26 million and EBIT was down 15% to \$8 million.

Significant plant rationalisation has taken place, with the closure of six manufacturing plants. The remaining network of 10 plants now comprises the more efficient, modern plants and offers production flexibility, which has long been an important competitive advantage in Brickworks' Australian operations. This flexibility is critical to meet market cycles and fluctuations in demand.

In just under three years Brickworks has built a brick business with significant scale and a leading market position in the Northeast of the United States. Over the long term, North American operations are expected to deliver further earnings growth for many years to come, with Brickworks focussed on implementing their proven market strategy focussed on style and premium product positioning.

Property

The property division delivered EBIT of \$253m, up 95% over the previous corresponding period. Revaluations contributed \$149 million to property EBIT, following average basis point compression in capitalisation rates of 25 basis points in the first half of the 2021 financial year, followed by a further 60 to 65 basis points in the second half.

As at 31 July 2021, the total value of leased assets held within the Property Trust was \$1,982 million. The annualised gross rent generated from the Property Trust is \$89 million, the weighted average lease expiry is 4.9 years and the average capitalisation rate is 4.2%. There are currently no vacancies in the portfolio.

The continuing strong demand for industrial land reflects structural changes across the economy, as companies modernise their supply chains in response to consumer preferences, such as on-line shopping. The Property Trust is ideally placed to take advantage of these trends, with well-located prime industrial land on large lot sizes. Current development activity at Oakdale in New South Wales and Rochedale in Queensland will drive growth in rent and asset value over both the short and medium term.

In total, there is 284,100m² of pre-committed gross lettable area ("GLA") across the various Property Trust Estates. The completion of these facilities over the next two years will result in gross rent within the Property Trust increasing by around \$51 million, representing an uplift of almost 60% from the current level.

In addition to the pre-committed facilities, a further 227,900m² of GLA remains available for development within the Trust and will provide further opportunity for growth in the years ahead.

Outside of the Trust, Brickworks retains other significant parcels of surplus land, suitable for development in the future. The largest site held for development is at Craigieburn in Victoria. Brickworks is currently reviewing the option of an industrial development on this land, given recent strong land growth in the Melbourne industrial market.

Contribution to WHSP

Brickworks contributed \$81.8 million to the WHSP Group regular profit after tax for the year (2020: \$42.0 million). This contribution excludes the WHSP profit taken up by Brickworks under the equity accounting method.

Brickworks contributed \$74.2 million to the WHSP Group net profit after tax for the year (2020: \$19.9 million). The increase in contribution was largely due to the strong performance of the property division and tight cost control in its building products businesses in Australia and North America.

Outlook

Building Products Australia

Within Building Products Australia, underlying demand across the country is strong, with a large backlog of detached housing construction work in the pipeline. This follows the various state and federal incentives which prompted an unprecedented surge in approvals early in 2021.

In most states across Australia this healthy pipeline of work is translating to strong sales into the detached housing segment, and we expect this will continue. In some areas, sales volume is being limited by the availability of trades.

However, in New South Wales, Brickworks' largest market, the restrictions in place to suppress the COVID-19 pandemic have adversely impacted sales and required Brickworks to reduce production to prevent stock build.

In the short term significant uncertainty persists, with the potential for new restrictions remaining ever present across all states. However, with vaccination rates across Australia now approaching government targets, Brickworks are hopeful that by the second half of the 2022 financial year, the prospect of any further restrictions will be less likely.

Building Products North America

August 2021 saw further expansion of Building Products North America, with the acquisition of IBC, the leading brick distributor in Illinois and Indiana. This will significantly increase the scale of Brickworks direct distribution network, increasing the store count from 10 to 27.

Importantly, sales volume through the IBC network will underpin production volume at Brickworks Midwest plants, which have ample capacity to accommodate additional sales growth. The acquisition will bring Brickworks' total workforce in the United States to more than 1,000.

In North America, supportive government policy and low interest rates is driving a strong increase in single family residential approvals across the United States. However, the non-residential building segment is expected to remain relatively subdued.

Over the long term, the North American operations are expected to deliver improved earnings and growth by implementing its proven market strategy focussed on style and premium product positioning.

Contribution
to WHSP

**\$81.8
million**

Property

Activity within the Property Trust remains strong, with the completion of developments at Oakdale (NSW) and Rochedale (QLD) to drive growth in rent and asset value over the next few years. With infrastructure to Oakdale West nearing completion, the Estate is now 58% pre-committed with three new tenants joining Amazon and Coles. Demand for remaining space is high and availability is becoming limited, particularly for facilities over 35,000m².

The completion of the new brick plant at the Horsley Park Plant 2 site in late 2022, will allow the release of additional land at Oakdale East, where Plant 3 is currently located.

This land is likely to be sold into the Trust and will therefore allow further expansion of the Oakdale East estate to meet the growing demand from tenants.

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.



Brickworks Oakdale West development

Source: Brickworks

New Hope Corporation Limited

Controlled entity: **39.9% held**
 Total market capitalisation: **\$1.66 billion**
 Value of WHSP's holding: **\$662 million**
 ASX code: **NHC**



NEW HOPE
GROUP

New Hope has weathered many coal price cycles in its long history, but never one driven by such a unique set of circumstances; a pandemic, increasing tension with Australia's major trading partner, and finishing the year with thermal coal prices at a 10 year high.

Performance

For 2021 financial year, New Hope generated an underlying earnings before interest, tax and depreciation (EBITDA) of \$367.2 million compared with \$289.8 million in the previous financial year. The increase in EBITDA arose from higher realised coal prices (up 10%) and cost savings, partly offset by lower volumes of coal sales (down 13%). The decrease in coal sales arose from the mid-life dragline shut-down at the Bengalla mine (80% owned by New Hope) and the ramp down at Acland following the absence of New Acland Stage 3 project approvals.

The Bengalla mine has now returned to full operation. For the 2021 financial year, saleable production was at 9.6 million tonnes (2020: 11.3 million tonnes).

At the net profit level, New Hope recorded a profit before tax and non-regular items of \$199.3m (2020: \$119.5 million), an increase of 67%. After non-regular items, New Hope reported a net profit after tax of \$79.4 million (2020: a loss of \$156.8 million). Non-regular items for the year included the cost of redundancies across the Queensland operations and corporate office, a provision for an onerous contract liability attached to New Acland and an impairment in the value of the New Acland Stage 3 project.

New Hope generated a cash operating surplus of \$296.1 million (before interest and tax), up 16% on the comparative period.

On 2 July 2021, New Hope successfully priced \$200 million of senior unsecured Convertible Notes, reflecting a fully subscribed maiden offer. The Convertible Notes are convertible into fully paid ordinary shares in New Hope. They will mature on 2 July 2026, unless otherwise redeemed, repurchased, or converted. The net proceeds of the Convertible Notes were \$195.2 million after the deduction of commissions, professional fees and other related administration costs.

Dividends
 paid to WHSP
**\$14.6
 million**

Bengalla Mine
 Source: New Hope Group



Contribution to WHSP

New Hope contributed \$60.8 million to the Group's regular profit after tax for the year (2020: \$42.0 million).

New Hope contributed a profit after tax of \$31.6 million to the Group's net profit after tax (2020: a loss of \$78.4 million).

New Hope declared a fully franked final dividend of 7.0 cents per share (2020: nil) payable on 9 November 2021 and paid a fully franked interim dividend of 4.0 cents per share (2020: 6.0 cents per share).

New Acland Stage 3 Development

On 3 February 2021, the High Court decided that New Acland's mining lease applications and environmental authority amendment application for its Stage 3 expansion should be reheard by the Land Court.

Following the High Court decision, the Land Court made orders on 12 February 2021 including to reserve four weeks commencing 1 November 2021 as tentative dates for the rehearing. This will be the third Land Court hearing relating to these approvals. The decision that will issue from the Land Court is in the form of recommendations as to whether the mining lease applications and environmental authority amendment application for the Stage 3 expansion should be granted.

Following the Land Court recommendations, decisions on the final approvals can then be made by the Department of Environment and Science and the Minister for Resources.

New Hope remains committed to the project.

Outlook

Thermal coal market fundamentals deteriorated in the first half of 2021 due to the impact of COVID-19. New Hope quickly responded to the reduction in realised prices by implementing several cost saving initiatives at its operations and undertook a significant rationalisation across corporate office functions. Towards the end of 2021 financial year thermal coal prices staged a significant rally and closed the financial year at 10-year highs.

Thermal coal pricing is forecast to remain strong off the back of constrained supply and the opening of new markets.

New Hope has a strong customer base which provides low sales risk and revenue certainty. With Australia maintaining a leading position in the global trade market even through COVID-19, the future of New Hope's high quality, lower emission coal will continue to underpin strong performance. With a focus on operational resilience while maintaining a robust balance sheet, New Hope is in a key position to capitalise on growth or transformational opportunities as they arise.

Contribution
to WHSP
\$**60.8**
million



Bengalla Mine

Source: New Hope Group

Financial Services Portfolio

Value of WHSP's holdings: **\$398 million**
Listed and unlisted entities

**Market value, cost or Directors' valuation*



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 improved with market conditions and 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.

Contribution to WHSP

WHSP received dividends of \$16.0 million from the Financial Services Portfolio during the year (2020: \$19.9 million).

The Financial Services Portfolio contributed \$12.4 million to the Group's regular profit after tax for the year (2020: \$10.2 million).

Dividends
paid to WHSP
**\$16.0
million**

As at 31 July 2021	WHSP's Holding %
BKI Investment Company Limited (ASX: BKI)	9%
Contact Asset Management Pty Limited	20%
Ironbark Asset Management	31%
Milton Corporation Limited (ASX: MLT)	3%
Pengana Capital Group Limited (ASX: PCG)	39%
Pengana International Equities Limited (ASX: PIA)	10%
Pitt Capital Partners Limited	100%
360 Capital Total Return Fund (ASX: TOT)	7%

Pharmaceutical Portfolio

Total market capitalisation: **\$1.2 billion**
Value of WHSP's holdings: **\$280 million**
Listed entities



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 \$5.2 million from the Pharmaceutical Portfolio during the year, down from \$5.6 million in the previous financial year, largely due to the impact of COVID-19.

WHSP equity accounted the Apex and Palla results for the full year.

On 1 August 2020, the investment in API was derecognised for equity accounting. Consequently, API did not contribute equity accounted profits to WHSP during 2021 financial year (2020: \$10.3 million).

The investment in API is held at market value and WHSP records dividends from API as revenue.

The Pharmaceutical Portfolio contributed \$3.5 million to the Group's regular profit after tax for the year (2020: \$12.5 million).

As at 31 July 2021	WHSP's Holding %
Australian Pharmaceutical Industries Limited (ASX: API)	19%
Apex Healthcare Berhad (Burse Malaysia code: APEX MK)	30%
Palla Pharma Limited (ASX: PAL)	20%

WHSP participated in Palla Pharma's capital raising in March 2021 investing a further \$3.6 million.

Dividends
paid to WHSP
**\$5.2
million**

Round Oak Minerals Pty Limited

Controlled entity: **100% held**
Value of WHSP's holding: **\$234 million***
Unlisted entity

** Directors' valuation*



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

Queensland operations

The Mt Colin underground copper mine production targets were met for the year with more than 470,000 tonnes of ore processed, producing approximately 34,700 tonnes of concentrate containing 9,848 tonnes of copper, 4,227 ounces of gold and 11,122 ounces of silver. There was significant focus on resource development and drilling from underground, increasing resource confidence and identifying additional ore, extended the current mine life to the end 2023.

The Barbara open pit copper mine completed mining in December 2020 with the processing of stockpiled ore completed in April 2021. Approximately 404,000 tonnes were processed up until April 2021, producing 28,700 tonnes of concentrate containing 7,382 tonnes of copper, 39,082 ounces of silver, and 1,414 ounces of gold. Drilling below the completed south pit commenced just prior to year-end as part of a study to evaluate the potential to extend the mine life via the development of an underground mine.

Western Australian operations

Production at the Jaguar operation was deliberately reduced from 30,000 tonnes per month to 20,000 tonnes per month over the first half of the 2021 financial year as resources were redirected to development of a second mining front, the Pegasus lens, discovered in 2019. Production levels were successfully increased to 40,000 tonnes per month from February 2021, combining mining from the high grade Bentayga lens with the newly developed Pegasus lens.

Jaguar processed approximately 381,000 tonnes of ore for the 2021 financial year, producing 18,202 tonnes of copper concentrate and 71,659 tonnes of zinc concentrate, together containing 3,740 tonnes of copper, 34,377 tonnes of zinc, and 1,784,000 ounces of silver. Processing plant improvements resulted in increased copper, zinc and silver recoveries, as well as increased zinc concentrate grades, both contributing to higher net revenue from the mine.

Two new lenses, Spectre and Turbo, were discovered at Jaguar in mid-2020, with both having the potential to extend production at Jaguar beyond its current three-year mine life. Underground drilling targeting these lenses, as well as extensions to the Pegasus lens, was undertaken in the second half of the 2021 financial year. Early results are encouraging and drilling of these exploration targets will continue for the remainder of the 2021 calendar year.

Victorian development assets

All primary approvals and permits for the Stockman copper-zinc project in north-east Victoria are in place, including the Mine Work Plan. Work continued on the associated Management Plans and baseline environmental data continued to be collected. A Definition Phase Study (DPS) commenced in the second half of the year, the aim of which is to optimise key elements of the project, further enhancing project economics, leading to a planned final investment decision in the second half of calendar 2022.

Exploration

Exploration activities for the year focused on the brownfield's exploration on the Jaguar tenements in Western Australia, the aim of which has been to identify additional near-mine base metals resources, predominantly underground at the Bentley mine. Greenfields exploration was conducted for both base metals and gold

Contribution
to WHSP

\$ **60.9**
million



Underground mining at Jaguar

Source: Round Oak Minerals

targets further from the current mining operations at Jaguar. Early results have been encouraging and these programmes will continue over calendar 2021.

Exploration activities in Northwest Queensland continued, investigating several prospective targets for additional copper resources, the most prospective of these being extensions to the Mt Colin and Barbara resources at depth.

Exploration activity at Stockman was focused on the identification of targets with potential to increase mineral inventories beyond the current ten years of reserves. A surface drilling programme as part of the DPS commenced in the second half, initially completing five holes for providing samples for metallurgical test work, before commencing resource infill drilling, which will continue for the remainder of calendar 2021.

Contribution to WHSP

Round Oak contributed a regular after-tax profit of \$60.9 million to the Group's result for 2021 year (2020: \$42.5 million loss). Revenue was up 62% to \$353.4 million driven by increased production at all operations combined with higher commodity prices. Mt Colin contributed its first full year of production while Jaguar production was up following the investment in mine development to open a second mining front, increasing production rates by over 30% in the second half.

Higher commodity prices for copper, zinc, silver and gold, and lower zinc smelter treatment charges, had a positive impact on gross margins. Costs remained relatively stable across the operating assets despite volumes increasing, as operational efficiencies improved the margin contributions.

Outlook

Copper and zinc prices have continued their recovery since the bottom of the market in March 2020. In the twelve months to 31 July 2021, copper prices increased by more than 50% to over US\$4 per pound and zinc is up more than 30% to over US\$3,000 per tonne. Structural tailwinds in supply and demand are expected to support strong copper price forecasts, underpinned by the transition to a green economy. Operations at Jaguar and Mt Colin, and the Stockman development project, are well placed to support the supply gap.

Equities Portfolio

WHSP does not make investment decisions to correlate our returns against an index.

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.

At 31 July 2021, the WHSP Large Caps Portfolio was valued at \$396 million. The Portfolio, which was made up of 24 companies, is currently providing a grossed-up annual dividend yield of 5.1%. Cash generated from dividends/distributions from securities within the Portfolio is paid directly to WHSP.

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. There is also an allocation to opportunistic trades in small cap securities listed on the ASX and pre-IPO positions.

As at 31 July 2021 the portfolio was worth \$391 million, a net increase of \$142 million over the balance as at 31 July 2020.

Private Equity Portfolio

The carrying value of the Private Equity Portfolio increased by \$95 million to \$367 million during the year ended 31 July 2021. This increase was principally due to new investments in the agricultural sector.

The WHSP Agricultural Holding Trust has total assets as at 31 July 2021 of \$167 million, spread across Queensland, New South Wales, Victoria and Western Australia, producing citrus, stone fruit, table grapes, kiwifruit, macadamias and cotton, largely for export markets. Some properties are undergoing further investment and redevelopment to substantially increase production in future years.

As at 31 July 2021	WHSP's Holding %
Ampcontrol	43%
Aquatic Achievers	100%
Dimeo Cleaning Services	16%
Seven Miles Coffee Roasters	40%
WHSP Agricultural Holding Trust	95%

Equities
Portfolio value
increased by
\$**275**
million

Property Portfolio

In late January 2021 the sale of WHSP's interest in a shopping centre at Penrith settled and outstanding bank debt was repaid. In the second half of the 2021 financial year further investment into industrial properties in Sydney was made.

Contribution to WHSP

The Property Portfolio contributed \$3.1 million to the Group's regular profit after tax for the year (2020: \$7.7 million).

Structured Yield Portfolio

Portfolio value
increased by

**\$148
million**

The Structured Yield portfolio consists of structured investments which generate fixed income and are downside protected with asset backing and seniority to equity investors.

Cash generated from this portfolio supplements our dividend income.

Over FY2021, this portfolio has increased by \$148 million.



Infinity Farms – WHSP Agricultural Trust



Alternative Performance Measures

The Consolidated Entity presents certain Alternative Performance Measures (APMs), including regular and non-regular profit after tax, Net cash flows from investments and net asset value. 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 Australian Accounting Standards 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 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 reconciled to its directly comparable Australian Accounting Standards financial measure, Profit after tax, on page 25.

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 Parent Entity determines dividends having regard to net cash flows from investments. Parent entity Net cash flows from investments is reconciled to Profit after tax on page 29.

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 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.

	2021 \$'000	2020 \$'000
Regular profit/(loss) after tax attributable to members		
TPG Telecom Limited	17,579	71,589
Brickworks Limited	81,842	41,960
New Hope Corporation Limited	60,815	41,968
Round Oak Minerals Pty Limited	60,871	(42,468)
Other investing activities	117,211	65,964
Intersegment/unallocated ¹	(10,203)	(9,213)
Regular profit after tax attributable to members	328,115	169,800
Non-regular items after tax		
Fair value gain on de-recognition of TPG as an equity accounted associate	–	1,050,027
Share of non-regular items from equity accounted associates	(17,750)	(15,842)
Gain on deemed disposal of equity accounted associates	5,161	5,225
Deferred tax (expense)/benefit recognised on equity accounted associates	(28,952)	23,064
Gain/(loss) on de-recognition of an associates reserves	2,550	(7,452)
Acquisition costs expensed	–	(2,245)
Impairment reversal/(expense) on equity accounted associates	25,322	(61,640)
Impairment expense on Queensland coal mining assets	(13,569)	–
Impairment reversal/(expense) on property, plant and equipment (including mine development)	1,484	(90,777)
Impairment expense on exploration and evaluation assets	(842)	(67,707)
Impairment expense on oil producing and exploration assets	–	(23,226)
Impairment expense on other assets	(869)	(14,479)
Restructuring costs	–	(12,729)
Reversal/(expense) of New Acland ramp down costs – New Hope	3,840	(4,662)
Reversal of provision for liquidation related costs – New Hope	–	7,165
Redundancies	(5,111)	(2,704)
Rehabilitation costs	–	3,311
Onerous contract	(12,564)	–
Debt waiver consent fees	(789)	–
Expected credit losses allowance	(1,867)	–
Liquidation related costs	(834)	–
Write off of loan and interest to external party	(11,550)	–
Other items	1,421	(2,162)
Total non-regular (loss)/profit after tax attributable to members	(54,919)	783,167
Profit after tax attributable to members	273,196	952,967
Less: profit/(loss) attributable to non-controlling interests	47,243	(78,512)
Profit after tax	320,439	874,455

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

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

The Parent Entity received the TPG special dividend of \$120.9 million (or 51.6 cents per share) in July 2020. With the change to the TPG reporting 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 reporting period and the 2021 reporting period.

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 reporting period 2018 to reporting period 2020. The second component can be considered as an estimate of a final reporting period 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 reporting period 2020 and reporting period 2021.

Net cash flows from investments**Year ended 31 July 2021**

Catch up dividend

Estimated final FY2021 for the pre-merger TPG usually paid in November

	2021 \$'000	2020 \$'000
Catch up dividend	–	92,418
Estimated final FY2021 for the pre-merger TPG usually paid in November	28,530	–



Parent Entity Financial Information

Source of shareholder 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 total 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 Parent entity's activities as an investor.

The consolidated financial statements recognise 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, WHSP received a special dividend of \$120 million from TPG. WHSP allocated \$28.53 million to the current reporting period and \$92.418 million to the prior reporting period. Refer to the Alternative Performance Measures section for further details.

Accounting for dividends received from Round Oak Minerals Pty Limited

During the current reporting period, the Parent Entity received \$45 million in dividends from Round Oak Minerals Pty Limited ("Round Oak"). These dividends have been excluded from the net cash flows from investments. This was done to be consistent with the treatment of Parent Entity funding of prior period Round Oak trading losses that were excluded from net cash flows from investments.

Statement of Financial Position

	As at 31 July 2021 \$'000	As at 31 July 2020 \$'000
Current assets		
Cash and term deposits	134,627	254,862
Assets held for sale	–	53
Financial assets held for trading	397,582	267,372
Other financial assets	9,068	–
Other current assets	19,702	32,544
Total current assets	560,979	554,831
Non-current assets		
Other financial assets – Listed equities	8,563	4,065
Long term equity investments – measured at market value	2,244,881	2,494,201
Long term equity investments – measured at fair value	134,860	100,079
Listed controlled and associated entities – measured at the lower of cost or impaired value	183,923	241,881
Unlisted controlled and associated entities – measured at the lower of cost or impaired value	453,688	443,494
Other financial assets – measured at fair value	40,958	32,812
Loans to controlled entities and associates	196,326	52,025
Loans to third parties	157,790	–
Other non-current assets	53,597	113,129
Total non-current assets	3,474,586	3,481,686
Total assets	4,035,565	4,036,517
Current liabilities		
Interest bearing liabilities	289,810	235,184
Other current liabilities	42,714	6,091
Total current liabilities	332,524	241,275
Non-current liabilities		
Interest bearing liabilities	216,282	199,170
Other non-current liabilities	509,110	593,118
Total non-current liabilities	725,392	792,288
Total liabilities	1,057,916	1,033,563
Net assets	2,977,649	3,002,954
Equity		
Share capital	47,176	43,232
Reserves	(169,360)	34,085
Retained profits	3,099,833	2,925,637
Total equity	2,977,649	3,002,954

Income Statement

	2021 \$'000	2020 \$'000
Profit after tax	320,226	1,476,877
Less: Non-regular items after tax		
Gain on derecognition of an associate	–	(1,254,227)
Non-cash franked dividend on demerger of an associate	–	(79,683)
Gain on sale of partial shareholding in a controlled entity	(91,390)	–
Expected credit loss allowance	1,867	–
Write off of loan to external party	11,550	–
Net impairment benefit on investments	(10,719)	98,001
Sale of property	(1,905)	–
Net impairment expense on associates	1,445	32,926
Other	3,618	1,528
Regular profit after tax	234,692	275,422
Other comprehensive income		
Net movement in the fair value of the listed investment portfolio	(217,683)	(159,819)

Market value of listed investments as at 31 July 2021
(based on ASX closing prices 31 July 2021)

	\$'000
Market value of financial assets held for trading	415,213
Long term equity investments	
TPG Telecom Limited	1,448,568
Milton Corporation Limited	135,963
BKI Investment Company Limited	102,656
Bank of Queensland Limited	83,834
Clover Corporation Limited	58,490
Commonwealth Bank of Australia	44,522
Pengana International Equities Limited	34,972
Woolworths Limited	34,492
Macquarie Group Limited	34,168
Wesfarmers Limited	30,649
Bailador Technology Investments Limited	29,213
BHP Group Limited	22,267
Other listed entities	185,087
Market value of long term equity investments	2,244,881

	Holding	\$'000
Listed controlled and associated entities		
Brickworks Limited	43.3%	1,591,895
New Hope Corporation Limited	39.9%	661,734
Apex Healthcare Berhad	29.8%	133,550
Tuas Limited	25.3%	75,007
Pengana Capital Group Limited	38.6%	63,725
Palla Pharma Limited	19.9%	11,915
Market value of listed controlled and associated entities		2,537,826
Total value of WHSP's listed investments		5,197,919
Unlisted investments (Directors valuation)		808,123
Gross debt		(514,809)
Net debt and other assets		312,455
Consolidated net assets value pre-tax		5,803,688

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 2021, the net capital gains tax liability of approximately \$1,119.3 million would have arisen based on market values as at 31 July 2021.

Of this amount, only \$496.9 million has been recognised in the Parent Entity's financial report at 31 July 2021. 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 2021 and are therefore subject to price fluctuations.

Regular Profit after Tax and Regular Operating Cash Flows

For the year ended 31 July 2021

	Year ended 31 July 2021 \$'000
Interest income (from cash and loans)	15,085
Dividend and distribution income	
TPG Telecom Limited	17,580
Milton Corporation Limited	3,166
BKI Investment Company Limited	3,320
Bank of Queensland Limited	1,580
Clover Corporation Limited	1,012
Commonwealth Bank of Australia	1,615
Pengana International Equities Limited	1,523
Woolworths Limited	899
Macquarie Group Limited	1,028
Wesfarmers Limited	917
BHP Group Limited	860
Other listed entities	17,851
Brickworks Limited	39,387
New Hope Corporation Limited	14,628
Apex Healthcare Berhad	2,033
Tuas Limited	–
Pengana Capital Group Limited	3,585
Round Oak Minerals	45,000
Other controlled and associates	8,503
Total dividend and distribution income	164,487
Other revenue	5,459
Realised and fair value (losses)/gains on equities	107,194
Other expenses	(18,794)
Finance costs	(5,902)
Regular profit before tax	267,529
Income tax (expense)	(32,837)
Regular profit after tax	234,692
Add back the following:	
TPG Final dividend escrowed*	28,530
Round Oak Minerals dividend**	(45,000)
Non-cash fair value (gains) /loss on equities	(67,496)
Net movements in working capital and tax paid	29,610
Net cashflow from investments	180,336

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

Dividends paid/payable	
– Interim of 26 cents per share paid 11 May 2021	62,243
– Final of 36 cents per share payable 14 Dec 2021	86,182
Total dividends paid/payable	148,425
Payout ratio	
Dividends as a percentage of regular operating cash flows	82.30%

* Share of TPG special dividend allocated to FY21. See page 27.

** Share of Round Oak Mineral special dividend allocated to FY21. See page 27.

Corporate Governance

The Board of Washington H. Soul Pattinson and Company Limited (WHSP, the Company) is committed to ensuring the operation of its policies and practices embed corporate governance in its day to day activities. We recognise that an appropriate culture needs to be sustained for our continued success.

WHSP's corporate governance practices have been reviewed against the ASX Corporate Governance Council *Corporate Governance Principles and Recommendations – 4th Edition (ASX Principles)*. Other than as set out in the section below on independence, WHSP's practices were consistent with the ASX Principles as at 31 July 2021. WHSP's Corporate Governance Statement has been lodged with ASX and is available on our website at whsp.com.au

WHSP is an investment holding company with investments across diverse industries and asset classes. Since listing in 1903, WHSP's purpose has been to build a resilient long term return to our Shareholders by creating capital growth along with steadily increasing dividends through disciplined investing in businesses and assets. The sustainability of industries in which we invest, the quality of the management of our investments and the impact of existing and potential investments on communities, the environment and people are key considerations when making investment and divestment decisions.

WHSP has a track record of providing above market returns and dividend growth to its Shareholders. During the recent COVID-19 pandemic, WHSP's defensive portfolio preserved shareholder capital and continued to provide strong long term equity returns.

WHSP employs a small and diverse team of professionals who understand and are aligned to this purpose. Conduct and culture are set in a highly visible manner by the Board and senior executives, and there is direct monitoring of activities.

Our disciplined assessment of investments takes a long term view where there is alignment between building a resilient long term return for shareholders and meeting the broader needs of stakeholders, including the communities where our investee companies operate. Effective risk management, including the management of environmental, social and governance (**ESG**) risks, is embedded in the implementation of WHSP's strategy. This balanced view, integration of strategy with disciplined risk management and fostering an ethical, trusted and respected culture has driven WHSP's long period of profitability and increased dividends. Our corporate governance practices reflect this balance.

Board Oversight

The Board has an ongoing focus on sustainable growth with prudent management of associated risks.

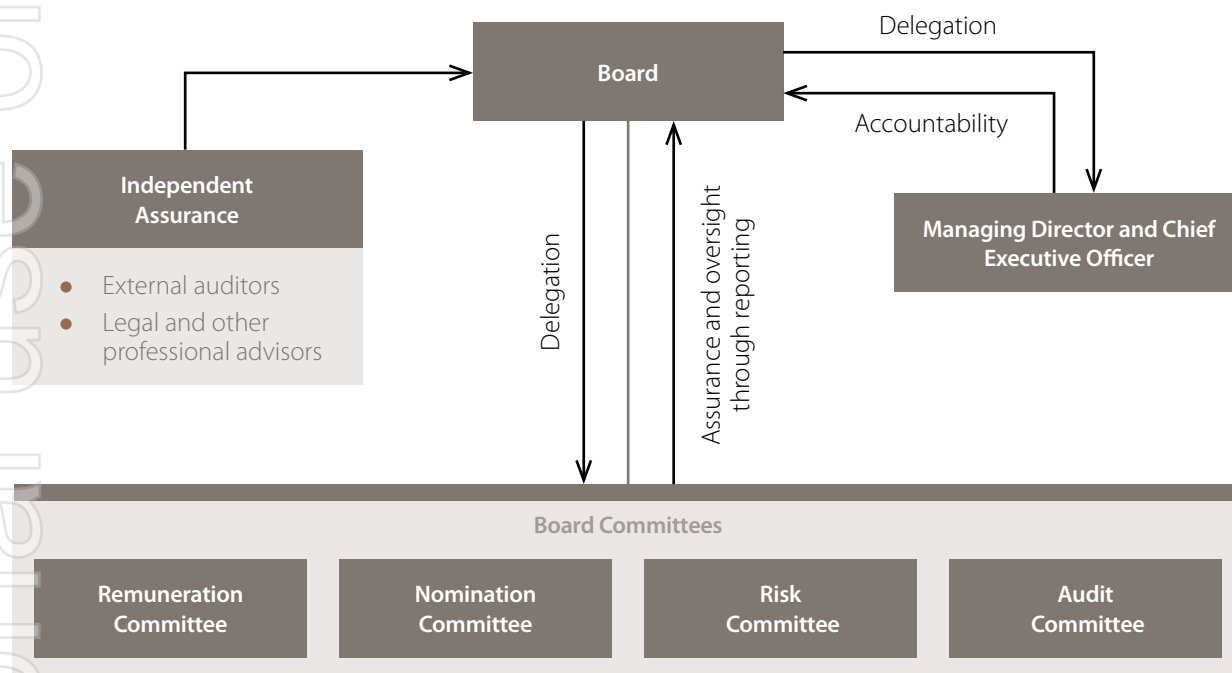
The Board's role is to:

- Provide leadership and strategic guidance to WHSP;
- Oversee the performance and conduct of WHSP; and
- Represent and report to the Shareholders of WHSP.

To fulfil its role, the Board's responsibilities include approving and overseeing Management's implementation of WHSP's strategy and business plan, as well as approving the Group's Risk Management Framework and Risk Appetite Statement. The Board also reviews the framework of systems, policies and processes by which the Company operates, makes decisions and holds people to account (**Corporate Governance Framework**).

Corporate Governance Framework

WHSP's Corporate Governance Framework sets out the roles and responsibilities of the Board and Management and establishes policies, systems and processes for oversight and monitoring of Board and management performance, corporate reporting, disclosure, remuneration, risk management and security holder engagement.



WHSP Board and Board Committee Structure

The above diagram shows WHSP's current Corporate Governance Framework, including the current Committees of the Board.

The role and responsibilities of the Board and its Committees are detailed in the Board and each of the Board Committee Charters on WHSP's website at www.whsp.com.au/policies

Culture

The strong principles and values which underpin our approach to corporate governance are designed to promote transparency, fair dealing and the protection of stakeholder interests. WHSP is committed to embedding high standards of corporate governance, which it considers integral to building a sustainable and profitable business.

The Board "sets the tone from the top" in a clear and visible way, and the desired behaviours are demonstrated by senior management and communicated to staff. The Board encourages a culture of open and frank Board discussions, where all views are respectfully considered.

The Board monitors culture by engaging with management and staff in various ways:

- key management are invited to attend Board and Committee meetings, and other members of management and staff regularly attend and present on matters as subject matter experts;
- further information is provided on request, in response to Board questions and particular areas of interest and oversight; and
- informal meetings between Board members, management and staff occur periodically during the year.

Professional Conduct

WHSP has established a *Code of Conduct* which articulates our values and deals with matters of integrity and ethical standards. The Board recognises the need for the Directors and employees to adhere to the highest standards of behaviour and business ethics.

WHSP expects all Directors and employees to:

- maintain and further enhance the Company's reputation. This includes:
 - acting in accordance with ethical and professional standards;
 - acting with honesty and integrity in dealings with Shareholders, suppliers, competitors and other stakeholders; and
 - protecting the reputation of the Company when dealing with actual or potential conflicts of interest between private and Company matters and avoiding conflicts where possible.
- as custodians of shareholder wealth, protect Company assets and confidential information. This includes:
 - complying with the Company's legal and regulatory obligations;
 - following the Company's policies;
 - not accepting unauthorised benefits as a result of their position in the Company; and
 - not engaging in insider trading.
- create a respectful workplace. This includes:
 - treating everyone with fairness and respect;
 - reporting discrimination, harassment or bullying; and
 - acting in accordance with the highest standards of workplace behaviour.

Material breaches of the *Code of Conduct* are reported to the Risk Committee.

Standards of behaviour expected of staff are also set out in key Board approved policies that are intended to instil a culture of acting lawfully, ethically and responsibly.

WHSP has a *Share Trading Policy* setting out prohibited periods for Director and staff trading in securities of the Company, a *Whistleblowing Policy* to promote a culture of corporate compliance and highly ethical behaviour and an *Anti-Bribery and Corruption Policy* to articulate our commitment to a culture of zero tolerance to bribery, corruption and facilitation payments. These policies may be viewed on WHSP's website at www.whsp.com.au/policies

Material breaches of these policies are reported to the Risk Committee.

Board and Management

The Board is ultimately responsible for the operations, management and performance of WHSP. In discharging this responsibility, the Board delegates to Senior Executives, whose role it is to manage WHSP in accordance with the directions and policies set by the Board. The Board monitors the activities of Senior Executives in the performance of their delegated duties.

It is the responsibility of the Board to determine policies and practices and take steps to satisfy itself that WHSP is compliant with statutory, legal and other regulatory obligations.

To fulfil its role, the Board's responsibilities include approving and monitoring management's implementation of WHSP's strategy, monitoring WHSP's performance, overseeing WHSP's financial position, approving WHSP's risk management framework, including major policies relating to remuneration, conduct and diversity, approving WHSP's Risk Appetite Statement and reviewing the management of material risks. The responsibilities of the Board are set out in the *Board Charter* on the website at www.whsp.com.au

The role of the Board is to provide leadership and strategic guidance, oversee the performance and conduct of WHSP and represent and report to our Shareholders. The Board appoints a Managing Director and Chief Executive Officer (**MD & CEO**) who is responsible for the overall operational management and performance of WHSP. Subject to certain powers the Board reserves for itself and financial limits on delegated authority, the MD & CEO is authorised to exercise all of the powers of the Board. The powers reserved for the Board are set out in the Board's Charter.

The Board has delegated responsibility to management for the overall operational management and performance of WHSP in accordance with the strategy, plans and policies approved by the Board.

Management's responsibilities include:

- Day to day management of WHSP;
- Monitoring the investment portfolio;
- Making investment/divestment decisions within Board delegated limits;
- Producing performance measurement reports;
- Managing the compliance and risk management systems; and
- Appointing, managing and developing staff.

The MD & CEO is responsible for ensuring that the responsibilities delegated by the Board are properly discharged.

Director Independence

WHSP is governed by a Board comprising a majority of independent, professional and highly experienced directors. The Board assesses the independence of Directors on appointment and annually against the ASX Corporate Governance Council's *Factors relevant to assessing independence of a director*.

The following non-executive Directors are considered by the Board to be independent Directors:

- Mr Michael J Hawker – Lead Independent Director
- Mrs Tiffany L Fuller
- Mr Warwick M Negus
- Mrs Josephine L Sukkar
- Mr Robert G Westphal

Having regard to the ASX Principles, two of the non-executive Directors have interests and/or associations which may impact their independence.

- Mr Robert Millner and Mr Thomas Millner have relevant interests in substantial shareholdings in WHSP as disclosed in the Directors' Report and the Remuneration Report within WHSP's 2021 Annual Report.
- Mr Robert Millner is also a director of Brickworks Limited which is a major shareholder of WHSP.

The Board does not believe that a Director:

- (a) holding shares in WHSP;
- (b) having an interest in a substantial holding in WHSP; or
- (c) being associated with a substantial shareholder of WHSP;

is detrimental to other Shareholders. The Board considers that such holdings further align the interests of those Directors with the interests of the Company's Shareholders as a whole.

While there are factors that may impact their capacity to bring independent judgement, the Board considers that they act independently in executing their duties as Directors.

Chairman Robert Millner is a Non-executive Director, however his long tenure and the substantial extended Millner family shareholding in WHSP might reasonably be seen to impact his capacity to bring independent judgement. The Board acknowledges the importance of independent board decision making and in addition to appointing Mr Hawker as the Lead Independent Director, the Board has in place formal Board Guidelines for Dealing with Conflicts of Interest.

The Board believes it is appropriate in the particular circumstances of WHSP for Mr Millner to be Chairman of WHSP, notwithstanding he is not regarded as independent under the ASX Principles:

- as there are few people more experienced as a chairman and his skill, experience and shareholding are key assets of the business; and
- a substantial, long term family shareholding in the business creates significant alignment with Shareholders' interests. Mr Millner is the 4th generation of family members involved in the governance of the business.

The responsibilities of the Lead Independent Director include acting as Chairman when the Chairman may be conflicted, assisting to review the performance of the Chairman and to provide a separate channel of communication for internal and external stakeholder and security holders, particularly where those communications may involve the Chairman or an associate of the Chairman.

Management of Conflicts

All Directors are committed to bringing their independent views and judgement to the Board and, in accordance with the *Corporations Act 2001*, inform the Board if they have any interest that could conflict with those of WHSP. The Board has approved *Guidelines for Dealing with Conflicts of Interest* to appropriately manage all perceived, actual and potential conflicts of interest. Directors are required to disclose actual, potential or perceived conflicts, and to appropriately manage a conflict the Director:

- will not receive board papers on the subject of interest, but may, at the discretion of the other Directors, be advised that certain board papers have been excluded;
- cannot be present when the matter is considered unless otherwise permitted by law or the other Directors resolve that the Director in question can be present;
- cannot vote on the matter unless the other Directors resolve that the Director in question can vote;
- cannot have access to minutes of the Board or any Board Committee meeting in relation to the subject of interest; and
- may be required by the Board to take such other steps as are necessary and reasonable to resolve any conflict of interest within an appropriate period.

Board Committees

The Board has established and delegated its authority for specific responsibilities to four standing Committees:

- Nomination Committee
- Audit Committee
- Risk Committee
- Remuneration Committee

The authority of each Committee is set out in its Charter. The Board on occasion may constitute other Committees or request Directors to undertake additional duties, such as due diligence committees in relation to strategic decisions and capital and funding matters.

The diagram below illustrates the core functions of the four standing Committees.



Diversity and Inclusion

WHSP values and respects the skills that people with diverse backgrounds, experiences and perspectives bring to achieving our purpose to grow the capital value and yield of our investment portfolio. We believe a diverse workforce incorporates a number of different factors, including gender, ethnicity, age and educational experience. We are committed to providing a work environment in which everyone is treated fairly, and with respect.

In promoting diversity we are committed to rewarding performance and providing opportunities that allow individuals to reach their full potential irrespective of background or difference. When appointing new staff or promoting people within the organisation the most suitably qualified candidates are selected. Recruitment, selection and succession planning have regard to diversity criteria and objectives for achieving diversity, including gender balance.

WHSP's *Diversity Policy* formalises its commitment to providing equal access to opportunities irrespective of background or difference. The policy may be viewed on the Company's website at www.whsp.com.au/policies.

The Diversity Policy governs the conduct of all Directors and employees of the Company.

Governance

The Board reviews the diversity of the Board and senior management as part of its review of succession planning.

The Board Remuneration Committee sets measurable objectives for achieving gender balance in the composition of the board, senior executives and the workforce generally. The objectives set by the Committee include objectives relating to gender balance on the Board, recruitment, and workplace practices to support a culture that attracts a diverse workforce.

Gender Diversity

Each year WHSP submits reporting under the *Workplace Gender Equality Act 2012* (Cth) and reports on the respective proportion of men and women on the Board and in senior management positions in its Corporate Governance Statement. Despite the relatively small number of staff that make up the workforce of its direct operations and the low level of staff turnover, the Board and management assess the diversity of its workforce, including gender diversity, at least annually. The following sets out the gender balance of the Board, senior management, senior executives and the workforce as at 31 July 2021.

2021	Board of Directors	Non-Executive Directors	Senior Management	Senior Executive*	WHSP Workforce
Total	8	7	3	12	28
Male	75.00%	71.43%	66.67%	75.00%	60.71%
Female	25.00%	28.57%	33.33%	25.00%	39.29%

* A Senior Executive is a business head, team leader or professional specialist.

Auditor Engagement and Independence

The external auditor attends Audit Committee meetings and reports on the results of their half year review and full year audit. It is the policy of the external auditor to rotate audit engagement partners on listed companies in accordance with the requirements of the *Corporations Act 2001*, which is generally after five years.

The external auditor provides an annual declaration of their independence to the Company. Information about fees paid to the external auditor is included in the Directors' Report and in the notes to the financial statements in the 2021 Annual Report.

Proposals to engage the external auditor for non-audit assignments are notified in writing to the Audit Committee Chairman prior to engagement and reported to the Audit Committee at the subsequent Audit Committee meeting.

The lead engagement partner for the Company's external auditor attended the AGM in 2020 and was available to answer Shareholders' questions about the conduct of the audit and the preparation and content of the audit report. During FY21, following a tender process, the Company appointed Ernst & Young (EY) as its external auditor. WHSP Shareholders will consider the appointment of EY as auditor of WHSP at the Company's FY21 AGM.

Commitment to shareholders and an informed market

WHSP respects the rights of its shareholders and provides access to appropriate information about the Company in a timely manner.

Market updates

The Board recognises the need to provide all investors with equal and timely access to material information regarding WHSP and for announcements to be factual, clear, balanced and complete.

WHSP has established a *Continuous Disclosure Policy* to ensure compliance with ASX and Corporations Act continuous disclosure requirements. The policy requires timely disclosure through the ASX announcement platform of information concerning WHSP that a reasonable person would expect to have a material effect on the price or value of WHSP's securities or which would materially influence the decision making of investors. Internal procedures are in place to ensure that relevant information is communicated promptly:

- New and substantive investor or analyst presentation materials are released to ASX before they are given;
- Shareholders are given the opportunity to participate in market update presentations; and
- The Board receives copies of all material market announcements promptly after they have been made.

The Chairman and Managing Director are responsible for determining disclosure obligations and the Company Secretary is the nominated ASX continuous disclosure contact for the Company. The *Continuous Disclosure Policy* is available on the Company's website.

Website

WHSP's website, www.whsp.com.au, provides information about the Company and its governance. The Governance page provides links to:

- Details of Directors and Senior Executives;
- WHSP's constitution, its charters and policies; and
- Other corporate governance materials including current and past Corporate Governance Statements and the Company's *Modern Slavery Statement* FY20.

The website also contains copies of current and past annual reports, financial reports, key financial dates, share registry details, material presentations and ASX announcements.

Shareholder meetings

WHSP facilitates two-way communication with investors. WHSP actively promotes shareholder attendance and participation at the AGM and other meetings of shareholders. The notice of meeting sent to all shareholders sets out clear instructions for participating at the meeting.

The safety of shareholders and staff is of primary importance to us. Due to the COVID-19 pandemic, the Company's FY20 AGM was held as a virtual meeting. Shareholders were able to vote, ask questions and provide comments via the virtual meeting platform. We will continue to monitor the progress of COVID-19 and regulatory developments to determine the format for the FY21 AGM.

The external auditor attends the AGM to answer shareholders' questions regarding the conduct of the audit and the content of the auditor's report.

Shareholders who are unable to attend the AGM are encouraged to vote on the resolutions of the meeting by proxy. All resolutions at the FY20 AGM were decided on a poll.

Shareholders are given the option to receive communications from, and send communications to, the Company and its share registry electronically.

Further information

For further information concerning the corporate governance practices of the Company, refer to WHSP's *Corporate Governance Statement* which is available in the Governance section of the Company's website at www.whsp.com.au



Risk Management

The success of WHSP's business requires taking risks that are known, understood, assessed and managed. We are custodians of shareholder wealth, and as long term, disciplined investors who value our reputation, sustainable investing is at the core of what we do. Our long term strategy drives culture and guides conduct at WHSP.

Our disciplined approach to investing includes the assessment and monitoring of financial and non-financial risks. As an investment holding company, the operations and related operational risks of each investment are managed by or under the direction of the directors of investee companies. We monitor the performance of each investee company and of the portfolio as a whole.

Risk Governance

The Board endorses WHSP's strategy annually taking into consideration the Board approved risk appetite statement. Risk management is central to decision making.

WHSP has a Board Risk Committee and a Management Risk Committee responsible for monitoring and reviewing key risk areas. The ongoing review of risk includes an annual risk review that is undertaken alongside WHSP's annual strategy review. The annual risk review includes an assessment of whether adjustments to the risk appetite need to be made as WHSP's strategy evolves.

Our Investments, our people and our operations

We have a broad investment mandate and our investment activity is guided by core investment principles. These principles are set out in our Sustainable Investment Policy.

We recruit talented individuals. WHSP employs 28 full time staff who are based at its headquarters in Sydney, Australia. Our Code of Conduct articulates the standards that guide our daily work.

WHSP's direct environmental and social impacts predominantly relate to resources consumed in our office and business travel to assess investment opportunities. We also conduct pre-investment due diligence and monitor our existing investments in relation to environmental, social and governance matters.

Our Risk Management Framework

WHSP manages risk through its integrated risk management framework (**Framework**). The Framework sets the foundations and arrangements for designing, implementing, monitoring and improving risk management processes and practices across WHSP.

Policies are used to articulate the standards expected of staff and to influence actions. Breaches of policy are reported to the Management Risk Committee and material breaches are escalated to the Board. Remuneration decisions of the Board consider returns to shareholders as well as ethical behaviours, operating within the law and meeting community expectations on environmental, social and governance standards. While remuneration is set using financial measures the Board is able to exercise its right to make changes to remuneration should outcomes fall short of expectations in these areas.

WHSP monitors and reports on both financial and non-financial risk in its direct operations and investment portfolio. Key risk areas include Investment risk, Sustainability and Environment risk, Regulatory and Compliance risk and Brand and Reputation risk. Investment portfolio monitoring includes scenario analysis and tolerances for Investment risk and Sustainability and Environment risk. The most conservative risk appetite is in the management of critical areas such as reputation, regulatory compliance, workplace health and safety and protection of the environment. This means the Board has a narrower tolerance for these risks. In relation to risks associated with business growth the Board accepts a higher risk appetite, consistent with WHSP's strategic objective.

APPROACH TO

Risk Management

Our approach to managing risk is guided by the following principles:

Disciplined assessment of investment risk

Investment managers bring an in-depth understanding of the sector in which capital is being deployed. They evaluate opportunities based on facts and information. WHSP assesses downside risks, but also looks to mitigate these risks. There is active monitoring of our investments.

Broad investment mandate

While WHSP has historically been an equity investor in a diverse range of industry sectors, our unconstrained mandate means that we can invest in any asset class. We look for value in sectors and/or asset classes which may not be on the radar of other investors.

Long term view

We believe that sound environmental, social and governance (ESG) practices are embedded in successful long term investing. We can afford to take a long term view as we do not need to deploy capital within a specified timeframe.

Thinking, behaving, and investing responsibly

We leverage WHSP's reputation as an investor of choice, trusted partner and flexible source of capital to differentiate ourselves from other investors. We look for opportunities where these characteristics add value.

Senior management remuneration is aligned to generating cash flow to provide consistent dividends for shareholders and to conserving capital.

Each year the Board Risk Committee reviews the Framework following the Board's consideration of strategy to satisfy itself that the Framework is appropriate to manage the key risks arising from the implementation of the proposed strategy, the Framework is sound and the Company is operating within its risk appetite.

In the financial year ended 31 July 2019 (**FY19**), with the assistance of external risk reviews, WHSP identified initiatives to improve its risk management framework and related disclosure. Actions taken in the first year included revision of WHSP's Risk Appetite Statement and risk metrics. A number of policies, including WHSP's Sustainable Investment Policy, were also put in place to better articulate WHSP's approach to risk management. In FY19 WHSP published its inaugural Sustainability Report and in FY20 WHSP published its inaugural Modern Slavery Statement.

Senior management has continued to enhance the Framework and the Board Risk Committee has monitored progress in achieving agreed outcomes. The recommendations of the FY19 external risk reviews have largely been implemented and new projects are underway to further embed the risk management framework in operations and systems.

WHSP's *Sustainability Report* and *Modern Slavery Statement* set out details of other initiatives taken to improve WHSP's risk management framework.

Investment Risk

Investment Risk is a material risk for the Company. The Board approved Risk Appetite Statement and delegated limits guide the new investment approval process and investment portfolio monitoring, measuring and reporting.

Our approach to assessing investment risk is structured to focus on areas considered to be material to the asset, the industry and related markets as well as to our portfolio as a whole. Through the combined expertise of our in-house investment team and external advisers, we have a deep understanding of the markets, the industries and the companies that we invest in, including ESG factors; demand and supply dynamics; competitive environment; and regulation.

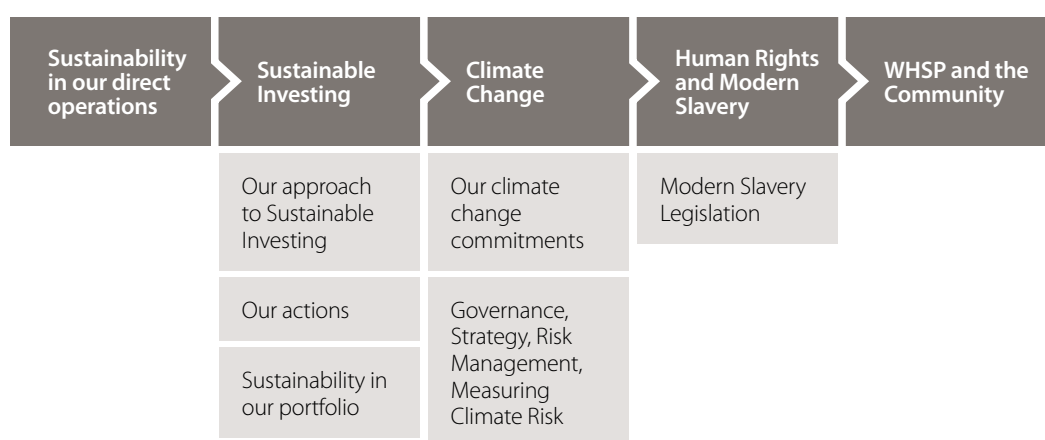
We regularly consult with experts and conduct rigorous due diligence prior to making an investment. Due Diligence considers a range of scenarios in assessing return on investments, as well as taking into account the quality of management of the investment, the industry trends and macroeconomic factors.

WHSP's investments are made in accordance with its Sustainable Investment Policy, Climate Change Policy, Human Rights Policy and Anti-Bribery and Corruption Policies. These policies may be viewed on the Company's website at www.whsp.com.au/policies. Details of WHSP's approach to financial risk management is contained in Note 28 – Financial Risk Management in WHSP's FY21 Financial Report.

Sustainability Report

WHSP recognises the need to address ESG issues in its direct operations and to assess ESG risks and opportunities as an investor. Thinking, behaving and investing responsibly underpins our proud history as a value focused investor and trusted partner.

The most material ESG risks for WHSP are within our investment portfolio, therefore the focus of this report is mainly on prudent ESG risk management as a responsible investor. This report summarises our approach and actions in the following areas:



Sustainability in our direct operations

WHSP employs 28 full time staff who are based at its headquarters in Sydney, Australia. Our direct environmental and social impacts predominantly relate to our headquarters in Sydney, Australia.

Our direct environmental impacts relate to:

- **Office footprint:** Resources consumed in our office, such as electricity, water and waste (our headquarters have a 5.5 Star NABERS Energy rating and a 4 Star NABERS Water rating)
- **Travel:** This includes business travel to assess investment opportunities, conduct pre-investment due diligence, and monitor our existing investments; and employee commuting
- **Carbon emissions:** We recognise the importance of minimising our carbon footprint and considering climate risk in our business resilience planning for our corporate operations. WHSP reports its Scope 1 and Scope 2 emissions under the National Greenhouse and Energy Reporting Act

Our direct social impacts relate to:

- **Diversity and inclusion:** Fostering a diverse and inclusive workplace
- **Talent retention:** Our ability to attract and retain top talent and provide a compelling employee value proposition
- **Modern slavery and human rights:** We recognise that there are modern slavery risks in our operations and supply chains and we engage external experts to conduct analysis when required. For further information on our commitment to respect human rights and for a description of the action taken to address modern slavery risks in our role as an employer and a buyer, refer to the Human Rights and Modern Slavery section of this Report.

Sustainable Investing

WHSP believes sustainable investing is a cornerstone of its long term success. Sustainable investing means taking into account environmental, 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.

Our purpose is to hold a diversified portfolio of assets, which generates 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.

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.

We proactively assess ESG factors and manage ESG risks to fulfil this purpose and recognise the evolving expectations of our key stakeholders in considering relevant ESG factors in our investment philosophy.

We make strategic investments in companies where we assess long term shareholder wealth creation through high quality operations. Our role as investors can include board roles as part of the oversight of significant investments. Our influence and engagement is predominantly done through active monitoring of our investments and through voting our shareholdings with all shareholders who vote on items of business considered at a meeting.

Our approach to oversight of our investee companies differs between listed and unlisted companies and depends on the sector, assets or the type of investments. Set out below is the portfolio weighting of each type of investment. This year approximately 80% of the value of our investment portfolio was invested in listed companies. Listed companies are subject to reporting requirements to provide disclosure to the market on their assessment of ESG matters and we review their disclosure as part of our monitoring and engagement.

As at 31 July 2021	Percentage of Portfolio Listed by Value %	Value of WHSP's Holding \$m	12 month Movement \$m %	
Telecommunications Portfolio ¹	100% LISTED	1,523	(444)	– 22.6%
Brickworks Limited ¹	100% LISTED	1,592	520	48.5%
New Hope Corporation Limited ¹	100% LISTED	662	117	21.5%
Financial Services Portfolio (Listed and Unlisted) ^{1,2}	87% LISTED	398	87	28.0%
Pharmaceutical Portfolio (Listed) ¹	100% LISTED	280	(5)	– 1.8%
Round Oak Minerals Group ²	UNLISTED	234	73	45.3%
Equities Portfolio ¹	96% LISTED	786	275	53.8%
Private Equity Portfolio ²	UNLISTED	367	95	34.9%
Property Portfolio (net of borrowings) ²	UNLISTED	110	20	22.2%
Structured Yield ²	20% LISTED	295	148	100.7%
Cash and other net assets	UNLISTED	71	(193)	– 73.1%
Bank borrowings ³		(515)	(69)	15.5%
Gross value of the portfolio (pre-tax)^{4,5}		5,803	624	12.1%

¹ At market value

² At cost or Directors' valuation

³ Refer to note 25 for details regarding external borrowings

⁴ The tax payable would be approximately \$1.119 billion if all assets had been realised at NAV as at 31 July 2021

⁵ Net asset value (pre-tax) is calculated as follows: the value of WHSP's assets less all its liabilities (other than the tax that would be payable upon the sale of its assets). Assets are valued at market value, cost or independent valuation or Directors' valuation

Our approach to Sustainable Investment

The Board approves delegated limits and risk tolerances to guide the investing activities of WHSP. The Board also monitors investing activities, approves investments above delegated limits and reviews significant investments. The management team are tasked with reporting to the Board on ESG issues affecting investments to assist the Board with its monitoring role.

We consider the impact of ESG risks and opportunities initially as part of the investment due diligence process. We evaluate ESG risks and opportunities associated with potential investee companies when making investment decisions, in line with WHSP's ESG risk framework including the various ESG factors outlined in Appendix A of our Sustainable Investment Policy.

Monitoring of the investment portfolio includes review of the performance of investee companies and assessment of the long term prospects of each industry in our investment portfolio to identify opportunities and potential risks. The level of ESG risk in the investment portfolio is constrained by limits within the Board approved Risk Appetite Statement consistent with our aim of achieving positive investment outcomes over the long term.

Our approach to assessing ESG risks and opportunities is 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.

By evaluating the ESG risk profile of our existing and prospective investments, we are able to take a balanced view on how these affect our investment decisions. As such, we do not exclude investments that are exposed to ESG risk and may take advantage of opportunities that arise in response to ESG risks. We invest in companies with high quality operations and where we see potential for long term shareholder wealth creation and cash generation.

We believe our investment principles 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. This understanding includes environment, social and governance factors, demand and supply dynamics, the competitive environment and regulation. Opportunities are evaluated based on facts and information. As an active owner, we focus on the downside risks to any investment, but also looks at avenues for mitigating these risks.
- **Think outside the box:** Our unconstrained mandate means that we can invest in anything and often look for value in sectors and/or asset classes which are not on the radar of other investors.
- **Have the courage to act:** We execute WHSP's strategy with conviction and believe we have the ability to make the right investments at the right time, therefore we do not always conform to the market's views.
- **Think long term and have patience for the right opportunity:** WHSP can afford to take a long term view as the company does not need to deploy capital within a specified timeframe.
- **Be different:** WHSP's reputation as an investor of choice and flexible source of capital differentiates us from other investors. We look for opportunities where these characteristics add value in any transaction.

Our actions

In FY19 we undertook a strategic review of our investment approach to help us understand where we can improve 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.

In FY20, we took steps to embed our Sustainable Investment, Climate Change and Human Rights Policies into our operations and into our monitoring framework for our investment portfolio. Then in FY21, we refined the assessment of ESG risks in new investments and undertook further engagement with significant investee companies regarding ESG risks and opportunities. Our goal is to continue to take action to understand and manage climate-related risks and opportunities as we continue to make new investments and our ESG risks evolve.

For further detail on actions taken to review our understanding of the physical risks, transitional risks, and climate change opportunities we consider as part of WHSP's approach to sustainable investing refer to the climate change section of this report. WHSP's inaugural Modern Slavery Statement outlines steps that we have taken and can undertake to better understand human rights and modern slavery issues and risks that are relevant to our business operations and supply chain.

In September 2021, Milton shareholders voted in favour of a merger with WHSP. The merger brings together two great investment houses who share aligned value-focused, long term investment philosophies. The combined group is expected to have substantial scale and liquidity to fund further diversification and pursue investment opportunities arising across a broad range of asset classes.

We are committed to evolving our approach to integrating ESG within our investment lifecycle and providing further transparency on our progress. As we continue to make new investments and the value of existing investments change, our ESG risks and opportunities will also vary.

Sustainability in our portfolio

At 31 July 2021, a significant portion of WHSP's investment portfolio consists of shareholdings in TPG, Brickworks and New Hope. The following is a summary of their ESG disclosure. As active owners we continue to monitor the ESG performance of our shareholdings and consider the associated ESG risks and opportunities as we manage our investments in these companies.

TPG Telecom

TPG Telecom is a full-service telecommunications provider listed on the ASX. They operate a number of leading mobile and internet brands including Vodafone, TPG, iiNet, Internode, Lebara, AAPT and felix.

TPG's Sustainability Council is comprised of senior leaders from across the TPG Telecom group who are instrumental in developing and endorsing TPG's sustainability strategy. TPG is committed to understanding the ways in which its business intersects with the United Nations Sustainable Development Goals.

TPG Telecom recognises the threat of global climate change and is working towards aligning its business with the aims of the Paris Agreement. This includes reducing emissions to help mitigate climate change, using their technologies to help reduce emissions within their wider society, understanding and building resilience to climate impacts, and being transparent in their disclosure of climate impacts, risks and opportunities. TPG is also working to bring future reporting in line with the requirements of the Taskforce on Climate-related Financial Disclosures.

TPG reports on its scope 1 and scope 2 greenhouse gas emissions in its Vodafone operations in line with requirements under the *National Greenhouse and Energy Reporting Act (2007)* (Cth) and provides data on Vodafone's energy use and greenhouse gas emissions in its Sustainability Report.

TPG's 2021 Sustainability Report is available on its website.

Brickworks

Brickworks is one of the world's leading providers of a full suite of building products from bricks to precast concrete panels, pavers, roofing tiles and timber products. It is listed on the ASX.

During FY20, Brickworks developed its sustainability strategy, "Build for Living: Towards 2025". Brickworks recognises the importance of increased disclosure and action related to climate risk and discloses its approach to the recommendations of the Task Force on Climate-related Financial Disclosures.

As a large scale landholder, Brickworks' approach to rehabilitation is to establish, operate and rehabilitate Brickworks sites in a manner that promotes the optimum environmental and social outcomes. Brickworks Building Products Australia monitors its environmental performance and compliance in accordance with its Environmental Management System, aligned with ISO14001:2004, utilised across the company.

Brickworks' disclose a target scorecard tracking progress against four key areas – people, community, environment and responsible business. Environmental disclosure includes energy consumption, scope 1 and scope 2 carbon emissions and Brickworks' strategy to drive energy efficiency opportunities including the use of renewable fuels.

Brickworks' 2021 Sustainability Report is available on its website.

New Hope

New Hope is a diverse Australian energy company listed on the ASX with operations in coal mining, exploration, port operation, oil and agriculture. New Hope has a robust business model based on efficient and cost-competitive production of high-quality, low emission coal that is supplied to long standing customers in both Australia and in a diverse range of Asian markets.

New Hope considers the potential impact of climate change risks on future cash flows and the identification and management of climate-related risks is governed as part of New Hope's Risk Management Framework. New Hope's climate-related risks and opportunities are set out in its FY2021 Sustainability Report.

As custodians of the land on which they operate, New Hope is an industry leader in progressive rehabilitation of land that has been disturbed by mining operations. New Hope adopts a responsible approach to both hazardous and non-hazardous waste. It reports metrics on its operational and emissions footprint, water usage, waste collection and recycling and air quality monitoring. Reporting on its operational energy and emissions footprint includes scope 1 and scope 2 greenhouse gas emissions and energy consumption.

New Hope's 2021 Sustainability Report is available on its website.

Climate Change

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 our direct operations and on the performance of our investment portfolio. We seek to manage the impacts on our direct operations by monitoring and reducing the cost of doing business, measuring our carbon emissions and minimising the environmental footprint of our workplaces. The impacts on our investment portfolio vary by sector, and geographical location. We assess the impact of climate risk on our material investments and on our portfolio as a whole. We recognise that from an investment perspective, climate change will lead to both risks and opportunities.

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 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

1. Governance

WHSP's Board oversee management's efforts to understand and manage climate-related risk and opportunities. As part of its annual strategy review, the Board – with the assistance of external experts – reviews the risks and opportunities relating to climate change. The Board also receives regular investment portfolio reporting at each meeting and key developments in material investee companies are discussed.

WHSP has a Board Risk Committee and a Management Risk Committee responsible for monitoring and reviewing key risk areas, including climate-related risks and opportunities. At each meeting of these Committees, a report on the assessment of Sustainability and Environment risk in the investment portfolio and related metrics are reviewed. The Management Risk Committee reviews compliance with key policies at each meeting and reports material breaches of policy, including WHSP's Climate Change Policy and Sustainable Investment Policy, to the Board Risk Committee.

2. Strategy

WHSP's long term strategy, broad investment mandate and disciplined investing are key to building a resilient investment portfolio for WHSP's investors. The assessment of climate change and the changes brought about by it as well as the actions of governments, regulators and markets are embedded in WHSP's investment decision making processes and strategy review. We acknowledge the importance of effective international policy frameworks to limit greenhouse gas emissions and the uncertainty of the trajectory of this transition in the short term. WHSP's strategy continues to be focused on delivering strong returns over the long term.

3. Risk Management

WHSP assesses and monitors climate-related risks in its direct operations and investment portfolio. The success of WHSP's business requires taking risks that are known, understood, assessed and managed or mitigated. We regularly consult with experts and conduct rigorous due diligence prior to making an investment. Investment portfolio monitoring includes scenario analysis of financial outcomes and reviewing metrics against board approved tolerances for climate related risks.

During the year, with the assistance of an expert advisor on physical and transitional risks created by climate change, we conducted a climate change risk assessment on substantial long term investments within the portfolio. It has assisted in reviewing our understanding of the physical risks, transitional risks, climate change opportunities and climate reporting maturity in significant investments that we hold. Through this assessment we will continue to develop our monitoring of the sensitivity of individual investments and the portfolio as a whole to physical and transition risks. See WHSP's Climate Change Policy for a description of physical and transition risks and related opportunities.

For further information on WHSP's Risk Management practices see the Risk Management Report in our FY21 Annual Report.

4. Measuring climate risk

Our Investment Portfolio

As we continue to make new investments and the value of existing investments change, our exposure to climate related risks will also vary. The Board approved Risk Appetite Statement includes risk tolerances for single sector concentration risk and concentration risk in net cash flow from investments. At each Board meeting, the Board reviews the metrics for these risks.

The Board also monitors an estimated exposure to climate-related risks based on Net Asset Value. As at 31 July 2021 :

- 13% of our portfolio value is invested in energy producers with exposure to fossil fuels; and
- 54% of our portfolio value is invested in large energy users.

We continue to advance our thinking on appropriate metrics and supporting methodologies to help us understand, measure and monitor climate risk.

Our Direct Operations

- WHSP reports its Scope 1 and Scope 2 emissions under the National Greenhouse and Energy Reporting Act.
 - Scope 1 emissions from WHSP's head office activities: 4 tCO₂-e⁽¹⁾
 - Scope 2 emissions from WHSP's head office activities: 34 tCO₂-e⁽²⁾
- Our headquarters have a 5.5 Star NABERS Energy rating and a 4 Star NABERS Water rating.

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 Code of Conduct and Diversity Policy. 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.

Our Human Rights Policy is available on our website at www.whsp.com.au/policies

Modern Slavery Legislation

We published our inaugural Modern Slavery Statement (Statement) outlining steps that we can undertake to better understand where the potential risks lie in our operations or supply chain and our sphere of influence to mitigate the risks. Although we have limited control over the operations of investee companies, we are disciplined in assessing risk and taking steps to mitigate risks we identify, including modern slavery risk. We will take steps to hold investee companies accountable for addressing modern slavery risks to the extent that we can influence our investee companies.

¹ WHSP's FY20 National Greenhouse and Energy Reporting submission.

² WHSP's FY20 National Greenhouse and Energy Reporting submission.

Ahead of publishing the Statement, a number of activities were undertaken 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. 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.

In accordance with the requirements of the *Australian Modern Slavery Act (2018)* our inaugural Modern Slavery Statement described:

- our reporting structure, operations and supply chains
- the risks of modern slavery practices in our operations and supply chains and the actions taken to assess and address these risks
- how we assess the effectiveness of actions taken and the process of consultation taken with any entities we own or control

Our Modern Slavery Statement is available on our website at www.whsp.com.au/policies

WHSP and the community



Pilot Neil Taylor demonstrating the avionics equipment in an RFDS aircraft

Lewy Pattinson donated the first plane to the Royal flying Doctor Service (RFDS).

Since this time, WHSP has had a long association with the Royal Flying Doctor Service of Australia through its founders and more recently through direct support.

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 is fitted out to be a critical-care medical unit.

In 2020 we funded the purchase of two Flightcell SatCom systems, which provide better voice, data and aircraft tracking capabilities. This has enabled pilots to link all communications through the one unit anywhere in the country, at any altitude, even when outside coverage of conventional communications tracking. By allowing pilots to more easily and safely fly solo missions, the Flightcell SatCom systems have improved response times resulting in a greater number of evacuations of injured people in remote areas.



Flightcell DZMx – satellite communications and tracking device

This year, WHSP has funded the purchase of five additional Flightcell SatCom systems to continue to support the RFDS to save lives. We are proud supporters of the Royal Flying Doctor Service and the critical emergency care that they provide in regional, rural and remote areas.



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 2021.

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**
- **Mrs J L Sukkar AM**
- **Mr R G Westphal**

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:

	Cents Per Share cents	Total Amount \$'000	Franking %	Date of Payment
Declared and paid during the year				
Final ordinary dividend 2020	35	83,788	100%	14 December 2020
Interim ordinary dividend 2021	26	62,243	100%	14 May 2021
Dealt with in the financial report as dividends	61	146,031		
Resolved to pay after the end of the year				
Final ordinary dividend 2021	36	129,912	100%	14 December 2021

Review of Operations

The profit after tax attributable to members for the year ended 31 July 2021 was \$273.2 million, 71.3% lower than last year. The decrease was largely due to the prior year including a one-off accounting gain of \$1.05 billion arising from the derecognition of TPG as an equity accounted associate following the merger of TPG and Vodafone. That large one-off gain in FY2020 was not repeated in FY2021.

Comparison with the prior year is as follows:

	2021 \$000	2020 \$000	Change %
Revenue from continuing operations	1,501,778	1,368,467	+9.7%
Profit after tax attributable to members	273,196	952,967	-71.3%
Interim Dividend (paid in May)	26 cents	25 cents	+4.0%
Final Dividend (payable 14 December 2021)	36 cents	35 cents	+2.9%
Total Dividends	62 cents	60 cents	+3.3%

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 23 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. See Events Subsequent to the Reporting Date for a description of significant changes in the state of the affairs of the Consolidated Entity following the end of the financial year under review.

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 28 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

On 22 June 2021, WHSP entered into a Scheme Implementation Agreement with Milton Corporation Limited ("Milton"), under which it was proposed that the Parent Entity would acquire 100% of the share capital of Milton it did not already own. Since that date, the following events have occurred:

- On 13 September 2021, the Scheme Meeting was held. The Scheme Resolution was passed by the requisite majorities of Milton shareholders.
- On 20 September 2021, the Federal Court of Australia approved the Scheme of arrangement.
- On 5 October 2021, the scheme of arrangement in relation to the merger of WHSP and Milton was implemented. In accordance with the scheme, all Milton shares not already owned by WHSP have now been transferred to WHSP. Former Milton shareholders were issued 121.47 million newly issued WHSP shares which equates to \$4.61 billion in consideration.

In July 2021 WHSP granted a call option to Wesfarmers Limited ("Wesfarmers") over its 19.3% shareholding (95.1 million shares) in Australian Pharmaceutical Industries Limited ("API"). Since that date, the following events have occurred:

- On 16 September 2021, Wesfarmers announced it had entered into a Process Deed with API in relation to a proposal to acquire 100 per cent of the shares in API.
- On 7 October 2021, Wesfarmers exercised the call option and acquired WHSP's shareholding in API.

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.

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 most recent report to the Greenhouse and Energy Data Officer.

New Hope Group (New Hope)

Environmental Compliance

During the 2021 financial year, New Hope did not receive any Penalty Infringement Notices and was not prosecuted for any breach of environmental laws.

Mining Lease Compliance

In June 2021, Jeebropilly Collieries Pty Ltd received a penalty notice for \$56,716 under the *Mineral Resources Act (1989)* in relation to historical mining activities at Jeebropilly. All matters are now closed.

Round Oak Minerals Pty Limited (Round Oak)

Environmental regulation

During the year, Round Oak operated in four state government jurisdictions in Australia, regulated under each state's environmental legislation and policies.

Queensland

The Queensland operations consist of 13 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 during the year. During the year, the Mt Colin underground copper mine was operational, Barbara open pit copper mine transitioned to care and maintenance, and the Cloncurry operations (GAM and Wallace) continued under care and maintenance. Rehabilitation earthworks at Wallace commenced prior to the site being placed in care and maintenance during July 2020 and were completed during the year.

Queensland sites are transitioning to Queensland's new financial provisioning scheme, paying a contribution to the scheme fund under financial assurance reforms. Mt Colin and GAM have been assessed as medium risk. Barbara and Wallace sites are to be assessed in FY22.

A conditional sales agreement (Agreement) for the Cloncurry operations was signed on 31 July 2021. The Agreement transfers the environmental obligations under the GAM and Wallace sites to the Purchaser.

Western Australia

The Jaguar base metals operation in Western Australia, acquired in June 2018, is regulated by the Department of Mines, Industry Regulation and Safety (DMIRS) and the Department of Water and Environment Regulation (DWER) under state legislation. The operation submitted a revised mine closure plan in January 2021, with DMIRS issuing a request for further information following their review of the plan. Studies are currently underway to provide the information required to respond to the information request, with a revised plan scheduled for submission in January 2022.

South Australia

The White Dam gold mine in South Australia was regulated by the Department of Energy and Mining (DEM) and the Environmental Protection Authority (EPA) S.A. under state legislation. Only processing activities were undertaken during the year, utilising the SART processing plant. Round Oak conducts environmental monitoring and annual compliance reporting in accordance with its MLs and program for environment protection and rehabilitation (PEPR), and the operation substantially complied with all conditions of approval, applicable compliance standards and required outcomes during the year.

Sale of the White Dam operation was completed on 29 July 2021.

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 (EPA) Victoria and the Department of Environment, Land, Water and Planning (DELWP). After the Group 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 has continued during the year and the Group has continued to engage with government agencies and the community. The Definitive Feasibility Study (DFS) for the project is currently underway.

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 2020
- 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

Former listed company directorships in the past three years:

- Palla Pharma Limited – Appointed 2015. Resigned 4 February 2021

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, 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

Former listed company directorships in the past three years:

- Costa Group Holdings Limited – Appointed 2015. Resigned September 2018
- Smart Parking Limited – Appointed 2011. Resigned December 2020

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.

Other current listed company directorships:

- Westpac Banking Corporation – Appointed 2020

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. Mr Negus is a director of Virgin Australia Holdings Limited and 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
- Dexis Funds Management Limited – Appointed February 2021

Former listed company directorships in the past three years:

- URB Investments Limited – Chairman Appointed 2016. Resigned 20 December 2019
- Virgin Australia Holdings Limited – Appointed 2017. Company delisted November 2020

Josephine Louise Sukkar AM BSc(UNSW), GradDipEd

Non-executive Director since July 2020

Member of the Nomination, Remuneration and Risk Committees

Mrs Sukkar is co-founder and principal of Australian construction company Buildcorp. She is an experienced business owner and public company director, serving on a number of public, government and honorary boards, including Opera Australia, the Property Council of Australia, Australian Sports Commission and the Green Building Council of Australia. Mrs Sukkar has a Bachelor of Science (Hons), is a Fellow of the University of Sydney and is 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 EY for 25 years, retiring in 2005. Mr Westphal 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 has a Bachelor of Commerce from the University of NSW. He is a Fellow of the Institute of Chartered Accountants in Australia and the Financial Services Institute of Australasia, and a member of the Australian Institute of Company Directors. Mr Westphal was formerly a director and the Chairman of the Board of Governors of Queenwood School for Girls Limited.

Company Secretary

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

Company Secretary since September 2020

Mrs 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 ASX-listed global financial services company. Prior to this Mrs Lawrance practised as a lawyer in both the private and public sectors. Mrs Lawrance has a Bachelor of Commerce (Honours) and a Master of Laws. She is a Fellow of the Governance Institute of Australia and a Graduate of the Australian Institute of Company Directors.

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.

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
Mr R D Millner	N,Re,Ri	19	19	–	–	1	1	1	1	4	4
Mr T J Barlow	Ri	19	19	–	–	–	–	–	–	4	4
Mrs T L Fuller	A,N,Re,Ri	19	19	9	9	1	1	1	1	4	4
Mr M J Hawker	A,N,Re,Ri	19	19	9	9	1	1	1	1	4	4
Mr T C D Millner	N,Re,Ri	19	18	–	–	1	1	1	1	4	4
Mr W M Negus	A,N,Re,Ri	19	18	9	8	1	1	1	1	4	4
Ms J L Sukkar*	N,Re,Ri	19	19	–	–	–	–	–	–	1	1
Mr R G Westphal	A,N,Re,Ri	19	18	9	9	1	1	1	1	4	4

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

N Member of the Nomination Committee of Directors during the year.

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

Ri Member of the Risk Committee of Directors during the year.

* Mrs J L Sukkar was appointed as a Committee Member on 1 April 2021.

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	*22,485,768
Mr T J Barlow	146,446
Mrs T L Fuller	1,800
Mr M J Hawker	35,300
Mr T C D Millner	*21,630,464
Mr W M Negus	33,000
Mrs J L Sukkar	1,573
Mr R G Westphal	23,739

* 21,612,053 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	258,621

Refer to the following Remuneration Report for further information.

Interests in Contracts

Investment Management Agreement

In November 2018 WHSP entered into an Investment Management Agreement with Contact Asset Management (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 2021 (FY20: \$330,000). No performance fees are payable to Contact under the contract.

The Directors, excluding Mr T C D Millner, reviewed the terms of the contract 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 50% shareholder of Contact. WHSP was a 20% shareholder of Contact until 15 October 2021.

For further information regarding the above contracts refer to note 37 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 2021.

During the year our shares traded at an all time high, we announced a significant merger and paid, for the 21st year in a row, an increased dividend. Our TSR outpaces the market over both short and longer term time horizons.

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; and
4. Reinforce a standard of ethical behaviour, compliance with laws and risk culture that are in line with community expectations.

WHSP is a member of the ASX100 and in the past year saw its market capitalisation increase from \$4.7 billion to \$7.8 billion. Following the completion of the merger with Milton on 5 October 2021, the Company's market capitalisation is now over \$12 billion and the number of shareholders has increased to 56,309.

Following last year's remuneration report and our continued engagement with shareholders and their advisors, feedback about our approach to remuneration has continued to be positive. As a result, we have not made any significant changes. It continues to be strongly aligned with the interests of our shareholders.

STI objectives focus management on cashflow 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 seek to reward management when our NAV grows ahead of the market.

In FY21, the cashflow growth hurdle was not met due to a high base in FY20 which included a large catch-up dividend from TPG ahead of its merger with Vodafone. Similarly, the NAV growth hurdle was not met as the market experienced a strong recovery from the Covid-19 sell-off in FY20 which did not impact on WHSP's resilient portfolio in FY20.

Despite a strong cashflow result allowing higher dividends to shareholders and a 12% growth in the NAV, no STI will be awarded to KMP in this financial year.

LTI rewards achievement in two areas: TSR and long term absolute growth in our NAV. The LTI rewards above market TSR over the three year measurement period. 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. 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.

For the coming year, the Board has extended its long term incentive plan to all levels of management within the company in the hope that becoming shareholders over time will encourage them to also grow value in the future.

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. 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.

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 FY21 New Hope Annual Report (ASX:NHC).

Abbreviations used in this report

ASX	Australian Securities Exchange
CAGR	Compound annual growth rate
EPS	Earnings per share
KMP	Key management personnel
KPI	Key performance indicator
LTI	Long term incentive

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

Structure of Report

This report includes:

- KMP included in this report
- Remuneration policy and framework
- Elements of remuneration
- Performance indicators
- Remuneration expenses for KMP (statutory remuneration)
- Remuneration received by KMP of WHSP (non-statutory information)
- Contractual arrangements for executive KMP
- Share-based compensation
- Other statutory information

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	
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

Mrs Ida Lawrance	Group Executive – Legal and Governance
Mr David R Grbin	Chief Financial Officer
Mr Ian D Bloodworth	Company Secretary to 25 September 2020

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

Remuneration framework

Remuneration Governance

The Remuneration Committee of the Board of WHSP consists of Non-executive Directors. The Committee's role is to oversee WHSP's remuneration policies and practices, and make recommendations to the full Board on remuneration matters including the terms of employment for the Managing 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. The responsibilities of the Committee are outlined in its Charter, which is available on WHSP's website.

Non-executive Director Remuneration

Board policy is to remunerate Non-executive Directors at comparable market rates. WHSP's Non-Executive Directors are remunerated for their services from the maximum aggregate amount approved by shareholders. WHSP shareholders approved the current limit (\$2million per annum) at WHSP's 2016 AGM. Remuneration levels are reviewed annually by the Remuneration Committee and are not subject to performance based incentives.

Executive Remuneration

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

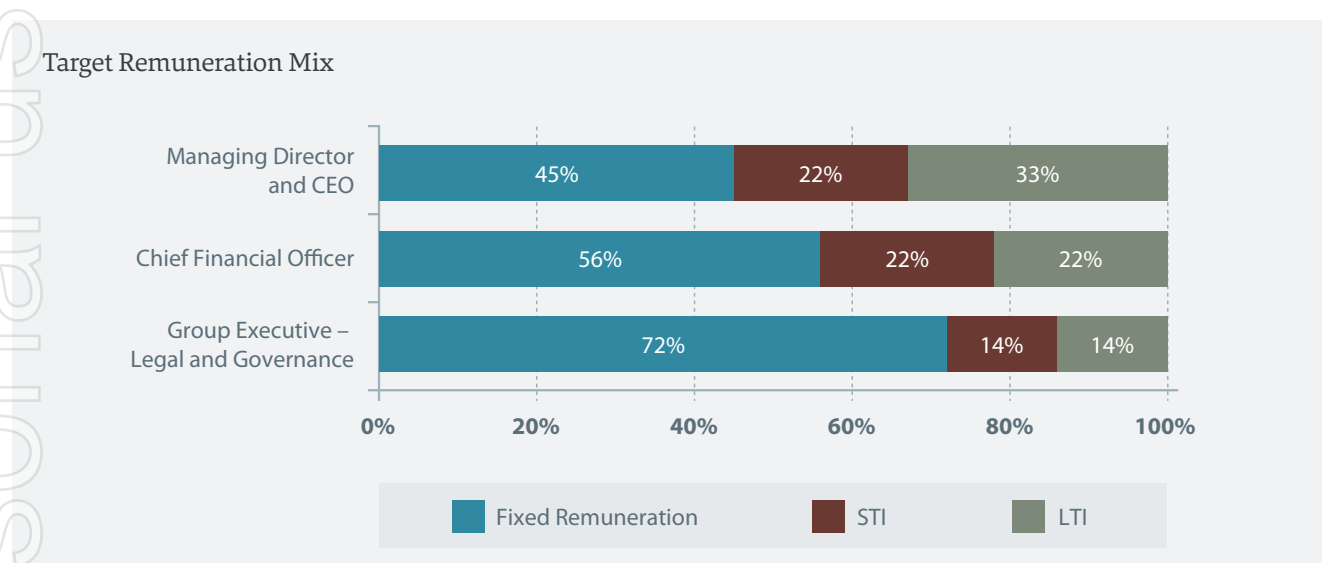
The Executive Key management Personnel (KMP) are remunerated by way of fixed remuneration, short term incentives (STIs) and long term incentives (LTIs). Annual STIs are set in order to drive performance without encouraging undue risk taking. LTIs are assessed over a three and/or four year period and 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 similar market capitalisation. 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 key performance indicators (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 2021 was:



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. FY21 Non-executive Director fees as at 31 July 2021 are set out below.

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 2021 was below the 50th percentile for ASX listed Companies with a market capitalisation between \$3.5 billion and \$7.5 billion. Therefore with effect from 15 September 2021 the following changes to Board and Committee Chair fees were approved by the Remuneration Committee.

Annual Non-executive Director Fees

	Chair Fee	Board Member	Audit Chair	Audit Member	Rem Chair	Rem Member	Risk Chair
FY21	\$346,700	\$162,800	\$30,000	\$17,500	\$25,000	\$14,000	\$10,000
FY22	\$375,000	\$175,000	\$40,000	\$17,500	\$30,000	\$14,000	\$30,000

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 2021 remuneration of the Non-executive Directors by the Parent Company and unlisted controlled entities amounted to \$1,597,892.

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 Key Management Personnel Remuneration

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.

Short term incentives

Structure of short term incentives

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.

Feature	Description				
STI pool	Based on target performance	50% of Managing Director's fixed remuneration			
		40% of Chief Financial Officer's fixed remuneration			
		20% of Group Executive Legal and Governance's fixed remuneration			
		10% of the fixed remuneration of other participants in the plan			
	The size of the pool is determined by the performance metrics below, in the event that the targets are exceeded (performance metrics exceed 100%) the pool will be increased as set out below.				
Determination of STI pool	The pool determination metrics align with WHSP's strategic goals to maximise shareholders' returns.				
	Objective	Weighting	Threshold (80%)	Target (100%)	Outperformance
	Regular cash to the parent company net of regular expenses	50%	> 0% and < 4% higher than previous year	4% to < 5% higher than previous year	5% to < 6% = 110%
					6% to < 7% = 120%
					7% to < 8% = 130%
					8% to < 9% = 140%
					9% and higher = 150%
	As dividends are paid out of parent company cash, increasing net cash inflows enable the payment of increasing dividends.				
	Adjusted net asset value (post tax) per share (adjusted by adding back dividends paid by the parent company)	50%	> 0% and < 2% higher than ASX200 Accumulation Index	2% to < 3% higher than ASX200 Accumulation Index	3% to < 4% = 110%
					4% to < 5% = 120%
					5% to < 6% = 130%
					6% to < 7% = 140%
					7% and higher = 150%
	Increases in net asset value per share drive increases in the WHSP share price.				

Entitlement to the STI pool	<p>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.</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>
Delivery of STI	100% of the STI awarded is paid in cash following release of the year end results.
Board Discretion	The Board retains discretion to increase or decrease, including to nil, the STI pool, if it forms the view that not doing so would present a risk of a "strike" against the Company's Remuneration Report issued pursuant to Section 300A of the Corporations Act. In exercising this discretion the Board shall take into account, amongst other factors it considers relevant, Company performance from the perspective of Shareholders over the relevant year.

Long term incentive plan

Washington H. Soul Pattinson and Company Limited Rights Plan

The LTI plan was designed to reward senior executives for above market performance.

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

Structure of LTIs for the KMP

Feature	Description															
Opportunity/ Allocation	75% of Managing Director's fixed remuneration 40% of Chief Financial Officer's fixed remuneration 20% of Group Executive – Legal and Governance's fixed remuneration															
Number of Performance Rights	Number of Rights = $\text{Stretch LTI Value} \div \text{Right Value}$ Where: Stretch LTI Value = $\text{Fixed Remuneration} \times \text{Target LTI \%} \div \text{Target Vesting \%}$ Target vesting = 50% Right Value = $\text{Share Price} - (\text{Annual Dividend} \times \text{Measurement Period in Years})$ Share Price = The volume weighted average share price over the 14 days prior to the fifteenth day following the announcement of the previous financial year results of the Company. As 100% of Rights to be granted will only vest when stretch performance goals are achieved, it is expected that a lesser percentage will actually vest unless exceptional performance is achieved.															
TSR rights	50% of rights issued are subject a TSR performance condition – tranche 1															
NAPSG rights	50% of rights issued are subject a NAPSG performance condition – tranche 2															
TSR performance hurdle	<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><tr><th>Performance Level</th><th>Company's TSR Compared to the All Ordinaries Accumulation Index</th><th>Vesting % of Tranche</th></tr><tr><td>Below Threshold</td><td><100% of Index</td><td>0%</td></tr><tr><td>Target & Threshold</td><td>100% of Index</td><td>50%</td></tr><tr><td>Between Target and Stretch</td><td>>100% & < 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></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%	Target & Threshold	100% of Index	50%	Between Target and Stretch	>100% & < 100% of Index Plus 3% CAGR	Pro-rata	Stretch	≥100% of Index Plus 3% CAGR	100%
Performance Level	Company's TSR Compared to the All Ordinaries Accumulation Index	Vesting % of Tranche														
Below Threshold	<100% of Index	0%														
Target & Threshold	100% of Index	50%														
Between Target and Stretch	>100% & < 100% of Index Plus 3% CAGR	Pro-rata														
Stretch	≥100% of Index Plus 3% CAGR	100%														

NAPSG performance hurdle	<p>This incentive is designed to focus executives on growing the value of the Company's assets which increases Shareholder wealth.</p> <p>The vesting of Tranche 2 NAPSG Performance Rights will be determined by reference to the following scale:</p>	
	Performance Level	CAGR in Net Assets Per Share during the Measurement Period
	Below Threshold	<3%
	Threshold	3%
	Between Threshold and Target	>3% & <5%
	Target	5%
	Between Target and Stretch	>5% & <10%
	Stretch	≥10%
<p>CAGR is compound annual growth rate.</p> <p>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.</p>		
Payable by participants	Nil	No amounts are payable by the participants upon the granting or the exercising of the Rights.
Vesting of Performance Rights	<p>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.</p>	
Measurement Periods	<p>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 the following year.</p>	
Cessation of Employment	<p>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.</p>	
Terms and Conditions	<p>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.</p> <p>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.</p>	
Lapse and Forfeiture of Performance Rights	<p>Performance Rights will lapse if the prescribed Vesting Conditions are not satisfied within the prescribed Measurement Period, subject to retesting.</p>	
Board Discretion and Clawback	<p>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.</p> <p>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.</p>	

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 2021 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.

Performance indicators

Performance against key measures:

Metric	Target	Performance	Impact on incentive award
STI			
Regular cash to the parent company net of regular expenses	4% higher than previous year	Below the previous year. Threshold of >0% higher not met	No STI pool
Adjusted net asset value (post tax) per share	2% higher than ASX200 Accumulation Index	Below the ASX200 Accumulation Index. Threshold of >0% higher not met	No STI pool
Entitlement to the STI pool	<p>The Remuneration Committee typically 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. In FY21 the STI pool thresholds were not achieved, therefore there was no STI pool to allocate to participating Executives.</p>		
LTI			
Vesting of December 2017 rights in September 2020			
TSR performance hurdle	3% higher than ASX All Ordinaries Accumulation Index	Annualised TSR of 17.1 % exceeding the ASX All Ordinaries Accumulation Index by 6.8% per annum	Vesting of 100% of TSR rights
Net Assets per Share Growth (NAPSG)	Regular NAPSG CAGR higher than 10%	Annualised NAPSG CAGR of 4.7% over 3 years	Vesting of 47% of NAPSG 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	2021 \$'000
Consolidated Entity						
Regular profit after tax	177,222	282,019	331,143	307,262	169,800	328,100
Parent Company						
Net cash flow from investments	137,435	143,511	143,596	169,583	252,300	180,336
Share price at year end	\$17.43	\$17.64	\$21.82	\$22.71	\$19.55	\$25.63
Ordinary dividends paid/declared	52 cents	54 cents	56 cents	58 cents	60 cents	62 cents

Remuneration expenses for KMP (statutory remuneration)

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

See the table shown on pages 64–65.

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

	Fixed Remuneration		At Risk – STI		At Risk – LTI	
	2021	2020	2021	2020	2021	2020
Parent Company						
T J Barlow	49%	39%	Nil	26%	51%	35%
D R Grbin	63%	44%	Nil	32%	37%	24%
I Lawrance	78%	N/A	Nil	N/A	22%	N/A
I D Bloodworth	N/A	66%	N/A	16%	N/A	18%

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 2021

	Target STI \$	Awarded %	Forfeited %
2021			
Parent Company			
T J Barlow	650,000	0%	100%
D R Grbin	200,000	0%	100%
I Lawrance	74,000	0%	100%

Contractual arrangements for current Executive KMP

	Term of agreement and notice period ¹	Base remuneration including Superannuation ²	Termination Payments ³
T J Barlow	No fixed term 6 months notice period	\$1,300,000	nil
D R Grbin	No fixed term 3 months notice period	\$500,000	nil
I Lawrance	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 2021.

3. Base salary payable if the company terminates employees with notice, and without cause (e.g. for reasons other than unsatisfactory performance).

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. 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. Vesting of current rights on issue is subject to the satisfaction of performance conditions only, and upon vesting the rights convert to ordinary shares in WHSP.

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

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

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

WHSP		Vesting Date		Grant Date Value
Grant Date		If relevant hurdle met over 3 years	If no vesting over 3 years re-tested over 4 years	\$
TSR Rights				
December 2017	100%	September 2020	100% September 2021	6.16
NAPSG Rights				
December 2017	100%	September 2020	100% September 2021	7.70
TSR Rights				
December 2018	100%	September 2021	100% September 2022	22.11
NAPSG Rights				
December 2018	100%	September 2021	100% September 2022	17.28
TSR Rights				
December 2019	100%	September 2022	100% September 2023	13.52
NAPSG Rights				
December 2019	100%	September 2022	100% September 2023	12.16
TSR Rights				
February 2021	100%	September 2023	100% September 2024	21.70
NAPSG Rights				
February 2021	100%	September 2023	100% September 2024	26.19

The exercise price of the above rights is disclosed in Note 36 – Share-based payments. For a description of the relevant terms of the former LTI plan in place for the years ended 31 July 2016 and 31 July 2017 see page 68.

WHSP		Vesting Date		Grant Date Value
				\$
TSR Rights				
December 2016	20%	August 2021	20% August 2021	2.56
EPS Rights				
December 2016	20%	August 2021	20% August 2021	13.10

Remuneration expenses for KMP (statutory remuneration)

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

	WHSP and unlisted controlled entity ¹					
	Short term Benefits			Post-Employment Benefits	Long term Benefits	
	Salary & Fees \$	STI \$	Non-monetary ³ \$	Super-annuation \$	Long Service Leave ³ \$	Termination Benefits \$
Non-executive Directors – 2021						
R D Millner	388,934	–	26,415	26,444	–	–
T L Fuller	194,381	–	–	–	–	–
M J Hawker	186,575	–	–	17,725	–	–
T C D Millner	161,461	–	–	15,339	–	–
W M Negus	206,870	–	–	–	–	–
R G Westphal	188,858	–	–	17,942	–	–
J L Sukkar	152,937	–	–	14,011	–	–
Executive Directors – 2021						
T J Barlow	1,328,683	–	107,025	26,444	23,953	–
Other KMP – 2021						
D R Grbin	478,349	–	32,539	21,694	–	–
I Lawrance	344,935	–	30,442	25,000	–	–
I D Bloodworth – resigned 25 September 2020	158,052	–	(20,360)	5,696	(74,611)	140,378
Total	3,790,035	–	176,061	170,295	(50,658)	140,378
Non-executive Directors – 2020						
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 July 2020	8,006	–	–	761	–	–
Executive Directors – 2020						
T J Barlow	1,287,272	904,500	32,022	25,753	38,479	–
Other KMP – 2020						
D R Grbin	478,940	340,000	(19,658)	21,003	–	–
I D Bloodworth	345,795	91,000	(2,899)	24,960	5,263	–
Total	3,383,599	1,335,500	39,037	183,904	43,742	–

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 2020 was 50% and 31 July 2021 was 43.94%.

		Listed controlled entity ² New Hope Corporation Limited (payments from NHC to WHSP KMP who are non-executive directors of NHC)						
Share-based Payments		Short term Benefits		Post-Employment Benefits	Long term Benefits	Share-based Payments		Consolidated Entity
LTI Rights ⁴	Total	Salary, Fees & non-monetary ³	STI	Super-annuation	Long Service Leave	LTI Rights ⁴	Total	Total
\$	\$	\$	\$	\$	\$	\$	\$	\$
–	441,793	220,000 ⁵	–	20,992 ⁵	–	–	240,992 ⁵	682,785
–	194,381	–	–	–	–	–	–	194,381
–	204,300	–	–	–	–	–	–	204,300
–	176,800	130,000 ⁵	–	12,404 ⁵	–	–	142,404 ⁵	319,204
–	206,870	–	–	–	–	–	–	206,870
–	206,800	–	–	–	–	–	–	206,800
–	166,948	–	–	–	–	–	–	166,948
	1,597,892							1,981,288
1,508,294	2,994,339	130,000 ⁵	–	12,404 ⁵	–	–	142,404 ⁵	3,136,803
309,397	841,979	–	–	–	–	–	–	841,979
114,476	514,853	–	–	–	–	–	–	514,853
–	209,155	–	–	–	–	–	–	209,155
1,932,167	6,158,277	480,000	–	45,800	–	–	525,800	6,684,077
–	414,196	300,514 ⁵	–	20,307 ⁵	–	–	320,821 ⁵	735,017
–	195,705	–	–	–	–	–	–	195,705
–	204,300	–	–	–	–	–	–	204,300
–	176,800	140,848 ⁵	–	13,381 ⁵	–	–	154,229 ⁵	331,029
–	206,784	–	–	–	–	–	–	206,784
–	206,800	–	–	–	–	–	–	206,800
–	8,766	–	–	–	–	–	–	8,766
	1,413,351							1,888,401
1,218,826	3,506,852	140,848 ⁵	–	13,381 ⁵	–	–	154,229 ⁵	3,661,081
262,231	1,082,516	–	–	–	–	–	–	1,082,516
102,452	566,571	–	–	–	–	–	–	566,571
1,583,509	6,569,290	582,210	–	47,069	–	–	629,279	7,198,569

3. Non-monetary remuneration includes fringe benefits provided and movements in annual leave and long service leave provisions. When annual leave or long service leave provided for in prior years is utilised, or paid out on resignation, 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 Share-based Compensation on page 63 of this report.

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

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

The tables below provide summaries of the remuneration received by KMP of WHSP during the 2021 and 2020 financial years. This information differs from the statutory remuneration tables which present remuneration in accordance with accounting standards.

	WHSP and unlisted controlled entity ¹	
	Total Fixed Remuneration \$	STI Paid \$
Non-executive Directors – 2021		
R D Millner	441,793	–
T L Fuller	194,381	–
M J Hawker	204,300	–
T C D Millner	176,800	–
W M Negus	206,870	–
R G Westphal	206,800	–
J L Sukkar	166,948	–
Executive Directors – 2021		
T J Barlow	1,355,127	904,500
Other KMP – 2021		
D R Grbin	500,043	340,000
I Lawrance	369,935	–
I D Bloodworth	163,748	91,000
Total	3,986,745	1,335,500
Non-executive Directors – 2020		
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 July 2020	8,766	–
Executive Directors – 2020		
T J Barlow	1,313,025	448,076
Other KMP – 2020		
D R Grbin	499,943	150,292
I D Bloodworth	372,723	49,468
Total	3,599,042	647,836

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 2020 was 50% and 31 July 2021 was 43.94%.

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

WHSP and unlisted controlled entity ¹			Listed controlled entity ² 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
\$	\$	\$	\$	\$	\$	\$
–	–	441,793	240,992 ³	–	240,992 ³	682,785
–	–	194,381	–	–	–	194,381
–	–	204,300	–	–	–	204,300
–	–	176,800	142,404 ³	–	142,404 ³	319,204
–	–	206,870	–	–	–	206,870
–	–	206,800	–	–	–	206,800
–	–	166,948	–	–	–	166,948
3,025,659	–	5,285,286	142,404 ³	–	142,404 ³	5,427,690
154,394	–	994,437	–	–	–	994,437
–	–	369,935	–	–	–	369,935
269,146	140,378	664,272	–	–	–	664,272
3,449,199	140,378	8,911,822	525,800	–	525,800	9,437,622
–	–	414,196	320,821 ³	–	320,821 ³	735,017
–	–	195,705	–	–	–	195,705
–	–	204,300	–	–	–	204,300
–	–	176,800	154,229 ³	–	154,229 ³	331,029
–	–	206,784	–	–	–	206,784
–	–	206,800	–	–	–	206,800
–	–	8,766	–	–	–	8,766
489,156	–	2,250,257	154,229 ³	–	154,229 ³	2,404,486
–	–	650,235	–	–	–	650,235
72,725	–	494,916	–	–	–	494,916
561,881	–	4,808,759	629,279	–	629,279	5,438,038

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

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

WHSP	Grant Date	Balance at start of year	Granted during the year	Rights to deferred shares				Balance at end of year	Maximum value in future periods¹
				Vested		Forfeited			
				Number	%²	Number	%²		
		Number		Number				Number	\$
T J Barlow	Dec 2015	6,209	—	6,209	20%	—	—	NIL	—
	Dec 2016	17,201	—	7,318	25%	5,004	17%	4,879	—
	Dec 2017	124,839	—	90,886	73%	33,953	27%	NIL	—
	Dec 2018	75,144	—	—	—	—	—	75,144	—
	Dec 2019	91,902	—	—	—	—	—	91,902	—
	Feb 2021	—	86,696	—	—	—	—	86,696	—
M R Roderick³	Dec 2017	26,747	—	19,473	73%	7,274	27%	NIL	—
D R Grbin	Apr 2018	7,319	—	5,328	73%	1,991	27%	NIL	—
	Dec 2018	15,029	—	—	—	—	—	15,029	—
	Dec 2019	20,423	—	—	—	—	—	20,423	—
	Feb 2021	—	17,784	—	—	—	—	17,784	—
I Lawrance	Feb 2021	—	6,580	—	—	—	—	6,580	—
I D Bloodworth⁴	Dec 2015	993	—	993	20%	—	—	NIL	—
	Dec 2016	2,408	—	1,024	25%	701	17%	683	—
	Dec 2017	9,987	—	7,271	73%	2,716	27%	NIL	—
	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.
4. Company Secretary until 25 September 2020.

The minimum value of the rights yet to vest is nil, as the rights will be forfeited if the vesting conditions are not met. The following sets out the key terms of the LTI plan in place for the years ended 31 July 2016 and 31 July 2017.

Feature	Description	
TSR rights	50% of rights issued are subject a TSR performance condition	
EPS rights	50% of rights issued are subject an EPS performance condition	
TSR performance hurdle	TSR is initially assessed over a 3 year period and compared to the ASX All Ordinaries Accumulation Index (Index). Vesting will occur based on the company's positioning relative to the Index. If less than 100% of the rights vest, performance is reassessed over a 4 year period. This incentive is designed to focus executives on delivering sustainable long term shareholder returns.	
	TSR performance per annum	Rights to vest
	TSR% < Index	Nil
	TSR% = Index	50%
	Index < TSR% < (Index + 3% per annum)	Progressive pro-rata from 50% to 100%
TSR% = (Index + 3% per annum) or higher	100%	
EPS performance hurdle	EPS movement is initially assessed over a 3 year period and compared to the target set out below. Vesting will occur based on the company's achievement of that target. If less than 100% of the rights vest, performance is reassessed over a 4 year period. This incentive was designed to align the interests of executives with shareholders.	
	Regular EPS	Regular EPS is the regular profit after tax of the consolidated WHSP Group, divided by the weighted average number of WHSP shares on issue across the measurement period. Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in the Alternative Performance Measures information.
	Regular EPS CAGR over measurement period	Rights to vest
	Regular EPS CAGR < 5%	Nil
	Regular EPS CAGR = 5%	50%
	5% < Regular EPS CAGR < 10%	Progressive pro-rata from 50% to 100%
Regular EPS CAGR = 10% or higher	100%	
Payable by participants	Nil	No amounts are payable by the participants upon the granting or the exercising of the rights.

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
Directors of WHSP					
R D Millner	19,760,093	295,000	–	–	20,055,093*
T J Barlow	42,033	–	104,413	–	146,446
T L Fuller	1,800	–	–	–	1,800
M J Hawker	35,300	–	–	–	35,300
T C D Millner	19,057,977*	290,000	–	–	19,347,977
W M Negus	47,000	(14,000)	–	–	33,000
R G Westphal	23,739	–	–	–	23,739
J L Sukkar	–	1,573	–	–	1,573
Other key management personnel¹					
D R Grbin	–	–	5,328	–	5,328

* 19,332,592 shares in which Mr R D Millner and Mr T C D Millner have an interest relate to holdings by the same entities.

1. D Bloodworth was no longer a KMP at year end.

Shares in New Hope Corporation Limited	Balance at start of year	Purchased/ (sold)	Received on the vesting of LTI rights	Other changes during the Year	Balance at end of year
Directors of WHSP					
R D Millner	4,177,774	–	–	–	4,177,774
T J Barlow	19,900	–	–	–	19,900
T C D Millner	3,994,368	10,000	–	–	4,004,368
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 2020 Remuneration Report

The Parent Company's Remuneration Report for the 2020 financial year was adopted at its 2020 Annual General Meeting on a poll.

This is the end of the Remuneration Report

This Remuneration Report has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, and has been audited by EY.

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

Pitcher Partners Sydney was the Parent Company's auditor until 3 February 2021 when EY was appointed auditor. During the year, Pitcher Partners and EY performed certain other services in addition to their statutory audit duties. An entity associated with Pitcher Partners Sydney was paid \$155,047 for providing tax compliance and other services in respect of the Group. EY was paid \$171,804 for the Independent Limited Assurance Report for the Milton Corporation Limited Scheme Booklet and taxation services. Details of the amounts paid to the auditors are disclosed in note 39 of the financial statements.

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

1. 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
2. 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 2021 has been received and is included on page 72.

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:

A handwritten signature in brown ink, appearing to be 'R D Millner', with a long horizontal flourish extending to the right.

R D Millner
Director – Chairman

A handwritten signature in brown ink, appearing to be 'T J Barlow', with a stylized, angular shape at the beginning.

T J Barlow
Managing Director

Dated this 25th day of October 2021.



Auditor's Independence Declaration



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

As lead auditor for the audit of the financial report of Washington H. Soul Pattinson and Company Limited for the financial year ended 31 July 2021, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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


Ernst & Young


Ryan Fisk
Partner

Sydney
25 October 2021

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Financial Report

for the year ended 31 July 2021

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 ended 31 July 2021. 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 Consolidated 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 25 October 2021.

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Consolidated Statement of Comprehensive Income

for the year ended 31 July 2021

	Notes	2021 \$'000	2020 \$'000
Revenue	4	1,501,778	1,368,467
Other income	5	144,829	9,885
Expenses	6		
Cost of sales		(895,940)	(1,021,189)
Selling and distribution expenses		(225,819)	(193,679)
Administration expenses		(71,854)	(67,500)
Acquisition costs expensed		–	(2,366)
Impairment expense	6	(17,911)	(483,887)
Other expenses	6	(24,368)	14,058
Finance costs	6	(35,652)	(35,474)
Total contribution from equity accounted associates, including fair value gain on derecognition of TPG	15	67,212	1,534,868
Profit before income tax expense		442,275	1,123,183
Income tax (expense)	7	(121,836)	(248,728)
Profit after income tax expense for the year		320,439	874,455
Profit for the year is attributable to:			
Owners of Washington H. Soul Pattinson and Company Limited		273,196	952,967
Non-controlling interests		47,243	(78,512)
		320,439	874,455
Other comprehensive income/(loss)			
<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		(198,328)	(143,437)
Disposal of long term equity investments, net of tax		(15,713)	(16,575)
Net movement after tax in capital gains reserve		16,075	9,159
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net movement after tax in hedge reserve		(31,383)	57,512
Net movement after tax in foreign currency translation reserve		(2,170)	(2,821)
Net movement after tax in equity reserve		(4,295)	1,756
Total other comprehensive income for the year, net of tax		(235,814)	(94,406)
Total comprehensive income for the year		84,625	780,049
<i>Total comprehensive income for the year is attributable to:</i>			
Owners of Washington H. Soul Pattinson and Company Limited		54,701	835,943
Non-controlling interests		29,924	(55,894)
Total comprehensive income for the year		84,625	780,049

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 2021

	2021 \$'000	2020 \$'000
Profit attributable to ordinary equity holders of the parent for basic earnings	273,196	952,967
Interest on convertible note, after tax	1,140	–
Profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	274,336	952,967
Weighted average number of ordinary shares for basic EPS	239,395,320	239,395,320
Effects of dilution from convertible note	2,501,693	–
Weighted average number of ordinary shares adjusted for the effect of dilution	241,897,013	239,395,320

	2021 Cents	2020 Cents
Earnings per share attributable to the Owners of Washington H. Soul Pattinson and Company Limited		
Basic earnings per share	114.12	398.07
Diluted earnings per share ¹	113.41	398.07

¹ FY21: Diluted EPS includes the impact of the convertible bond holders converting into ordinary equity of the parent and assumes any long term incentive rights that vest in future reporting periods are expected to be satisfied by purchasing shares on the market.

FY20: Diluted EPS is equal to the basic earnings per share as any long term incentive plan rights that vest in future reporting periods, 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 2021

	Notes	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	24	610,324	344,813
Trade and other receivables	9	163,987	148,845
Inventories	10	126,966	114,102
Biological assets	11	4,658	2,062
Assets classified as held for sale	12	13,655	26,879
Financial assets held for trading	13	397,582	267,371
Other financial assets	14	18,814	45,852
Current tax asset		–	16,283
Total current assets		1,335,986	966,207
Non-current assets			
Trade and other receivables	9	233,514	16,997
Equity accounted associates	15	899,236	810,407
Long term equity investments	16	2,362,838	2,616,094
Other financial assets	14	49,521	45,789
Investment properties	17	87,158	75,724
Property, plant and equipment	18	2,117,066	2,239,586
Exploration and evaluation assets	19	124,181	109,422
Right-of-use assets	20	125,324	117,512
Deferred tax assets	8	30,324	95,909
Intangible assets	21	133,339	117,186
Total non-current assets		6,162,501	6,244,626
Total assets		7,498,487	7,210,833
Current liabilities			
Trade and other payables	22	112,717	134,973
Contract liabilities		1,031	829
Interest bearing liabilities	25	294,727	248,213
Lease liabilities	20	18,596	22,215
Current tax liabilities		56,345	1,410
Provisions	23	63,703	58,851
Total current liabilities		547,119	466,491
Non-current liabilities			
Trade and other payables	22	143	773
Interest bearing liabilities	25	747,905	575,422
Lease liabilities	20	112,816	99,151
Deferred tax liabilities	8	619,567	672,843
Provisions	23	317,356	284,166
Total non-current liabilities		1,797,787	1,632,355
Total liabilities		2,344,906	2,098,846
Net assets		5,153,581	5,111,987
Equity			
Share capital	26	47,177	43,232
Reserves	27	(155,144)	63,253
Retained profits		4,201,400	4,133,308
Parent Entity interest		4,093,433	4,239,793
Non-controlling interests		1,060,148	872,194
Total equity		5,153,581	5,111,987

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 2021

	Share capital \$'000	Retained profits \$'000	Reserves \$'000	Total Parent Entity interest \$'000	Non-controlling interest \$'000	Total equity \$'000
Year ended 31 July 2021						
Total equity at the beginning of the year 1 August 2020	43,232	4,133,308	63,253	4,239,793	872,194	5,111,987
Net profit for the year after tax	–	273,196	–	273,196	47,243	320,439
Other comprehensive income/(loss) for the year						
Net movement after tax in asset revaluation reserve	–	(4,287)	(210,014)	(214,301)	260	(214,041)
Net movement after tax in hedge reserve	–	–	(13,819)	(13,819)	(17,564)	(31,383)
Net movement after tax in foreign currency translation reserve	–	–	(2,155)	(2,155)	(15)	(2,170)
Net movement after tax in equity reserve	–	(939)	(3,356)	(4,295)	–	(4,295)
Net movement after tax in capital gains reserve	–	114	15,961	16,075	–	16,075
Total comprehensive income/(loss) for the year	–	268,084	(213,383)	54,701	29,924	84,625
Transactions with owners						
Dividends provided for or paid ¹	–	(121,028)	–	(121,028)	(19,303)	(140,331)
Equity portion of convertible bond issued	3,945	–	–	3,945	6,613	10,558
Net movement in share based payments reserve	–	405	(1,043)	(638)	22	(616)
Tax on partial disposal of a subsidiary to non-controlling interest	–	(37,084)	–	(37,084)	–	(37,084)
Transactions with non-controlling interests	–	(37,709)	(3,971)	(41,680)	173,237	131,557
Return of capital	–	(2,421)	–	(2,421)	(4,854)	(7,275)
Equity transfer from members on issue of share capital in a subsidiary	–	–	–	–	2,315	2,315
Reclassification of a fair value investment to an associate	–	(2,155)	–	(2,155)	–	(2,155)
Total equity at the end of the year 31 July 2021	47,177	4,201,400	(155,144)	4,093,433	1,060,148	5,153,581

¹ After the elimination of \$25.0 million of the Parent Entity dividend paid to Brickworks Limited (2021: 43.3%).

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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
Total equity at the beginning of the year 1 August 2019	43,232	3,301,831	176,603	3,521,666	989,803	4,511,469
Effect of initial adoption of AASB 16	–	(2,859)	–	(2,859)	–	(2,859)
Restated balance at the beginning of the year 1 August 2019	43,232	3,298,972	176,603	3,518,807	989,803	4,508,610
Net profit for the year after tax	–	952,967	–	952,967	(78,512)	874,455
Other comprehensive income/(loss) for the year						
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 ¹	–	2,342	(2,342)	–	–	–
Net movement after tax in capital gains reserve	–	–	9,159	9,159	–	9,159
Total comprehensive income/(loss) for the year	–	952,740	(116,797)	835,943	(55,894)	780,049
Transactions with owners						
Dividends provided for or paid ²	–	(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)
Total equity at the end of the year 31 July 2020	43,232	4,133,308	63,253	4,239,793	872,194	5,111,987

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

² After the elimination of \$24.4 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.

Consolidated Statement of Cash Flows

for the year ended 31 July 2021

	Notes	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from customers inclusive of GST		1,477,683	1,418,130
Payments to suppliers and employees inclusive of GST		(1,015,846)	(1,131,485)
		461,837	286,645
Dividends received		101,229	211,664
Interest received		10,573	4,393
Interest on lease liabilities	20	(6,909)	(6,703)
Payments for financial assets held for trading		(219,524)	(164,630)
Proceeds from sale of financial assets held for trading		165,514	57,391
Acquisition costs expensed		–	(2,366)
Finance costs paid		(17,034)	(16,877)
Income taxes refund/(paid)		19,029	(27,748)
Net cash inflow from operating activities	24	514,715	341,769
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(167,006)	(205,543)
Proceeds from sale of property, plant and equipment		24,060	7,510
Payments for capitalised exploration and evaluation activities		(14,546)	(17,523)
Payments for acquisition and development of investment properties		(7,952)	(406)
Proceeds from sale of investment properties		28,273	3,794
Payments for equity investments		(120,553)	(95,031)
Proceeds from sale of equity investments		50,020	71,969
Payments to acquire equity accounted associates		(4,674)	(17,989)
Payments for acquisition of business, net of cash acquired		–	(52,683)
Payments for deferred consideration		(17,060)	(16,060)
Proceeds from sale of business, net of cash received		62	–
Loan repayments from external parties		34,863	27,966
(Payments for)/proceeds from security and bond guarantee		(4,786)	64
Loans advanced to external parties		(209,475)	(10,760)
Net cash outflow from investing activities		(408,774)	(304,692)
Cash flows from financing activities			
Dividends paid to WHSP shareholders	2	(146,031)	(141,243)
Dividends paid by subsidiaries to non-controlling interests		(19,306)	(64,941)
Proceeds from external borrowings		202,899	583,341
Repayments of external borrowings		(392,380)	(168,206)
Return of capital to non-controlling interest		(7,275)	(629)
Principal repayments of lease liabilities	20	(26,954)	(30,003)
Proceeds from part sale of shares in a subsidiary and joint venture		132,034	–
Proceeds from issue of convertible notes		416,791	–
Payment of shares acquired for the employee long term incentive plan		(4,123)	(590)
Transactions with subsidiaries non-controlling interest		2,338	2,379
Net cash inflow from financing activities		157,993	180,108
Net increase in cash and cash equivalents		263,934	217,185
Cash and cash equivalents at the beginning of the financial year		344,813	126,915
Effects of exchange rate changes on cash and cash equivalents		1,577	713
Cash and cash equivalents at the end of the financial year	24	610,324	344,813

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;
- 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 2020;
- does not adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to Note 35 – 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.

RECLASSIFICATION OF COMPARATIVE INFORMATION

Prior period information has been reclassified where appropriate, to enhance the comparability with current year disclosures. A summary of such restatements is provided below:

- The Group reassessed the classification of Australian Pharmaceutical Industries Limited (API) as an equity accounted associate as a result of Robert Millner resigning as a Director of API in July 2020. The Company has classified API as a Fair Value through Profit and Loss (FVTPL) asset in the current period and has reclassified the prior period comparative. The carrying value restated was \$105.1 million from equity accounted associate to financial assets held for sale.
- The Group performed a review of the classification of the investments which resulted in the allocation of loans at fair value and financial assets held for trading being reclassified to non-current other financial assets. The total carrying value reclassified from current to non-current was \$23.8 million.
- The Company corrected the accounting treatment applied to certain derivative financial assets and financial liabilities in the prior period. The comparative was reclassified resulting in a decrease in financial assets held for trading of \$18.0 million and an increase in Trade and other payables of \$7.2 million and Interest-bearing liabilities of \$10.8 million respectively.

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.

01 Basis of preparation (continued)

Key judgements and estimates

The preparation of financial statements requires the use of certain critical accounting estimates which by definition, will seldom equal the actual results. 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 4	Provisional pricing arrangements – sale of commodities Revenue recognition from sale of goods – supply of agricultural products	88
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02 Payment of Dividends to Shareholders

ACCOUNTING POLICY

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

	2021 \$'000	2020 \$'000
a) Dividends paid during the year		
Final dividend for the year ended 31 July 2020 of 35 cents (2019: 34 cents) per fully paid ordinary share paid on 14 December 2020 (2019: 9 December 2019) fully franked based on tax paid at 30%	83,788	81,394
Interim dividend for the year ended 31 July 2021 of 26 cents (2020: 25 cents) per fully paid ordinary share paid on 14 May 2021 (2020: 14 May 2020) fully franked based on tax paid at 30%	62,243	59,849
Total dividends paid	146,031	141,243

b) Dividends not recognised at year end

In addition to the above dividends, since year end the Directors have declared the payment of:

A final dividend of 36 cents fully paid ordinary share, (2020: 35 cents) fully franked based on tax paid of 30%

129,912	83,788
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The dividend is due to be paid on 14 December 2021 (2020: 14 December 2020) out of retained profits as at 31 July 2021, and has not been recognised as a liability at year end.

c) Franking of dividends

The final dividend for 31 July 2021 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 2022

Franking credits available for future dividend payments

Franking credits available for subsequent financial years based on an Australian company tax rate of 30% (2020: 30%)

628,911	645,193
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Subsequent to year end, the franking account will be reduced by the final dividend to be paid on 14 December 2021 (2020: 14 December 2020)

(55,676)	(35,909)
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Balance of franking credits available after payment of the final dividend

573,235	609,284
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On 5 October 2021, the scheme of arrangement in relation to the merger of the Company and Milton Corporation Limited ("Milton") was implemented. In accordance with the scheme, all Milton shares not already owned by the Company have now been transferred to the Company. As a result, the final dividend to be paid by the Company on 14 December 2021 will include those shares issued to Milton shareholders.

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 provider of telecommunications services to consumers, business, enterprise, government and wholesale customers in Australia.

As at 31 July 2021, the Parent Entity had a 12.6% investment in TPG. During the last reporting period, 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. In the prior reporting period, the Group reclassified TPG as a fair value through other comprehensive income (FVOCI) asset.

Brickworks Limited (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.

The Parent Entity has a 43.3% investment in Brickworks. Brickworks has been assessed as being an associate of the Group, and the Group therefore adopts equity accounting for its investment in Brickworks.

New Hope Corporation Limited (New Hope)

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

The Parent Entity has a 39.9% investment in New Hope. New Hope has been assessed as being a controlled entity of the Group, and New Hope's financial statements are therefore included in the Group's consolidated financial statements.

Round Oak Minerals Pty Limited (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.

The Parent Entity has a 100% investment in Round Oak. Round Oak has been assessed as being a controlled entity of the Group, and Round Oak's financial statements are therefore included in the Group's consolidated financial statements.

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.

Segments are based on the component's contributions to the Consolidated Entity and internal reporting provided to the CODM to allocate resource and assess performance

TPG Telecom
Limited

ASX:TPG

WHSP: 12.6%

**Brickworks
Limited**

ASX: BKW

WHSP: 43.3%

**New Hope
Corporation
Limited**

ASX: NHC

WHSP: 39.9%

Round Oak Minerals Pty Limited

WHSP: 100%

OTHER INVESTING ACTIVITIES

her contro
entities an

WHSP Equities Portfolios

WHSP Other Financial Assets

03 Segment Information (continued)

Reporting Segments	TPG Telecom Limited ¹	Brickworks Limited ²	New Hope Corporation Limited	Round Oak Minerals Pty Limited	Other Investing activities	Intersegment/unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 July 2021							
Revenue from continuing operations	17,579	–	1,048,239	353,370	82,590	–	1,501,778
Intersegment revenue ³	–	–	–	–	99,015	(99,015)	–
Total revenue from continuing operations	17,579	–	1,048,239	353,370	181,605	(99,015)	1,501,778
Profit/(loss) before income tax	17,579	74,230	110,720	94,841	160,962	(16,057) ⁴	442,275
Less income tax (expense)/benefit	–	(25,225) ⁵	(31,370)	(29,873)	(40,186)	4,818	(121,836)
Profit/(loss) after tax	17,579	49,005	79,350	64,968	120,776	(11,239)	320,439
Less (profit)/loss attributable to non-controlling interests	–	–	(47,734)	–	491	–	(47,243)
Profit/(loss) after tax attributable to members	17,579	49,005	31,616	64,968	121,267	(11,239)	273,196
Year ended 31 July 2020							
Revenue from continuing operations	–	–	1,083,918	222,878	61,671	–	1,368,467
Intersegment revenue ³	–	–	–	–	234,261	(234,261)	–
Total revenue from continuing operations	–	–	1,083,918	222,878	295,932	(234,261)	1,368,467
Profit/(loss) before income tax	1,510,803	2,032	(225,551)	(134,879)	(13,879)	(15,343) ⁴	1,123,183
Less income tax (expense)/benefit	(389,187) ⁵	17,179 ⁵	68,768	40,049	9,860	4,603	(248,728)
Profit/(loss) after tax	1,121,616	19,211	(156,783)	(94,830)	(4,019)	(10,740)	874,455
Less loss attributable to non-controlling interests	–	–	78,424	–	88	–	78,512
Profit/(loss) after tax attributable to members	1,121,616	19,211	(78,359)	(94,830)	(3,931)	(10,740)	952,967

1 TPG is classified as a FVOCI investment. Following the merger of TPG with Vodafone in June 2020, TPG changed its financial year end to 31 December. During this transition period, TPG only declared one dividend during the current reporting period.

2 No revenue recognised as only the share of associates profit after tax is recognised for equity accounted associates.

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

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

5 The income tax expense relates to the deferred tax recognised on consolidation in respect of this investment.

6 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.

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 has 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 has 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 sale of agricultural products is recognised at the point in time when the customer obtains control of the goods and the revenue can be reliably measured. Where a commodity is harvested and sold to separate counterparties for full contract price, revenue is generally recognised at the time of delivery. There are no specified performance obligations as all products are provided under contract. Where the sale of goods is subject to supply contracts consisting of pool allocations (whereby a commodity is allocated to distribution pools based on class of variety, size and distribution channel), revenue is recognised in two stages. Interim pool payments, representing gross selling price less initial distribution costs, are recognised as revenue as notified and paid by the purchaser within 1 month of delivery. The balance of pool revenue, representing the final pooled prices received adjusted for returns and finalised costs and interim pool distributions received, is recognised upon receipt of final payment from the purchaser.
- Revenue from the sale of other 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.
- Swimming fee revenue is recognised from the provision of swimming lessons over time once the swimming school gains the right to be compensated for the lessons delivered.
- 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.
- Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

04 Revenue (continued)

KEY JUDGEMENTS AND ESTIMATES

Provisional pricing arrangements – sale of commodities

Judgement is required by Management to determine the provisional transaction price for each shipment at the port of loading, having regard for variability in the precise quantity and quality of the commodity being delivered and estimated forward market prices at the end of quotational periods. Variable consideration is determined using either the “expected value” or “most likely amount” method. Further judgement will be required to determine whether variable consideration is subject to significant reversal. This might be particularly relevant where the final quality of products will not be known until testing at its destination. 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 provisional pricing and final invoice is generally between 30 to 180 days.

Revenue recognition from sale of goods – supply of agricultural products

Judgement is required in recognising revenue derived from supply contracts to pack and distribution houses who grade, pack, market and distribute (sell) a range of the Group's agricultural commodities.

Upon harvest and delivery to the pack and distribution house, the Group's commodity is allocated to distribution pools based on class of variety, size and distribution channel, where appropriate for the specific commodity. Pools are credited for the gross selling price less costs of handling, packing, delivering, and other selling costs.

The Group receives interim payment from the pack and distribution house up to 1 month from date of delivery at the interim pooled price less initial bin deductions for freight and levies. Final payments are received at the final pooled price less returns and finalisation of distributions costs when the commodities have been distributed. Final payments are generally received several months post-delivery and at times, straddle reporting years.

The Group has adopted the policy to recognise the revenue for final pool payments upon receipt of payment, as this is when significant uncertainty is resolved around the transaction price.

	2021 \$'000	2020 \$'000
Revenue from contracts with customers		
Revenue from sale of goods	1,330,841	1,299,851
Revenue from provisional pricing adjustment	61,356	(10,236)
Rental revenue	6,135	7,990
Revenue from services	28,012	21,383
	1,426,344	1,318,988
Other revenue		
Dividend and distribution revenue	51,456	30,417
Interest revenue	12,742	8,242
Other	11,236	10,820
	75,434	49,479
Total revenue	1,501,778	1,368,467

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.

Year ended 31 July 2021

	New Hope Corporation Limited \$'000	Round Oak Minerals Pty Limited \$'000	Other Investing activities \$'000	Total \$'000
Major product lines				
Coal, oil and gas	1,025,869	–	–	1,025,869
Copper, gold and zinc	–	353,361	–	353,361
Other goods and services	13,735	–	33,379	47,114
Total revenue from contracts with customers¹	1,039,604	353,361	33,379	1,426,344
Other revenue	8,635	9	66,790	75,434
Total revenue	1,048,239	353,370	100,169	1,501,778
Total revenue from contracts with customers by geographical regions				
Australia	87,883	194,084	33,379	315,346
Japan	434,697	–	–	434,697
Taiwan	239,727	–	–	239,727
Korea/Indonesia	61,643	72,539	–	134,182
India	59,291	–	–	59,291
Chile	63,371	–	–	63,371
Malaysia	–	56,906	–	56,906
Finland	–	26,444	–	26,444
China	20,869	3,388	–	24,257
Vietnam	15,885	–	–	15,885
Other ²	56,238	–	–	56,238
Total revenue from contracts with customers¹	1,039,604	353,361	33,379	1,426,344
Timing of revenue recognition from contracts with customers				
Goods and services transferred at a point in time	1,025,869	353,361	30,608	1,409,838
Goods and services transferred over time	13,735	–	2,771	16,506
Total revenue from contracts with customers	1,039,604	353,361	33,379	1,426,344

¹ Revenue from customers contracts includes income from commodity sales and services.

² Other revenue relates to third party customer contracts with undisclosed geographical information.

Major product lines

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

Major customer

Revenues of \$161.91 million (2020: \$nil) are derived from a single external customer of New Hope, representing 16% of New Hope's total revenue from contracts with customers.

Revenues of \$322.63 million (2020: \$217.53 million) are sourced from four (2020: three) external customers of Round Oak, representing 91% (2020: 98%) of Round Oak's total revenue from contracts with customers.

There are no other individual customers who represent more than 10% of revenue from contracts with customers for the year ended 31 July 2021.

04 Revenue (continued)

Revenue from contracts with customers (continued)

Major customer (continued)

	New Hope Corporation Limited \$'000	Round Oak Minerals Pty Limited \$'000	Other Investing activities \$'000	Total \$'000
Year ended 31 July 2020				
Major product lines				
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
Total revenue from contracts with customers¹	1,073,834	222,862	22,292	1,318,988
Other revenue	10,084	16	39,379	49,479
Total revenue	1,083,918	222,878	61,671	1,368,467
Total revenue from contracts with customers by geographical regions				
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 ²	168,341	–	–	168,341
Total revenue from contracts with customers¹	1,073,834	222,862	22,292	1,318,988
Timing of revenue recognition from contracts with customers				
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
Total revenue from contracts with customers	1,073,834	222,862	22,292	1,318,988

¹ Revenue from customers contracts includes income from commodity sales and services.

² Other revenue 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, biological assets, investment properties and where an equity accounted associate becomes an equity investment;
- the sale of assets including the sale of financial assets held for trading, investment properties 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, with no loss of significant influence and no legal disposal of shares by the Group. The Group continues to equity account the associate.

	2021 \$'000	2020 \$'000
Gain on sale of property, plant and equipment	4,833	2,975
Reclassification adjustment from reserves on derecognition of an associate	3,643	(11,653)
Gain on fair value of biological assets	11,114	4,951
Gain on deemed disposal of equity accounted associates	7,373	5,348
Gain on financial assets held for trading at fair value through profit or loss	107,194	5,780
Gain/(loss) on revaluation of investment property	3,600	(692)
(Loss)/gain on sale of investment properties	(873)	38
Insurance recovery	5,739	56
Other	2,206	3,082
	144,829	9,885

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 charges 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 charge recognised in a prior period no longer exists or has decreased. If it is determined that the impairment is no longer required, the impairment expense is reversed in the profit or loss. The carrying value of the asset is recalculated based on net book value had the asset continued depreciating.

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 19 for discussion on the criteria.

Profit before income tax includes the following specific expenses:

	2021 \$'000	2020 \$'000
Depreciation		
Buildings	(4,284)	(3,517)
Plant and equipment	(92,352)	(85,336)
Bearer plant	(1,826)	(958)
Right of use asset	(22,915)	(32,453)
Total depreciation	(121,377)	(122,264)
Amortisation		
Mining reserve and mine development	(115,914)	(114,878)
Intangible assets	(4,194)	(4,210)
Oil producing assets	(5,529)	(7,791)
Lease incentive and leasing fee assets	(22)	(57)
Total amortisation	(125,659)	(126,936)
Impairment expense		
Equity accounted associates ¹	25,322	(61,640)
Property, plant and equipment (including mine development costs) ²	(28,774)	(119,133)
Land and buildings ²	(9,053)	–
Exploration and evaluation assets ³	(1,672)	(238,007)
Oil producing and exploration assets ⁴	–	(47,629)
Right-of-use assets ⁵	(2,136)	–
Intangibles ⁵	(915)	(16,776)
Other assets ⁵	(683)	(702)
Total impairment expense	(17,911)	(483,887)
Operating lease costs expensed⁶	(1,481)	(3,600)
Employee benefits expenses⁷	(212,007)	(250,041)
Finance costs⁸	(35,652)	(35,474)
Exploration costs expensed⁹	(8,499)	(19,677)
Onerous contract¹⁰	(37,276)	106
Redundancy costs¹¹	(15,733)	(7,405)
Other expenses¹²	(24,368)	14,058

KEY JUDGEMENTS AND ESTIMATES

Recoverable value

The assessment 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.

06 Expenses (continued)

1 Impairment of equity accounted associates

The recoverable amounts of investments in equity accounted associates have been assessed as at 31 July 2021. Where the carrying value of an investment exceeds the recoverable amount, the investment is impaired. At each reporting date an assessment is also made as to whether there are any circumstances that would indicate that any impairment recognised has decreased or no longer exists. Where evidence supports a reduction in an impairment, the impairment expense may be reversed through the Consolidated Statement of Comprehensive Income.

During the current reporting period, an additional impairment of \$2.28 million was recognised on the investment in Palla Pharma Limited, and a reversal of impairment of \$27.60 million was recognised on the investment in Pengana Capital Group Limited.

In the previous reporting period, an impairment expense of \$22.07 million was recognised on the investment in Pengana Capital Group Limited, \$32.55 million on the investment in Australian Pharmaceutical Industries Limited and \$7.58 million on the investment in Palla Pharma Limited. A reversal of an impairment of \$0.56 million was recognised for Verdant Minerals Limited.

2 Impairment of property, plant and equipment

An impairment loss on property, plant and equipment (including mine development costs and land and buildings) 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 CGUs). At each reporting 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.

For the year ended 31 July 2021 New Hope recognised the following impairment expenses:

- Property, plant and equipment: \$30.19 million (2020: \$65.45 million) and \$1.39 million (2020: \$nil) was recognised for the Queensland Coal Mining CGU of New Hope (refer to Note A below) and the Coal Exploration and Evaluation Assets CGU of New Hope (refer to Note B below) respectively.
- Queensland Coal Mining CGU buildings: \$9.05 million (2020: \$nil) was recognised (refer to Note A below).

For the year ended 31 July 2021, an impairment expense of \$1.91 million (2020: \$0.27 million) was recognised on Agricultural assets.

For the year ended 31 July 2021, a reversal of impairment of \$4.71 million (2020: impairment of \$52.60 million) was recognised on property, plant and equipment and mine development costs in Round Oak.

3 Impairment of exploration and evaluation assets

An impairment loss on exploration and evaluation assets is recognised for the amount by which an asset's carrying value exceeds its recoverable amount. At each reporting date, an assessment is undertaken to determine if there are any circumstances that would indicate that an asset has been impaired. Individual segments of the Consolidated Entity adopt valuation models most suitable for the assets in question.

For the year ended 31 July 2021, the following impairment expenses were recognised by New Hope:

- \$1.02 million (2020: \$45.33 million) and \$0.23 million (2020: \$157.20 million) was recognised for the Queensland Coal Mining CGU (refer to Note A below) and the Coal Exploration and Evaluation Assets CGU (refer Note B below) respectively.

For the year ended 31 July 2021, an impairment expense of \$0.42 million (2020: \$17.54 million) was recognised by Round Oak.

For the year ended 31 July 2020, an impairment expense of \$17.94 million was recognised on exploration and evaluation assets on oil producing assets of New Hope (2021: \$nil).

4 Oil producing assets

For the year ended 31 July 2020, an impairment expense of \$47.63 million was recognised on oil producing assets of New Hope (2021: \$nil).

5 Other assets

For the year ended 31 July 2021, an impairment expense of \$2.14 million (2020: \$nil) was recognised in respect of Right-of-Use Assets. In May 2021 New Hope executed a contract to partially sublease its head office building, and the impairment charge was recognised on remeasurement of the Right-of-Use Asset to fair value following a change in assumptions pertaining to the original fair value measurement assessment.

For the year ended 31 July 2021, the following impairment expenses were recognised by New Hope:

- \$0.05 million (2020: \$nil) was recognised in respect of Queensland Coal Mining CGU Mining Land. In June 2021 New Hope reclassified land with a net book value of \$0.57 million as assets held for sale, and at year end remeasured the land to fair value less costs to sell, resulting in the impairment charge.
- \$0.64 million (2020: \$0.81 million) was recognised on Other Buildings. On 28 July 2021 New Hope executed a contract for sale of certain building assets. The assets were reclassified as assets classified as held for sale and remeasured to fair value less costs to sell.

For the year ended 31 July 2021, an impairment expense of \$0.92 million (2020: \$0.35 million) was recognised in respect of water rights held by the Group's agricultural investment properties.

For the year ended 31 July 2020, an impairment expense of \$16.43 million was recognised in respect of goodwill attached to coal and copper exploration assets (2021: nil).

For the year ended 31 July 2020, an impairment expense of \$0.69 million was recognised in respect of investment property (2021: nil).

6 Operating lease costs expensed

Lease payments made in relation to short term and low value leases are recognised as an expense on a straight-line basis over the lease term.

7 Employee benefits expenses

Employee benefits expenses represent expenses paid to all employees within the Group. This amount mainly relates to \$150.04 million (2020: \$193.98 million) paid to employees of New Hope and \$45.60 million (2020: \$48.05 million) paid to employees of Round Oak. Employee benefits expenses include superannuation expenses of \$45.60 million (2020: \$16.04 million).

8 Finance costs

This amount mainly relates to \$26.68 million (2020: \$26.38 million) paid by New Hope, \$1.08 million (2020: \$3.76 million) paid by Round Oak and \$6.98 million (2020: \$4.31 million) paid by the Parent Entity on interest bearing liabilities, unwinding of the discount on provisions and interest expense in relation to lease liabilities.

9 Exploration costs expensed

This amount relates to New Hope exploration costs expensed.

10 Onerous contract

During the year ended 31 July 2021, New Hope recognised an expense of \$37.28 million in respect of one onerous take-or-pay contract that ends in December 2021. The expense was recognised as a selling and distribution expense, and includes actual costs paid during the current period and estimated costs expected to be paid in future periods. As at 31 July 2021, New Hope retained a provision of \$16.48 million in relation to these future costs (refer to Note 23).

11 Redundancy costs

During the year ended 31 July 2021, New Hope incurred \$15.73 million in redundancy costs across its Queensland operations and corporate office as part of an overall group restructure.

06 Expenses (continued)

12 Other expenses

This amount mainly relates to \$16.50 million (2020: \$nil) write off of loan and interest to an external party; \$2.67 million (2020: \$nil) expected credit losses allowance on external loans; \$2.62 million (2020: reversal provision of \$14.06 million) liquidation related expenses incurred by New Hope; and \$1.30 million (2020: \$nil) loss on fair value recognition of a loan.

Impairment (expenses)/ reversals by segment and by asset class is shown in the table below:

	New Hope			Round Oak Minerals Pty Limited	Other Investing activities	Total
	Qld Coal Mining Assets	Coal Exploration & Evaluation Assets	Other activities			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 July 2021						
Impairment expense						
Equity accounted associates	–	–	–	–	25,322	25,322
Property, plant and equipment (including mine development costs)	(30,191)	(1,385)	–	4,710	(1,908)	(28,774)
Land and buildings	(9,053)	–	–	–	–	(9,053)
Exploration and evaluation assets	(1,015)	(233)	–	(424)	–	(1,672)
Right-of-use assets	–	–	(2,136)	–	–	(2,136)
Intangibles	–	–	–	–	(915)	(915)
Other assets	(48)	–	(635)	–	–	(683)
	(40,307)	(1,618)	(2,771)	4,286	22,499	(17,911)
Year ended 31 July 2020						
Impairment expense						
Equity accounted associates	–	–	–	–	(61,640)	(61,640)
Property, plant and equipment (including mine development costs)	(65,449)	–	(812)	(52,600)	(272)	(119,133)
Exploration and evaluation assets	(45,334)	(157,197)	(17,940)	(17,536)	–	(238,007)
Oil producing and exploration assets	–	–	(47,629)	–	–	(47,629)
Intangibles	–	–	(12,272)	–	(4,504)	(16,776)
Other assets	–	–	–	–	(702)	(702)
	(110,783)	(157,197)	(78,653)	(70,136)	(67,118)	(483,887)

New Hope

Further information on New Hope CGU recoverable amounts and impairment charges are set out in Notes A and B below:

Note A: Queensland Coal Mining Operations CGU

New Hope has undertaken a detailed assessment of the recoverable amount of its Queensland Coal Mining CGU (Qld Coal CGU) at 31 July 2021. The impairment assessment process is detailed below.

The Queensland Coal Mining operations 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 recoverable amount for the CGU.

A summary of key events in prior years pertaining to New Acland Stage 3 project (NAC03) approvals is detailed in Note 17 of the Group's 2020 Financial Report.

During the year ended 31 July 2021 and to the date of this financial report the following key developments occurred:

- 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 27 August 2020.
- On 3 February 2021, the High Court of Australia upheld the appeal by Oakey Coal Action Alliance (OCAA) against NAC03 in respect of the orders issued by the Queensland Court of Appeal given on 1 November 2019.
- The High Court ordered the matter to be re-heard in the Queensland Land Court. The Land Court hearing has been reserved for 3 November 2021.

New Hope determined the recoverable amount for the CGU based on a FVLCD calculation. This calculation uses discounted cashflow 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. These key assumptions are detailed below:

Assumption	Description
Approvals, timelines, probabilities and coal tonnages	The extension of approval timelines and the nature of approvals 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 2022 in the earliest instance (highest probability), or at the latest with operations recommencing on 1 August 2026 (lowest probability). 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. An assessment was also considered based on the project approvals not being granted and New Hope not pursuing approvals, placing the operations into care and maintenance (lowest probability).
Coal Price	Short term coal prices have improved since October 2020 and long term indications of pricing have remained largely consistent and in line with pricing reflected at 31 July 2020. The coal price range for assessments at 31 July 2021 is US\$55.13 – US\$127.54 (2020: US\$47.80 – US\$133.50) per tonne (nominal basis).
Foreign exchange	The assumed AUD:USD foreign exchange rate modelled is 0.75 – 0.77 (2020: 0.68 – 0.73).
Discount rates	The future cash flows have been discounted using a post-tax discount rate of 10.5% (2020: 10.5%)

Further considerations

In undertaking its impairment assessment, New Hope 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.

The Queensland Coal Mining Operations CGU of New Hope (Qld Coal CGU) has take-or-pay agreements for rail, port and water supply. The rail agreement is generally aligned to the mining of Stage 2 coal, while the port and water agreements are for a longer term. Refer to Note 23 for information on onerous take-or-pay contracts identified.

The Queensland Coal Mining Operations CGU is a customer of the New Hope Port Operations CGU. During the year ended 31 July 2021 no indicators of impairment were noted with regard to the Port Operations CGU. In the event that there are circumstances which impact the QLD Coal CGU, this may be relevant to the recoverable value of the Port Operations CGU and will be a factor in any future impairment considerations.

06 Expenses (continued)

Recoverable amount and impairment charge

	2021		2020	
	Recoverable amount \$'000	Impairment expenses \$'000	Recoverable amount \$'000	Impairment expenses \$'000
Property, plant and equipment				
Land and buildings – mining	18,859	9,053	29,592	–
Plant and equipment	19,007	30,191	62,208	12,864
Mining reserves, leases and development assets	97	–	866	–
Plant under construction	252	–	516	52,585
Intangibles				
Software	373	–	688	–
Exploration and evaluation assets				
Exploration and evaluation at cost	2,204	1,015	–	45,334
	40,792	40,259	93,870	110,783

In assessing the recoverable amount for the CGU, New Hope has used assumptions and judgements of future uncertainties in key pricing, discounts rate, foreign exchange assumptions and probabilities of scenarios. Any changes in actual scenario outcomes could either result in additional impairment of the remaining carrying value of the CGU at risk of \$40.79 million (2020: \$93.87 million) or reversal of previously booked impairments.

As at 31 July 2021, New Hope concluded that in aggregate the above matters result in the recoverable amount for the CGU being below its carrying value and an impairment charge of \$40.26 million was booked in the current reporting period.

Note B: Coal Exploration and Evaluation Assets CGU

New Hope determined that an indicator of impairment existed as at 31 July 2021 in respect of the North Surat Coal Exploration projects. The indicator arose due to market conditions for coal exploration assets.

The recoverable amount of the Coal Exploration and Evaluation Assets CGU was 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 be ascribed to the JORC resources.

New Hope concluded the recoverable amount for the CGU was below its carrying value and an impairment charge of \$1.62 million was recognised during the current reporting period. Any changes in assumptions could result in an additional impairment. The residual carrying value of the New Hope CGU at risk as at 31 July 2021 is \$39.32 million (2020: \$39.87 million).

	2021		2020	
	Recoverable amount \$'000	Impairment expenses \$'000	Recoverable amount \$'000	Impairment expenses \$'000
North Surat coal project				
Exploration and evaluation	25,530	233	23,069	147,816
Property, plant and equipment	8,797	1,385	10,861	–
Yamala coal project				
Exploration and evaluation	4,989	–	5,939	9,381
	39,316	1,618	39,869	157,197

Round Oak

Round Oak performed its annual impairment assessment of recoverable value of its capitalised mine development costs and associated plant and equipment in July 2021 and July 2020. 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.

Jaguar – impairment reversal

During the current reporting period, Jaguar successfully executed on the Bentley 500 Strategy of opening up two mining fronts to decongest the decline, allowing production to increase to a sustained 40,000 tonnes per month. As a consequence, Round Oak management believes that impairment reversal indicators are present at the balance sheet date as the sustained levels of production provide greater confidence in future cash flows.

Round Oak has calculated the recoverable amount of the Jaguar CGU based on a VIU calculation. The calculation uses key including key pricing, discount rate and foreign exchange assumptions, as well as those associated with COVID-19 and climate risk.

The key assumptions used in 2021 VIU calculations were:

Assumption	Description
Commodity prices	The commodity price ranges for assessments as at 31 July 2021 are: <ul style="list-style-type: none">• Zinc (US\$/t): US\$2,517 – US\$2,613• Copper (US\$/t): US\$7,496 – US\$8,145• Gold (US\$/oz): US\$1,718 – US\$1,806• Silver (US\$/oz): US\$23 – US\$25
Foreign exchange	The assumed AUD:USD foreign exchange rate modelled is 0.741 – 0.745.
Discount rates	The future cash flows have been discounted using a post-tax discount rate of 7.8%.

The recoverable amount for the Jaguar CGU was calculated as \$58.4 million, which is higher than the carrying value of \$46.2 million. As such, a pre-tax reversal of \$4.71 million was recognised at 31 July 2021 (\$3.3 million post tax), representing the written down value of a previously recognised impairment losses.

In assessing the recoverable amount of the Jaguar CGU, various sensitivity analyses were performed. A 10% reduction in commodity prices would not have impacted the amount of impairment reversal recognised at 31 July 2021 due to the level of headroom available.

Prior reporting period impairments

As at 31 July 2020, the recoverable value assessment determined that the carrying values of the Jaguar, Wallace, Cloncurry and Barbara CGU's exceeded their respective recoverable amounts and a pre-tax impairment charge of \$70.14 million (\$49.10 million post-tax) was recognised as an impairment expense in the Consolidated Statement of Comprehensive Income.

The key assumptions used in the 2020 VIU calculations were:

Assumption	Description
Commodity prices	The commodity price ranges for assessments as at 31 July 2020 are: <ul style="list-style-type: none">• Zinc (US\$/t): US\$2,186 – US\$2,379• Copper (US\$/t): US\$5,592 – US\$6,378• Gold (US\$/oz): US\$1,485 – US\$1,521• Silver (US\$/oz): US\$17 – US\$18
Foreign exchange	The assumed AUD:USD foreign exchange rate modelled is 0.642 – 0.669.
Discount rates	The future cash flows have been discounted using a post-tax discount rate of 7.8%.

07 Income tax expense

ACCOUNTING POLICY

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the 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 consolidated 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 amount receivable or payable under the tax funding agreements are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

	2021 \$'000	2020 \$'000
a) Income tax expense comprises:		
Current income tax expense		
Current year	56,028	7,650
(Over) provision in prior year	(9,379)	(10,674)
Deferred income tax expense		
Related to the origination and reversal of temporary differences	73,952	268,727
Adjustment in respect of prior year's deferred tax liabilities/(assets) previously not recognised	1,235	(16,975)
Income tax expense recognised in the profit or loss	121,836	248,728
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	11,695	(26,917)
Increase in deferred tax liabilities	62,257	295,644
	73,952	268,727

	2021 \$'000	2020 \$'000
b) Reconciliation of prima facie tax expense to income tax expense:		
Profit before income tax expense	442,275	1,123,183
Tax at the Australian rate of 30% (2020: 30%)	132,683	336,955
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Net impairment expenses	–	23,628
Franking credits received (excluding subsidiary and associate entities)	(11,349)	(7,280)
Tax (benefit) on the carrying value of equity accounted associates	(404)	(94,855)
Under/(over) provision for income tax	797	(10,674)
Other	109	954
Total income tax expense	121,836	248,728
Effective tax rate:	27.5%	22.1%
c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the year and not recognised in net profit or loss but directly charged or credited to equity		
Decrease/(increase) to deferred tax assets	41,808	(10,798)
(Decrease) to deferred tax liabilities	(103,452)	(46,757)
Net deferred tax charged directly to equity	(61,644)	(57,555)
d) Unrecognised deferred tax assets		
Relating to the tax consolidated groups of:		
Washington H. Soul Pattinson and Company Limited	70,679	100,075
New Hope Corporation Limited	12,316	12,799
Total unrecognised deferred tax assets	82,995	112,874
Potential tax benefit at 30%	24,899	33,862

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 assets 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.

	2021 \$'000	2020 \$'000
a) Deferred tax assets comprises temporary differences attributable to:		
Provision	104,672	105,130
Accrued expenses	44	138
Impairment losses	–	60,399
Capitalised exploration	750	2,260
Property, plant and equipment	15,673	3,298
Tax value of losses carried-forward	6,736	20,123
Lease liabilities	33,035	25,952
Other	6,041	2,895
Long term equity investments	1,331	1,590
Share issue costs	10	10
Total deferred tax assets	168,292	221,795
Set-off of deferred tax liabilities pursuant to set-off provisions	(137,968)	(125,886)
Net deferred tax assets	30,324	95,909
Movements:		
Opening balance at 1 August	221,795	162,739
Adjustment on adoption of AASB 16	–	21,327
Credited/(debited) to profit or loss	(11,695)	26,917
Credited/(debited) to equity	(41,808)	10,798
Additions through business combinations	–	14
Closing balance at 31 July	168,292	221,795

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.

b) Deferred tax liabilities¹ comprises temporary differences attributable to:

	2021 \$'000	2020 \$'000
Property, plant and equipment	108,890	92,715
Inventories	16,387	4,475
Capitalised exploration	12,966	10,327
Investments	118,195	142,331
Long term equity investments	488,340	526,465
Cashflow hedges	2,923	16,429
Intangibles	2,036	–
Other	7,798	5,987
Total deferred tax liabilities	757,535	798,729
Set-off of deferred tax assets pursuant to set-off provisions	(137,968)	(125,886)
Net deferred tax liabilities	619,567	672,843
Movements:		
Opening balance at 1 August	798,729	528,515
Adjustment on adoption of AASB 16	–	21,327
Charged to profit or loss	62,257	295,644
(Debited)/credited to equity	(103,451)	(46,757)
Closing balance at 31 July	757,535	798,729

¹ 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.

Sales contracts for commodities often incorporate provisional pricing. Under provisional pricing arrangements, the price to be received on the sales of commodity is provisionally priced 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 provisional pricing and final invoice is generally between 30–180 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, in which case the loss allowance is based on 12-months ECL. A simplified approach is taken whereby 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.

	2021 \$'000	2020 \$'000
Current assets		
Trade receivables	107,819	41,198
Trade receivables – provisionally priced	1,990	19,075
Loans to external parties – secured	2,815	44,755
Other receivables	33,188	26,361
Prepayments	18,175	17,456
	163,987	148,845
Non-current assets		
Loans to external parties – secured	153,936	14,750
Loans to external parties – unsecured	79,454	–
Other receivables and prepayments	2,791	2,247
	236,181	16,997
Allowance for expected credit losses	(2,667)	–
	233,514	16,997

At 31 July 2021, the Group assessed allowance for expected credit losses in relation to trade and other receivables (including loans) and provided for \$2.67 million during the current reporting period (2020: \$nil).

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 28.

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

Trade receivables

The balance at 31 July 2021 includes \$88.21 million (2020: \$26.25 million) relating to New Hope and \$12.71 million relating to Round Oak (2020: \$13.18 million). As at reporting date, trade receivables past due but not impaired were \$nil (2020: \$nil).

Trade receivables – provisionally priced

The balance at 31 July 2021 of \$1.99 million (2020: \$19.08 million) was related to Round Oak.

Loans to external parties – secured

During the reporting period, the Consolidated Entity provided loans to external parties on commercial rates. The total balance of loans at 31 July 2021 was \$156.75 million (2020: \$59.51 million). These loans are secured by general security deeds that provide fixed and floating charges over all assets and/or property mortgages.

Loans to external parties – unsecured

During the reporting period, the Consolidated Entity invested \$79.45 million in preference shares. This investment was determined to be an advance held at amortised cost, as the contractual terms of the preference shares are akin to a lending arrangement. This loan is unsecured and attracts an effective interest rate of 6.5% per annum.

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.

	2021 \$'000	2020 \$'000
Current assets		
Raw materials and stores	41,407	48,069
Work in progress	17,899	4,183
Finished goods	71,043	64,732
Provision for obsolescence	(3,383)	(2,882)
	126,966	114,102

Inventory expense

Inventories recognised as an expense during the year ended 31 July 2021 amounted to \$1.052 billion (2020: \$1.049 billion).

The write-down of inventory to net realisable value recognised as an expense during the current reporting period amounted to \$4.70 million (2020: \$38.91 million).

KEY JUDGEMENTS AND ESTIMATES

Recoverable value of inventory

The Group determines the estimated value of finished goods and work in progress based upon interpretations of the commodity and concentrate stockpile surveys and mapping provided by a registered and licensed independent surveyor, as well as estimates of commodity recovery rates and quality from these stockpiles. It also requires assumptions to be made regarding the estimated future sales price of the products based on the estimated commodity prices less the estimated costs of completion. Outcomes that differ from these estimates and assumptions may impact the carrying value of inventory.

11 Biological assets

ACCOUNTING POLICY

The Group only recognise biological assets when:

- it controls the asset as a result of past events;
- it 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 risk adjusted value of cash flows expected to be generated by the crops (including costs to bring the crop to a saleable condition). Where the fair value cannot be measured reliably, biological assets are measured at cost.

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.
- costs 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.

	2021 \$'000	2020 \$'000
Current assets		
Opening balance	2,062	–
Business combination additions	–	102
Additions	663	452
Sale or transfer to inventory	(9,181)	(3,443)
Change in fair value due to biological transformation	11,114	4,951
	4,658	2,062

KEY JUDGEMENTS AND ESTIMATES

Fair value of biological assets

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.

The determination of fair value of biological assets requires Management to make estimates and assumptions about the expected prices, production timing and recovery rates, foreign exchange rates, operating costs and discount rates. The fair value measurements used in these calculations are based on non-observable market data which are considered in level 3 of the fair value hierarchy.

Biological yield estimates included in the fair value measurement are provided by Farm Managers who engage agronomists and undertake agronomic practices to achieve target yields based on various factors, including, but not limited to, historical yields, industry averages, current climatic outlook, nutrition programs, age of plants and tree health.

12 Assets classified as held for sale

ACCOUNTING POLICY

Assets classified as held for sale during the reporting period were measured at the lower of their carrying amounts and fair value less cost of disposal at the time of their reclassification.

	Notes	2021 \$'000	2020 \$'000
Current assets			
<i>Assets classified as held for sale at carrying amount</i>			
Property, plant and equipment ¹	18	21,210	–
Equity accounted associate	15	5,642	–
Inventory		697	–
Trade and other receivables		267	–
Intangibles	21	5	–
Investment property		–	26,879
<i>Liabilities classified as held for sale at carrying amount</i>			
Provisions	23	(14,166)	–
Net assets classified as held for sale		13,655	26,879

¹ Impairment expense of \$0.68 million was recognised on property, plant and equipment following transfer to assets classified as held for sale.

New Hope

As at 31 July 2021 New Hope reclassified land with a net book value of \$7.12 million from property, plant and equipment to assets classified as held for sale following the execution of an unconditional contract for sale on 8 June 2021. The sale completed on 9 August 2021. An Impairment charge of \$0.05 million has been recognised in the Statement of Comprehensive Income on the remeasurement of a certain parcel of this land to fair value less costs to sell, which is lower than its carrying value (refer to Note 6). A gain on disposal of certain other parcels of land of \$5.25 million was recorded on disposal on 9 August 2021 and will be recognised in the 2022 financial period.

On 28 July 2021, New Hope entered a contract for sale of their old corporate office at Brookwater, Queensland. The sale is subject to a Put and Call Option with New Hope intending to exercise their Put option within 30 days of the contract date in line with the contract for sale. New Hope reclassified this building with a net book value of \$3.0 million from property, plant and equipment to assets classified as held for sale.

There is no cumulative income or expense included in Other Comprehensive Income relating to the disposal of this land or buildings.

Round Oak

Various entities within the Round Oak group entered into an agreement on 31 July 2021 to sell various assets and associated liabilities collectively referred to as the 'Cloncurry operations'. The sale is expected to be completed within twelve months of contract execution date.

As at 31 July 2021, the Cloncurry operations was classified as a disposal group held for sale, with a net book value of negative \$2.05 million. It is not considered a discontinued operation because it does not constitute a separate major line of business or geographical area that is material to the Group's results.

The assets within the disposal group have a gross value of \$12.11 million and include property, plant and equipment, inventory, and mining leases & exploration permits associated with the Great Australia Mine; and mining tenements, mining leases and exploration permits associated with other nearby areas.

The liabilities within the disposal group have a gross value of \$14.17 million, and represent environmental liabilities associated with mining leases and tenements being disposed.

12 Assets classified as held for sale (continued)

Souls Private Equity

As at 31 July 2021, Souls Private Equity Limited was in negotiations to sell its shares in Seven Miles Roasters Pty Limited (Seven Miles), and consequently the Group's investment in Seven Miles was reclassified to assets classified as held for sale, with a book value of \$5.64 million. The sale of Seven Miles occurred in early September 2021, with the total settlement expected to complete by the end of October 2021.

Investment Property

In the prior reporting period, a subsidiary, in which the Group owns a 50.1% interest, executed contracts for the sale of a property and associated business in Penrith, New South Wales, for a combined value of \$27.50 million. Settlement was finalised in January 2021.

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 financial assets are principally held for the purpose of selling in the short to medium term.

Recognition

Purchases 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 reporting 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.

	2021 \$'000	2020 \$'000
Current assets		
Financial assets held for trading – listed	383,319	263,057
Financial assets held for trading – unlisted	14,263	4,314
	397,582	267,371

Fair value and price risk

Information regarding the Group's exposure to price risk is set out in Note 28 and fair value classification is set out in Note 29.

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 29 for details of these valuation techniques.

KEY JUDGEMENTS AND ESTIMATES

Fair value accounting

The Directors of the Parent Entity have concluded that the Consolidated Entity does not have significant influence over its investments in Australian Pharmaceutical Industries Limited (19.3%). This is due to the Consolidated Entity not having board representation on these entities, nor are there any arrangements to inter-change staff or technical resources. The Consolidated Entity has no role in setting policies and procedures in these entities. The Consolidated Entity has adopted fair value accounting to determine the carrying value of these investments.

14 Other financial assets

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.

Cash flow hedges

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.

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the Consolidated Statement of Comprehensive Income as other income/(expense). The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the Consolidated Statement of Comprehensive Income.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange contracts match the terms of the expected highly probable forecast transactions.

Financial assets held for trading

Financial assets held for trading are initially recognised at fair value and any transaction costs are immediately expensed. These financial assets are principally held for the purpose of selling in the short to medium term. Those financial assets not expected to be sold within 12 months have been classified as non-current assets. Refer to Note 13 for further detail.

Loans and receivables

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 fair valued at subsequent reporting dates.

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

	2021 \$'000	2020 \$'000
Current assets		
Total return swaps	9,068	–
Forward foreign exchange contracts	9,746	45,852
	18,814	45,852
Non-current assets		
Forward foreign exchange contracts	–	8,912
Loans to external parties (secured) – measured at fair value	19,669	13,034
Other financial assets – listed	8,563	4,065
Other financial assets – unlisted	21,289	19,778
	49,521	45,789

14 Other financial assets (continued)

New Hope

New Hope and its controlled entities are parties to derivative financial instruments 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.

At reporting date foreign exchange contracts represent assets with a fair value of \$9.75 million (2020: \$54.76 million). At balance date the details of outstanding contracts are:

	Sell US dollars Buy Australian dollars		Average exchange rate	
	2021 \$'000	2020 \$'000	2021 USD:AUD	2020 USD:AUD
Maturity				
0 to 6 months	46,319	225,630	0.5829	0.6648
6 to 12 months	–	202,736	–	0.6215
12 to 18 months	–	46,319	–	0.5829
	46,319	474,685		

Fair value measurement

The fair values 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 reporting date \$46.32 million (2020: \$474.69 million) was receivable relating to forward foreign exchange contracts. Refer to Note 28 for additional information.

Parent Entity

During the current reporting period, the Parent Entity provided secured loans to unrelated external parties (hedged item) of \$14.3 million and \$23.5 million in Canadian dollars ("CAD") and New Zealand dollars ("NZD") respectively. The Parent Entity entered into cross currency interest swaps (hedged instrument) to hedge changes in fair value.

The Parent Entity has defined the hedged risk on a spot rate basis. Consequently, the fair value of the hedged instrument is bifurcated into spot and forward components with only the spot component designated as part of the fair value hedge relationship. The spot component is measured as movements in spot rates between the inception of the hedge relationship and reporting date over the notional amount of the hedged instrument. The forward component represents the residual of the hedged instruments fair value. The Group has elected to defer the forward component in hedge reserve. These instruments are used in accordance with the Parent Entity's hedging policy.

At the reporting date the cross-currency interest rate swaps represent assets with a fair value of \$0.8 million (2020: \$nil).

At the reporting date the details of outstanding contracts are:

	2021 \$'000	2020 \$'000	2021 CAD:AUD	2020 CAD:AUD
Maturity				
12 to 18 months	15,297	–	0.9452	–

	2021 \$'000	2020 \$'000	2021 NZD:AUD	2020 NZD:AUD
Maturity				
12 to 18 months	22,113	–	1.0627	–

15 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 and 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 34.

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.

	2021 \$'000	2020 \$'000
Non-current assets		
Equity accounted associates	899,236	810,407
a) Movement in equity accounted carrying values		
Opening balance at 1 August	810,407	1,603,610
New investments during the period	6,041	17,990
Reclassification of an equity accounted associate to financial asset held for sale	–	(105,051)
Reclassification of a long term equity investment to equity accounted associate	14,272	–
Reclassification of equity accounted associate to an asset held for sale	(5,642)	–
Reclassification of equity accounted associate to a long term equity investment	–	(553,704)
Gain on deemed disposal of equity accounted associates	7,373	5,348
Share of profits after income tax, before impairment ¹	67,212	60,343
Net impairment income/(expense) of equity accounted associates	25,322	(61,640)
Dividends received/receivable	(49,417)	(260,093)
Non-cash in specie dividend of Tuas Limited from TPG Telecom Limited	–	79,683
Add back share of dividends received by associate	25,003	24,367
Share of associates (decrements)/increments in reserves	(1,335)	2,414
Effect of initial adoption of AASB 15 from associates	–	(2,860)
Closing balance at 31 July	899,236	810,407

¹ In the prior reporting period, 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 15(b) below.

15 Equity accounted associates (continued)

b) Details of investments and results in associates

		Group's percentage of holding at balance date ¹		Contribution to Group result for the year ²		Equity accounted carrying value ³	
	Reporting Date	2021 %	2020 %	2021 Total \$'000	2020 Total \$'000	2021 Total \$'000	2020 Total \$'000
Year ended 31 July							
Associates – held by the Parent Entity							
Ampcontrol Limited <i>Integrated electrical, electronic and control solutions provider</i>	30-Jun	42.9	42.9	3,620	2,314	49,629	47,192
Apex Healthcare Berhad ⁴ <i>Pharmaceutical manufacturer and distributor</i>	31-Dec	29.8	30.1	5,176	5,947	47,130	43,986
Australian Pharmaceutical Industries Limited ⁵ <i>Manufacturer of building products and investor</i>	31-Aug	–	19.3	–	10,302	–	–
Brickworks Limited ⁶ <i>Manufacturer of building products and investor</i>	31-Jul	43.3	43.8	74,230	2,032	588,584	519,195
Ironbark Investment Partners Pty Limited ¹³ <i>Investment management services</i>	30-Jun	30.5	31.2	590	3,773	36,070	42,912
Pengana Capital Group Limited ⁷ <i>Funds management</i>	30-Jun	38.6	38.6	3,367	2,366	68,017	39,828
Palla Pharma Limited ⁸ <i>Manufacturer of narcotic concentrate from poppy straw</i>	31-Dec	19.9	19.9	(11,702)	(2,500)	11,915	22,286
TPG Telecom Limited, including fair value gain on derecognition ⁹ <i>Telecommunications and internet provider</i>	31-Dec	–	12.6	–	1,510,803	–	–
Tuas Limited ¹⁰ <i>Telecommunications provider</i>	31-Jul	25.3	25.3	(7,558)	–	72,208	79,683
Other associates ^{11,12}	various	various	various	(511)	(169)	25,683	15,325
Total contributions from equity accounted associates, including fair value gain on derecognition of TPG				67,212	1,534,868	899,236	810,407
Gain on deemed disposal of equity accounted associates, net of tax				5,161	5,225		
Deferred tax expense on gain on derecognition of TPG Telecom as an associate ⁹				–	(389,187)		
Deferred tax (expense)/benefit recognised on equity accounted associates				(28,952)	14,210		
Net reversal/(impairment) expense of associates				25,322	(61,640)		
Net contribution from equity accounted associates				68,743	1,103,476		

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- 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.
 - 4** During the current reporting period, Apex Healthcare Berhad 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 this investment.
 - 5** During the current reporting period, the Parent Entity reassessed the classification of Australian Pharmaceutical Industries Limited (API) as an equity accounted associate as a result of Robert Millner resigning as a Director of API in July 2020. Accordingly, WHSP has classified API as a Fair Value through Profit and Loss (FVTPL) asset in the current period and has restated the prior year comparative. The carrying value restated was \$105.05 million from equity accounted associate to financial assets held for trading.
 - 6** During the current reporting period, Brickworks issued shares under its dividend reinvestment plan (DRP). The Parent Entity did not participate in the DRP. As a result, the Group's shareholding in this investment has reduced by 0.5% to 43.3%.
 - 7** During the current reporting period, Pengana Capital issued shares under Pengana Capital's Employee Share Plan. Due to the Parent Entity's non-participation in the issue of shares, the Group's shareholding decreased by 0.05% to 38.6%.
 - 8** During the current reporting period, the Parent Entity purchased additional shares in Palla Pharma Limited for \$3.58 million under its retail and institutional entitlement offer. The Group's shareholding increased by 0.01% to 19.89% as a result.
 - 9** During the previous reporting period, 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 contributing \$1.12 billion (after tax) to profit during the reporting period. This contribution reflects the Group'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 Group's investment in TPG is held as an investment at fair value through other comprehensive income.
 - 10** 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 \$79.70 million on 13 July 2020. The Group owns 25.26% of Tuas and holds a board seat. As at the de-merger date the Group 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.
 - 11** On 1 August 2020, the Group reclassified Heritage Brands Limited from fair value through other comprehensive income to equity accounted associate. As a result of this change, the opening balance of this investment was restated.
 - 12** On 1 August 2020, the Group reclassified Seven Miles Roasters Pty Limited (Seven Miles) from fair value through other comprehensive income to equity accounted associate. As a result of this change, the opening balance of this investment was restated. As at 31 July 2021, the investment in Seven Miles was reclassified to Asset classified as held for sale. The sale of Seven Miles occurred in early September 2021, with the total settlement expected to complete by the end of October 2021.
 - 13** In prior reporting periods, Ironbark had issued multiple tranches of shares. Several of these tranches of shares were issued incorrectly. In May 2021, Ironbark undertook a share consolidation to convert the number of shares issued in certain tranches into smaller amounts, to properly reflect their correct number. As a result of this share consolidation, the Group's shareholding reduced by 0.7% to 31.2%.

15 Equity accounted associates (continued)

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.

Equity accounting of Brickworks Limited

The Directors of the Parent Entity have concluded that the Consolidated Entity has significant influence over Brickworks Limited and equity accounts this investment. This is due to the cross holding structure whereby the Consolidated Entity owns 43.3% of the equity in Brickworks Limited and in turn Brickworks Limited owns 39.4% of the Consolidated Entity. The remaining shares in the Parent Entity and Brickworks are widely dispersed.

	2021 \$'000	2020 \$'000
c) Group's share of associates' expenditure commitments		
Capital commitments	17,736	27,719
d) Group's share of associates' contingent liabilities		
Share of contingent liabilities incurred jointly with other investors of the associate	27,993	27,798
e) Summarised Group's share of associates financial information		
Assets	2,136,683	1,904,490
Liabilities	(775,362)	(704,632)
Net assets	1,361,321	1,199,858
Revenue	649,482	1,737,530
Profit before income tax	101,380	86,702
Income tax expense	(34,168)	(26,359)
Profit after income tax	67,212	60,343

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.

	Brickworks Limited	
	2021 \$'000	2020 \$'000
Current assets	579,863	637,416
Non-current assets	2,029,422	1,646,297
Current liabilities	(268,282)	(232,882)
Non-current liabilities	(1,033,942)	(917,025)
Net assets	1,307,061	1,133,806
Group's percentage holding	43.3%	43.8%
Group's share of total net assets	565,991	496,399
Goodwill	22,593	22,796
Equity accounted carrying value	588,584	519,195
Revenue	890,313	953,404
Profit after tax attributable to members	239,163	298,883
Other comprehensive income	(97,402)	8,115
Total comprehensive income	141,761	306,998
Dividends received by the Parent Entity from the associate	39,387	38,074

Derecognition of TPG Telecom Limited

During the previous reporting period, 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.

16 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 reporting 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 the capital gains reserve in equity.

	2021 \$'000	2020 \$'000
Non-current assets		
Long term equity investments – listed	2,244,687	2,502,944
Long term equity investments – unlisted	118,151	113,150
Total long term equity investments	2,362,838	2,616,094
Dividends		
Dividends from long term equity investments held at FVOCI recognised in profit or loss in other income:		
Related to investments sold during the year	219	2,326
Related to investments held at the end of the year	45,095	24,614
Total dividends	45,314	26,940

At 31 July 2021, the Parent Entity held \$2.36 billion (2020: \$2.62 billion) of long term equity investments.

KEY JUDGEMENTS AND ESTIMATES

Fair value accounting

The Directors of the Parent Entity have concluded that the Consolidated Entity does not have significant influence over its investment in the Argyle Water Fund (21.3%). This is due to the Argyle Water Fund having an independent responsible entity governing and operating this fund. The Consolidated Entity does not have board representation nor has a role in setting policies and procedures of this fund and there no arrangements to inter-change staff or technical resources. The Consolidated Entity has adopted fair value accounting to determine the carrying value of this investment.

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 \$653.37 million (2020: \$334.69 million) have been transferred to various Parent Entity's financiers as security for the \$289.81 million (2020: \$235.18 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, during the current reporting period, the Parent Entity utilised a long term loan facility with Credit Suisse. This facility was repaid and closed on the 29 January 2021. As at 31 July 2020, there were long term equity investments with fair value of \$759.84 million that were transferred to Credit Suisse as security for the \$200 million Parent Entity's term loan facility. As at 31 July 2021, all secured long term equity investments have been transferred back to the Parent Entity. 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 28 and fair value classification is set out in Note 29.

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 29 for details of these valuation techniques.

17 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.

17 Investment properties (continued)

	2021 \$'000	2020 \$'000
Non-current assets		
Investment properties		
Industrial property	34,301	30,051
Commercial property	46,666	45,673
Property under development	6,191	–
Total investment properties	87,158	75,724
Reconciliation		
Opening balance at 1 August	75,724	106,281
Acquisitions	8,002	489
Disposals	(277)	(3,757)
Transfer to held for sale assets	–	(26,583)
Net fair value gain/(loss) on investment properties	3,600	(692)
Movement in tenant incentives, 'make good' contributions, contracted rent uplift balance and leasing fee asset	109	(14)
Closing balance at 31 July	87,158	75,724

During the prior financial period, a subsidiary, in which the Group owned a 50.1% interest, executed contracts for the sale of a property and associated business in Penrith, New South Wales, for a combined value of \$27.50 million. Settlement was finalised in January 2021.

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

	2021 \$'000	2020 \$'000
Rental revenue	4,715	6,465
Direct operating expenses from property that generated rental income*	3,152	5,837

* Direct operating expenses includes finance costs of \$0.13 million (2020: \$0.35 million).

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 29 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'.

Investment Properties

Two investment properties were independently externally valued as at 31 January 2021. The independent, qualified valuers engaged in the valuation process experienced challenges regarding the continued uncertainties of COVID-19 and its potential impact on property fair values. This resulted in the insertion of a 'significant valuation uncertainty' clause in each independent valuation report. The clause continues to imply that valuations are current at valuation date only, and less certainty and a higher degree of caution should be attached to the valuation. Estimated fair values may change significantly and unexpectedly over a relatively short period.

The Consolidated Entity obtained an updated desktop valuation for both investment properties from the same independent valuer as at 31 July 2021. The valuer reviewed updated property-specific financial information and reperformed valuations for each property using market capitalisation and DCF methodologies, with their adopted market value being the mid-point of each methodology. In addition, the valuer prepared a "Material Movement" letter for each property, providing an overview of relevant current market conditions for the particular asset class, and confirming for each property that they do not believe there has been any material change to the 31 January 2021 valuation they provided.

c) Non-current assets pledged as security

As at 31 July 2021, none of the Group's investment properties were pledged as security.

In the prior reporting period, one of the Group's investment properties, the Tattersalls Centre with a carrying value of \$26.58 million was classified as a held for sale asset at 31 July 2020, and was pledged as security as at 31 July 2020. This property was subsequently sold and the debt repaid in January 2021.

d) Leasing arrangements

	2021 \$'000	2020 \$'000
The Group is entitled to receive rental income from non-cancellable operating leases on investment properties. The amounts have not been recognised in the financial statements and are receivable as follows:		
Within one year	1,580	1,373
Later than one year but not later than five years	4,173	2,187
Later than five years	775	964
	6,528	4,524

KEY JUDGEMENTS AND ESTIMATES

Recoverable value of investment properties

In determining the fair value of a property, appropriate valuation techniques are 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.

18 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 17), 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 profit or loss during the reporting period in which they are incurred.

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

Depreciation is calculated so as to write off the cost of each item of property, plant and equipment during its expected economic life to the Group. 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 20) 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 costs 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 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.

Valuation of farming land and buildings

During the current reporting period ended 31 July 2021, the Group obtained a number of external valuations of farming land and buildings from an independent, properly qualified external valuer. Due to COVID-19 the external valuer has indicated that there is some market instability and uncertainty in determining the fair value of farming property, plant and equipment. This resulted in the insertion of a "significant valuation uncertainty" clause into each independent valuation report. The standard valuation reliance periods incorporated in these external valuations have shortened to match the uncertainties in the rapidly changing economic environment.

Impairments of property plant and equipment

During the current reporting period ended 31 July 2021, the impairment charges to property, plant and equipment were \$37.83 million mainly attributable to the impairment of plant and equipment and buildings of New Hope and reversal of mine development impairment of Round Oak. In the prior reporting period, the impairment charge was \$166.76 million. Refer to Note 6 for details.

18 Property, plant and equipment (continued)

	Land \$'000	Buildings \$'000
At 1 August 2020		
Cost	180,458	95,862
Accumulated depreciation/amortisation and impairment	–	(32,149)
Net book value	180,458	63,713
Opening net book value	180,458	63,713
Additions	–	2,590
Mining and restoration and rehabilitation	–	–
Transfers in/(out)	–	(22,206)
Transfer to exploration and evaluation assets	–	–
Transfer to held for sale asset	(3,719)	(8,343)
Transfer from right-of-use assets	–	–
Disposal of assets	(5,431)	(2,102)
Fair value adjustments	–	–
Impairment of assets	–	(9,053)
Depreciation/amortisation	–	(3,412)
Closing net book value	171,308	21,187
At 31 July 2021		
Cost	171,308	66,484
Accumulated depreciation/amortisation and impairment	–	(45,297)
Net book value	171,308	21,187
At 1 August 2019		
Cost	180,458	90,358
Accumulated depreciation/amortisation and impairment	–	(28,785)
Net book value	180,458	61,573
Initial adoption of AASB 16	–	–
Adjusted net book value	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 asset	–	–
Transfer from investment properties	–	–
Disposal of assets	–	(3,795)
Fair value adjustments	–	–
Impairment of assets	–	–
Depreciation/amortisation	–	(3,364)
Closing net book value	180,458	63,713
At 31 July 2020		
Cost	180,458	95,862
Accumulated depreciation/amortisation and impairment	–	(32,149)
Net book value	180,458	63,713

	Farmland assets \$'000	Plant, fixtures, motor vehicles \$'000	Oil producing assets \$'000	Mining reserves and leases \$'000	Mine development \$'000	Bearer plants \$'000	Total \$'000
	40,144 (426)	1,455,625 (812,170)	199,972 (154,145)	1,245,869 (201,633)	457,908 (252,496)	17,725 (958)	3,693,563 (1,453,977)
	39,718	643,455	45,827	1,044,236	205,412	16,767	2,239,586
	39,718	643,455	45,827	1,044,236	205,412	16,767	2,239,586
	33,159	46,569	4,942	—	47,477	13,571	148,308
	—	25,097	55	—	(2,605)	—	22,547
	(1,371)	22,133	—	—	—	1,444	—
	—	—	—	—	(992)	—	(992)
	—	(9,832)	—	—	—	—	(21,894)
	—	4,868	—	—	—	—	4,868
	(316)	(12,487)	—	—	(7)	—	(20,343)
	2,718	—	—	—	—	—	2,718
	(1,908)	(30,191)	—	—	3,325	—	(37,827)
	(872)	(92,352)	(5,529)	(61,664)	(54,250)	(1,826)	(219,905)
	71,128	597,260	45,295	982,572	198,360	29,956	2,117,066
	74,334 (3,206)	1,531,973 (934,713)	204,969 (159,674)	1,245,869 (263,297)	501,781 (303,421)	32,740 (2,784)	3,829,458 (1,712,392)
	71,128	597,260	45,295	982,572	198,360	29,956	2,117,066
	—	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
	40,144 (426)	1,455,625 (812,170)	199,972 (154,145)	1,245,869 (201,633)	457,908 (252,496)	17,725 (958)	3,693,563 (1,453,977)
	39,718	643,455	45,827	1,044,236	205,412	16,767	2,239,586

18 Property, plant and equipment (continued)

KEY JUDGEMENTS AND ESTIMATES

Impairment assessments

The Consolidated Entity has undertaken a detailed assessment of the recoverable amount of all CGUs at 31 July 2021. 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 in Note 6.

Estimation of coal, ore and oil reserves and resources (New Hope and Round Oak)

New Hope and Round Oak estimate their coal and ore 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). New Hope 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, ore and oil reserves could have an impact on the calculation of depreciation, amortisation and impairment charges; the timing of the payment of shutdown 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.

Assessment of recoverable value of New Hope Queensland coal mining operations

New Hope continued to monitor the recoverable amount of certain CGUs during the current reporting period. Recoverable amounts have been determined using either a FVLCD or VIU discounted cash flow model. These methodologies are subject to critical judgement, estimates and assumptions.

Refer to Note 6 for details on impairment of assets.

Assessment of recoverable value of New Hope Port operations CGU

The recoverable amount of the Port Operation CGU has been determined based on a VIU calculation. This calculation uses a discounted cash flow model. The future cashflows have been discounted using a post-tax discount rate of 9.5 per cent (2020: 9.5 per cent).

Refer to Note 6 for details on impairment of assets.

Assessment of recoverable value of Round Oak capitalised mine development costs and associated plant and equipment

The determination of FVLCD and VIU requires Round Oak's management to make estimates and assumptions about the expected long term commodity prices, production timing and recovery rates, foreign exchange rates, operating costs, reserves and resources estimates, closure costs and discount rates. Estimates in respect of the timing of project expansions and the cost to complete asset construction are also critical to determine the recoverable amount for CGUs. The fair value measurements used in these calculations are based on non-observable market data which are considered in level 3 of the fair value hierarchy.

Judgement is involved in assessing whether indicators of impairment exist, including the impact of events or changes in circumstances on CGUs, in addition to assessing the potential for expiration of exploration rights without renewal and the potential timing of such events.

These judgements, estimates and assumptions are subject to risk and uncertainty. To the extent that the recoverable amount of assets is impacted by changes in these, the carrying amount of the assets may be further impaired or the impairment charge may be reduced with the impact recognised in the Consolidated Statement of Comprehensive Income. Refer to Note 6 for details on impairment of assets.

19 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 18 – Property, plant and equipment).

	2021 \$'000	2020 \$'000
Non-current assets		
Exploration and evaluation assets at cost	124,181	109,422
Movement		
Opening net book value	109,422	333,623
Additions	14,686	17,524
Impairment expenses (refer note 6)	(1,672)	(241,931)
Transfer from property, plant and equipment	992	–
Movement in rehabilitation	753	206
Closing net book value at 31 July	124,181	109,422

Exploration and evaluation assets include New Hope of \$105.53 million (2020: \$94.22 million) and Round Oak of \$18.65 million (2020: \$15.20 million).

KEY JUDGEMENTS AND ESTIMATES

Exploration and evaluation expenditure

During the current financial period, 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 2021 and related impairment charge to the profit or loss.

20 Lease assets and liabilities

ACCOUNTING POLICY

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:

	2021 \$'000	2020 \$'000
Right-of-use assets		
Carrying amount of lease assets, by class of underlying asset:		
Buildings (primarily relates to office premises and swimming pool sites)	24,673	33,276
Plant, fixtures and motor vehicles	94,667	80,264
Water leases	5,984	3,972
Total carrying amount of right-of-use assets	125,324	117,512
Reconciliation of the carrying amount of right-of-use assets at the beginning and end of the year:		
Opening carrying amount	117,512	–
Amount recognised at 1 August 2019 upon adoption of AASB 16 ¹	–	125,594
Acquisition of businesses	–	706
Additions	42,538	24,516
Disposals	–	(851)
Transfer to property, plant and equipment	(4,868)	–
Remeasurement of leases ²	(4,807)	–
Depreciation	(22,915)	(32,453)
Impairment of right-of-use assets	(2,136)	–
Carrying amount at 31 July	125,324	117,512

¹ The Group adopted AASB 16 for the first time on 1 August 2019.

² Remeasurement of assets relates to remeasurement of Right-of-use Assets due to a change in lease terms.

Set out below are carrying amounts of right-of-use assets recognised and the movements during the period.

	Land & Buildings \$'000	Plant, fixtures and motor vehicle \$'000	Water rights \$'000	Total \$'000
As at 1 August 2019				
Additions	35,680	110,442	4,697	150,819
Depreciation	(2,404)	(29,952)	(100)	(32,456)
Disposals	–	(226)	(625)	(851)
As at 31 July 2020	33,276	80,264	3,972	117,512
Additions	1,579	38,450	2,509	42,538
Depreciation	(3,239)	(19,179)	(497)	(22,915)
Impairment	(2,136)	–	–	(2,136)
Remeasurement of Assets	(4,807)	–	–	(4,807)
Transfer out	–	(4,868)	–	(4,868)
At 31 July 2021	24,673	94,667	5,984	125,324

The Consolidated Entity recognised the following lease liabilities:

	2021 \$'000	2020 \$'000
Lease liabilities		
The present value of lease liabilities is as follows:		
Current	18,596	22,215
Non-current	112,816	99,151
Recognised as lease liabilities	131,412	121,366
Opening carrying amount	121,366	–
Opening balance at 1 August upon adoption of AASB 16	–	126,949
Acquisition of businesses	–	706
Additions	42,538	24,521
Disposals	–	(807)
Accretion of interests	6,909	6,703
Payments	(33,863)	(36,706)
Remeasurement of leases ¹	(5,538)	–
Closing balance at 31 July	131,412	121,366
<p>The Group leases property, including office buildings and port facilities, and plant and equipment. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions.</p> <p>The maturity profile of lease liabilities recognised at the end of the reporting period is set out below:</p>		
Lease liabilities (undiscounted) maturity analysis		
Within one year	24,089	27,228
Later than one year but not later than five years	65,215	36,189
Greater than five years	86,285	111,625
Total	175,589	175,042

¹ Remeasurement of lease liability due to a change in lease terms.

20 Lease assets and liabilities (continued)

Secured liabilities

Lease liabilities are effectively secured as the rights to the leased assets recognised in the consolidated 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 reporting period ended 31 July 2021 was \$33.86 million (2020: \$36.71 million).

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

	2021 \$'000	2020 \$'000
Depreciation expense of right-of-use assets	22,915	32,453
Interest expense on lease liabilities	6,909	6,703
Short term and low value lease expenses	1,481	3,600

21 Intangible assets

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 reporting date.

Class of intangible assets**Useful life**

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 events or changes in 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.

	Goodwill \$'000	Water rights \$'000	Mining information \$'000	Other intangibles \$'000	Software \$'000	Total \$'000
At 31 July 2020						
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)
Net book value	16,027	30,546	62,142	6,786	1,685	117,186
Year ended 31 July 2021						
Opening net book value	16,027	30,546	62,142	6,786	1,685	117,186
Additions	–	20,099	–	–	1	20,100
Disposals	–	(72)	–	–	(15)	(87)
Transfers out to assets held for sale	–	–	–	–	(5)	(5)
Transfers out to cost of sales	–	(782)	–	–	–	(782)
Transfers in from deferred tax liability	2,036	–	–	–	–	2,036
Impairment charged to profit or loss	–	(915)	–	–	–	(915)
Amortisation charged to the profit or loss (refer to note 6)	–	(555)	(2,969)	–	(670)	(4,194)
Closing net book value	18,063	48,321	59,173	6,786	996	133,339
At 31 July 2021						
Cost	22,220	51,765	70,809	6,786	18,734	170,314
Accumulated amortisation and impairment	(4,157)	(3,444)	(11,636)	–	(17,738)	(36,975)
Net book value	18,063	48,321	59,173	6,786	996	133,339

21 Intangible assets (continued)

	Goodwill \$'000	Water rights \$'000	Mining information \$'000	Other intangibles \$'000	Software \$'000	Total \$'000
At 31 July 2019						
Cost	33,262	13,071	70,809	6,786	17,610	141,538
Accumulated amortisation and impairment	(4,157)	(1,067)	(5,690)	–	(16,145)	(27,059)
Net book value	29,105	12,004	65,119	6,786	1,465	114,479
Year ended 31 July 2020						
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)
Closing net book value	16,027	30,546	62,142	6,786	1,685	117,186
At 31 July 2020						
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)
Net book value	16,027	30,546	62,142	6,786	1,685	117,186

Recoverable amount of goodwill

Intangible assets which have indefinite lives are allocated to the Group's business segment and country of operation.

A segment summary of the goodwill allocation is presented below:

	Country of operation	2021 \$'000	2020 \$'000
New Hope¹			
Carrying amount of goodwill	Australia	5,595	5,595
Other Investing activities (Aquatic Achievers)²			
Opening balance at 1 August	Australia	10,432	10,432
Transfers in from deferred tax liability	Australia	2,036	–
		12,468	10,432
Closing net book value		18,063	16,027

The recoverable amount of goodwill is determined based on the fair value less cost of disposal (FVLCD) or value in use (VIU) method. Assumptions and methodology applied to each segment are as follows:

1 New Hope

The brought forward balance of goodwill relates to acquisitions by New Hope, primarily Queensland Bulk Handling Pty Limited of \$5.60 million.

The recoverable amount 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 segment. 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 29 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. The estimation of the resources used to determine the recoverable amount requires judgement and assumptions as detailed in Note 18.

The recoverable amount of the Queensland Bulk Handling Pty Limited asset has been based on value in use calculations using a discounted cash flow model. The future cash flows have been discounted using a post-tax rate of 9.5% (2020: 9.5%).

The recoverable amount of the exploration asset has been determined based on a comparable resource multiple attributable to the New Hope segment. The impairment assessment is outlined in Note 6.

2 Other investing activities (Aquatic Achievers)

The brought forward balance of goodwill relates to the Group's acquisition of the Aquatic Achievers business, a swimming pool owner and operator providing learn-to-swim programs.

In addition, intangible assets comprising the Aquatic Achiever brand (\$1.43 million) and curriculum (\$5.36 million) were recognised on acquisition. These intangible assets are all considered to have indefinite lives with no amortisation applied.

During the current financial period, a deferred tax liability of \$2.04 million was recognised in respect of those held for use indefinite life intangible assets identified on the initial acquisition of the Aquatic Achievers business. The Group increased the value of Goodwill recognised by the same amount.

The recoverable amounts of Intangibles assets, 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 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.

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.

22 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 reporting period 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.

	2021 \$'000	2020 \$'000
Current liabilities		
Trade and other payables	112,717	134,973
Non-current liabilities		
Trade and other payables	143	773

Current Liabilities

Trade and other payables

The balance at 31 July 2021 includes \$78.79 million (2020: \$82 million) relating to creditors of New Hope and \$22.82 million (2020: \$42.08 million) relating to creditors of Round Oak.

23 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 reporting 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.

	2021 \$'000	2020 \$'000
Current liabilities		
Mining restoration and site rehabilitation ^(a)	906	11,400
Employee benefits	46,310	47,441
Onerous contracts ^(b)	16,487	10
	63,703	58,851
Non-current liabilities		
Mining restoration and site rehabilitation ^(a)	308,779	275,873
Employee benefits	7,963	7,701
Other	614	592
	317,356	284,166

23 Provisions (continued)

a) Mining restoration and site rehabilitation

Movements	2021 \$'000	2020 \$'000
Opening balance at 1 August	287,273	260,553
Provisions recognised	23,411	30,945
Derecognition from disposals	(970)	(930)
Provisions debited/(credited) to profit or loss	10,104	(7,787)
Unwinding of discount charged to profit or loss	4,033	4,492
Transfer to assets held for sale	(14,166)	–
Closing balance at 31 July	309,685	287,273
Disclosed as:		
Current liabilities	906	11,400
Non-current liabilities	308,779	275,873
Total provision for mining restoration and site rehabilitation	309,685	287,273

As at 31 July 2021 New Hope has recognised a mining restoration and rehabilitation provision of \$267.96 million (2020: \$249.06 million) and Round Oak has recognised a mining restoration and site rehabilitation provision of \$41.73 million (2020: \$38.22 million).

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 18.

New Hope

As at 31 July 2021, New Hope has recognised a mining restoration and rehabilitation provision of \$267.96 million (2020: \$249.06 million) for Bengalla, New Lenton, New Acland, New Oakley, and Jeebropilly coal tenements and Bridgeport oil fields.

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 judgment 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.

Round Oak

As at 31 July 2021 Round Oak has recognised a mining restoration and site rehabilitation provision of \$41.73 million (2020: \$38.22 million). The provision is the net present value of the estimated cost of rehabilitating the Jaguar, Mount Colin, and Barbara sites in compliance with future regulations and practices at the end of commercial production.

Until January 2021, Round Oak operated its Jaguar mine using the mine closure plan in place at the time of its acquisition in June 2018. This plan estimated the mine closure cost at \$14.6 million. In January 2021, Round Oak submitted an updated mine closure plan to the Western Australian Department of Mines, Industry Regulation and Safety ("DMIRS"). The revised plan estimated the revised mine closure cost at \$37.8 million. As at the reporting date, the Jaguar mine rehabilitation provision, updated for inflation and interest rate assumptions, is \$35.9 million.

Round Oak is working to an agreed timetable with DMIRS to submit an update to the revised mine closure plan in October 2021. The final mine closure plan is due to be submitted to DMIRS in January 2022. The final estimated mine closure cost will not be known until the plan is agreed with DMIRS.

b) Onerous contracts (New Hope)

New Hope has recognised a provision for an onerous take or pay rail contract as a result of the ramp down of its QLD Mining Operations CGU with \$37.28 million charged to the Statement of Comprehensive Income in the current reporting period and a provision of \$16.48 million (2020: \$nil) remains at the reporting date. This contract ends in December 2021.

c) Other provisions (New Hope)

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

A summary of the developments associated with this matter, are outlined below:

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 New Hope 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.
- 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.
- Due to the successful results in relation to the DOCG proceedings, New Hope released the previously held provision in the year ended 31 July 2020.

Administration/liquidation process

The Liquidators commenced proceedings in the Supreme Court of New South Wales on 26 March 2021 against New Hope, associated subsidiary companies and former directors and officers of NEC and Colton. The claims made by the Liquidators include that NEC and Colton were trading whilst insolvent. The Liquidators estimate the total value of the alleged claims to be approximately \$175 million plus interest and costs.

On 26 August 2021, the Liquidators filed and served an Amended Statement of Claim joining Wiggins Island Coal Export Terminal Pty Limited as a plaintiff to the proceedings.

The Liquidators filed and served their evidence during September 2021. On 5 October 2021, the Court directed the Defendants to file and serve their evidence by 21 February 2022 and further directed the Liquidators to file an serve evidence in reply by 18 April 2022. The Court has provisionally reserved an 8 week block during 28 June 2022 to 26 August 2022 for the hearing. The Court will convene for further directions on 26 April 2022 at which time the Court will formally set down the hearing dates.

New Hope denies the claims made by the Liquidators and intends to vigorously defend the proceedings.

Given the successful results in relation to the DOCG proceedings, New Hope has considered its position and has determined that no provision is required to be made as at 31 July 2021.

24 Cash and cash equivalents

ACCOUNTING POLICY

Cash and short term deposits in the statement of financial position comprise cash on hand, cash at bank and short term highly liquid deposits with financial institutions with a maturity of three months or less, that are readily convertible to a known amount of cash. Bank overdrafts, should they occur, are shown within borrowings in current liabilities in the Consolidated Statement of Financial Position.

	2021 \$'000	2020 \$'000
Current assets		
Cash at banks	610,202	293,231
Short term deposits	122	51,582
	610,324	344,813

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

Cash at bank and short term deposits attract interest at rates between 0% and 0.6% per annum (2020: 0% and 1.2%).

Cash and short term deposits in the Consolidated Statement of Financial Position at reporting date includes cash and short term deposits held by the Parent Entity and its subsidiaries. At 31 July 2021, the balances were predominately held by the Parent Entity of \$134.63 million (2020: \$254.86 million), New Hope of \$424.66 million (2020: \$70.38 million) and Round Oak of \$37.54 million (2020: \$1.58 million).

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

Profit after tax for the year

Adjustments for non-cash items:

Depreciation and amortisation	247,036	249,200
Amortisation of transaction costs	2,076	2,076
Gain on deemed disposal of equity accounted associates	(7,373)	(5,348)
(Gain)/loss on associate reserves recycled back through profit and loss	(3,643)	11,653
Gain on derecognition of TPG as an equity accounted associate	–	(1,474,526)
Gain on revaluation of investment property	(3,600)	–
Loss/(gain) on sale of investment property	873	(38)
Net (gain)/loss on sale of non-current asset	(8,257)	1,161
(Gain)/loss on sale of controlled entity/joint venture	(1,567)	785
Gain on fair value of biological assets	(11,114)	(4,951)
Gain on trading equities fair value through profit or loss	(80,327)	(5,780)
Expected credit loss allowance	2,667	–
Impairment expense	17,911	483,887
Write off loan and interest to external party	16,500	–
Provision for Onerous contract	16,477	–
Net foreign exchange loss/(gain)	3,343	(713)
Non-cash in-specie dividend	–	(79,683)
Non-cash share based payments	2,094	2,372
Unwinding of interest on deferred purchase consideration	905	928
Share of (profits)/loss of associates not received as dividends or distributions	(17,794)	198,759
Other non-cash items	37	1,131

Changes in operating assets and liabilities, net of effects from purchase and sales of business:

(Increase)/decrease in trade debtors, other debtors and prepayments	(76,557)	13,964
(Increase)/decrease in inventory	(13,442)	11,370
Increase in financial assets held for trading	(67,190)	(107,239)
Increase/(decrease) in trade creditors and accruals	3,558	(18,267)
Increase/(decrease) in employee entitlements and provisions	14,160	(34,400)
Decrease/(Increase) in current tax asset	16,283	(15,254)
Decrease/(increase) in deferred tax asset	55,451	(39,240)
Increase in current tax liability	56,345	25,069
Increase in deferred tax liability	29,424	250,398

Net cash inflow from operating activities

514,715 341,769

25 Interest bearing liabilities

ACCOUNTING POLICY

Interest bearing liabilities are initially recognised at fair value, net of any transaction 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 reporting date.

Convertible notes

The component of convertible notes that exhibit characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note. This amount is carried as a long term liability on an amortised basis until extinguished on conversion or redemption. The increase in liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

	2021 \$'000	2020 \$'000
Current liabilities		
<i>Secured</i>		
Bank overdraft (WHSP Agriculture Trust) ¹	3,085	30
Equity finance loans (Parent Entity) ²	289,810	235,182
Secured loans (New Hope) ³	953	928
Secured loans (PSRE Urban Regeneration Trust) ⁴	–	12,000
Equipment finance loans (WHSP Agriculture Trust) ¹	879	73
	294,727	248,213
Non-current liabilities		
<i>Unsecured</i>		
Convertible notes (Parent Entity) ²	216,282	–
Convertible notes (New Hope) ³	189,193	–
<i>Secured</i>		
Market rate loan (WHSP Agriculture Trust) ¹	33,000	21,025
Equipment finance loans (WHSP Agriculture Trust) ¹	2,329	203
Other loans facilities (Parent Entity) ²	–	199,170
Secured loans (New Hope) ³	307,101	355,024
	747,905	575,422
Total interest bearing liabilities	1,042,632	823,635
Less: cash and cash equivalents	(610,324)	(344,813)
Net debt	432,308	478,822
Financing facilities⁵	1,186,460	1,441,606
Less: facilities utilised at reporting date		
Convertible bonds	(405,475)	–
Equity finance and other loan facilities	(637,157)	(823,635)
Capitalised transaction costs	–	(4,878)
Facilities unutilised at reporting date	143,828	613,093

The fair values of interest bearing liabilities materially approximate their respective carrying values as at 31 July 2021.

Financing facilities

As at 31 July 2021, the Consolidated Entity had the following financing facilities in place:

1 WHSP Agriculture Holding Trust

In the prior reporting period, the WHSP Agriculture Holding Trust entered into a 5-year secured loan facility, comprising a \$4 million bank overdraft, \$26 million market rate loan and a \$3.33 million asset finance facility. The expiry date is 30 July 2025.

Security includes first ranking mortgages over property and specific pieces of agricultural machinery, first ranking water mortgages over water entitlements, water leases and General Security Interests.

On 20 December 2020, the market rate loan facility was increased to \$33 million.

To finance the purchase of various pieces of agricultural equipment, the WHSP Agricultural Holding Trust entered into various financing agreements with a financier. These credit contracts are specific to the agricultural equipment and are secured with a mortgage over the equipment for a term ranging between 24 to 36 months.

As at 31 July 2021, WHSP Agriculture Holding Trust utilised:

- \$3.09 million of the bank overdraft facility (2020: \$0.03 million) at an average interest rate of 2.85% per annum (2020: 2.85% per annum). The unutilised facility as at 31 July 2021 was \$0.91 million (2020: \$3.97 million).
- \$33 million of the market rate loan facility (2020: \$21.02 million) at an interest rate of 1.87% per annum (2020: 2% per annum). The unutilised facility as at 31 July 2021 was \$nil (2020: \$4.98 million).
- \$2.33 million of the asset finance facility (2020: \$nil) at a weighted average interest rate of 3.10% per annum (2020: \$nil). The unutilised facility as at 31 July 2021 was \$0.97 million (2020: \$3.30 million).
- \$0.88 million of the agricultural equipment finance facility (2020: \$0.28 million) at a weighted average interest rate of 0.93% per annum (2020: 0.56% per annum). The unutilised facility as at 31 July 2021 was \$nil (2020: \$nil).

2 Parent Entity

(i) Equity finance facilities

As at 31 July 2021, the Parent Entity has increased its access to secured financial asset finance with the addition of a further two financiers, bringing the total to four.

As security for each of these loans, the Parent Entity transfers ownership of title over certain securities to the finance provider. As the Parent Entity retains the risks and benefits of ownership of the transferred investments, including the right to receive dividends, these securities continue to be included as assets on the Consolidated Entity and Parent Entity statements of financial position. Upon repayment of the debt, legal title of the investments is transferred back to the Parent Entity.

The increase in the panel of providers helped facilitate the specific representation that the Parent Entity made to make a stock loan available to support the \$200 million New Hope convertible note issue (refer to Note 25(3), below).

The tenor for each borrowing under these facilities ranges from 30 to 365 days, and the average cost was 0.88% per annum (2020: 1.08% per annum).

Capacity to draw further funds under these facilities is a function of the prevailing value of the pool of securities that is eligible to be loaned.

(ii) Other financing facilities

In the prior reporting period, the Parent Entity entered into a \$200 million three year secured term loan facility with Credit Suisse AG. The facility was for making investments, refinancing existing debt and general corporate purposes.

On 29 January 2021, the facility was repaid and extinguished using the proceeds of the convertible note issue.

(iii) Convertible Notes

On 29 January 2021, the Parent Entity issued convertible notes with an aggregate principal amount of \$225 million. There has been no movement in the number of these convertible notes since the issue date.

The notes are convertible at the option of the noteholders into ordinary shares based on an initial conversion price of \$34.99 per share at any time on or after 11 March 2021 up to the date falling five business days prior to the final maturity date (29 January 2026). The holder of the option has the right to redeem all or some of the holder's notes on 1 February 2024 for an amount equal to 100% of the principal amount of the notes plus any accrued but unpaid interest. Any notes not converted will be redeemed on 29 January 2026 at the principal amount of the notes plus any accrued but unpaid interest.

The notes carry interest at a rate of 0.625% per annum which is payable semi-annually in arrears on 29 January and 29 July.

25 Interest bearing liabilities (continued)

The net proceeds from the convertible notes, after deducting all the related costs and expenses, were \$221.09 million. As of 31 July 2021, the proceeds were used to repay approximately \$200 million of existing financial indebtedness, with the remaining proceeds applied to further strengthen the Parent Entity's liquidity position.

The fair value of the liability component of the convertible notes was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. This amount is carried as a long term liability on an amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds were allocated to the conversion option and have been recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs were apportioned between liability and equity components of the convertible notes based on the allocation of the proceeds to the liability and equity component when the instruments were first recognised.

	2021 \$'000
Convertible notes split into the liability and equity components	
Opening balance at 1 August 2020	–
Nominal value of convertible notes issued on 29 January 2021	225,000
Equity component of the convertible notes	(5,634)
Transaction fees	(3,911)
Liability component of the convertible notes (net of capitalised transaction fees)	215,455
Interest on convertible notes	1,530
Payment of interest on convertible notes	(703)
Liability component at 31 July 2021	216,282

Transaction costs of \$3.81 million related to the liability component and \$0.10 million to the equity component.

Changes in liabilities arising from financing activities	
Opening balance at 1 August 2020	
Net present value of cashflows – proceeds from issuance of convertible notes, net of transaction costs	221,089
Equity component of convertible notes, net of transaction costs	(5,634)
Interest on convertible notes	1,530
Payment of interest on convertible notes	(703)
Closing balance at 31 July 2021	216,282

3 New Hope

Secured loan facility

New Hope's secured loan facility is with a syndicate of Australian and international banks. The facility originally comprised a \$600 million drawable amortising facility and a \$300 million credit support facility. The facility's drawable line for credit is for general corporate purposes and has a maturity of November 2023. The secured loan facility holds a fixed and floating charge over all assets held by the New Hope, except for certain excluded subsidiaries.

As at the reporting date, the secured loan facility had amortised to \$450 million (2020: \$510 million).

Facilities utilised as at the reporting date were \$310 million (2020: \$360 million). During the reporting period an additional \$20 million (2020: \$135 million) of debt was drawn down under the facility, with \$70 million (2020: \$135 million) being repaid.

Transaction costs capitalised were \$2.90 million as at 31 July 2021 (2020: \$4.98 million).

Convertible Notes

On 2 July 2021, New Hope issued convertible notes with an aggregate principal amount of \$200 million. There has been no movement in the number of these convertible notes since the issue date.

The notes are convertible at the option of the note holders into ordinary shares based on an initial conversion price of \$2.10 per share at any time on or after 12 August 2021 up to the date falling five business days prior to the final maturity date (2 July 2026). The holder of the option has the right to redeem all or some of the holder's notes on 2 July 2024 for an amount equal to 100% of the principal amount of the notes plus any accrued but unpaid interest. Any notes not converted will be redeemed on 2 July 2026 at the principal amount of the notes plus any accrued but unpaid interest.

The coupon rate is 2.75% per annum payable semi-annually in arrears on 2 January and 2 July.

The net proceeds from the convertible notes, after deducting all the related costs and expenses, were \$195.20 million. The proceeds are recorded in cash and short term deposits at 31 July 2021. New Hope intends to use the net proceeds from the convertible notes for general corporate purposes, which may include further growth expansion and opportunistic merger and acquisition activity.

The fair value of the liability component of the convertible notes was estimated at the issuance date using an equivalent market interest rate of a similar bond without a conversion option. This amount is carried as a long term liability on an amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds were allocated to the conversion option and have been recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs were apportioned between liability and equity components of the convertible notes based on the allocation of the proceeds to the liability and equity component when the instruments were first recognised.

	2021 \$'000
Convertible notes split into the liability and equity components	
Opening balance at 1 August 2020	–
Nominal value of convertible notes issued on 2 July 2021	200,000
Equity component of the convertible notes	(6,610)
Transaction fees	(4,798)
Liability component of the convertible notes (net of capitalised transaction fees)	188,592
Interest on convertible notes	601
Liability component at 31 July 2021	189,193

Transaction costs of \$4.64 million related to the liability component and \$0.16 million to the equity component.

Changes in liabilities arising from financing activities	
Opening balance at 1 August 2020	
Net present value of cashflows – proceeds from issuance of convertible notes, net of transaction costs	195,202
Equity component of convertible notes, net of transaction costs	(6,610)
Interest on convertible notes	601
Closing balance at 31 July 2021	189,193

4 Other subsidiaries

As at 31 July 2020, a subsidiary property trust of the Parent Entity had a \$12 million loan facility secured over a commercial property in Penrith, New South Wales. A contract for sale of this property was exchanged in July 2020.

The property settled on 28 January 2021 and the loan was repaid and the facility extinguished also on this date.

5 Includes convertible notes, secured loans, bank overdraft and lines of credit.

26 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			
	2021 Number of shares	2021 \$'000	2020 Number of shares	2020 \$'000
Fully paid ordinary shares	239,395,320	43,232	239,395,320	43,232
Convertible notes		3,945		–
		47,177		43,232

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Every shareholder 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.

Convertible notes

On 29 January 2021, the Parent Entity issued convertible notes with an aggregate principal amount of \$225 million. The convertible notes are convertible into fully paid ordinary shares in the Company. The notes will mature on 29 January 2026, unless otherwise redeemed, repurchased, or converted. The fair value of the liability component of the convertible notes was estimated at the issuance date and is carried as a long term liability. The remainder of the proceeds net of transaction costs and taxes, being \$3.95 million has been recognised in shareholders' equity.

There has been no movement in the number of these convertible notes since the issue date. Refer to Note 25 interest bearing liabilities.

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.

For details of interest bearing liabilities, refer to Note 25.

The Parent Entity has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 financial periods.

Securities purchased on market

The Company purchased 141,808 shares (2020: 25,854 shares) on market to satisfy the rights that vested during the reporting period under the Company's Rights Plan. The average share price per share was \$28.98 (2020: \$22.74).

27 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.

	2021 \$'000	2020 \$'000
Reserves attributable to members		
Asset revaluation reserve	(214,602)	(4,588)
Capital gains reserve	52,294	36,333
Hedge reserve	6,747	20,566
Foreign currency translation reserve	(919)	1,236
Capital profits reserve	8,881	8,881
Share-based payments reserve	9,161	10,204
Equity reserve	(16,706)	(9,379)
Closing balance at 31 July	(155,144)	63,253

Major movements in reserves consist of:

Asset revaluation reserve

Opening balance at 1 August

Revaluation of long term equity investments, gross	(281,938)	(183,091)
Revaluation of long term equity investments, deferred tax	87,965	50,957
Transfer gain on sale of long term equity investments to capital gains reserve, gross	(21,481)	(25,563)
Transfer gain on sale of long term equity investments to capital gains reserve, deferred tax	5,768	8,988
Impairment of long term equity investments, gross	(2,374)	(12,762)
Impairment of long term equity investments, deferred tax	712	3,828
Share of associates – increments/(decrements)	1,334	(573)
Transfer from capital gains reserve	–	(13,933)
Closing balance at 31 July	(214,602)	(4,588)

Asset revaluation reserve

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

	2021 \$'000	2020 \$'000
Capital gains reserve		
Opening balance at 1 August	36,333	13,241
Transfer from asset revaluation reserve	–	13,933
Gains on sale of long term equity investments, net of tax	15,961	9,159
Closing balance at 31 July	52,294	36,333

Capital gains reserve

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

27 Reserves (continued)

	2021 \$'000	2020 \$'000
Hedge reserve		
Opening balance at 1 August	20,566	(14,067)
Revaluation, gross	(45,943)	48,215
Revaluation, deferred tax	13,806	(14,465)
Transfer to profit, gross	26,091	(15,554)
Transfer to profit, deferred tax	(7,827)	4,666
Share of associates – increments/(decrements)	54	11,771
Closing balance at 31 July	6,747	20,566

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.
- The Parent Entity cross currency interest rate swaps which are used to hedge exposures to foreign currency on secured loans to external parties.

	2021 \$'000	2020 \$'000
Equity reserve		
Opening balance at 1 August	(9,379)	(11,150)
Share of associates – increments/(decrements)	(3,377)	1,771
Transactions with non-controlling interests (New Hope)	(3,971)	–
Others	21	–
Closing balance at 31 July	(16,706)	(9,379)

Equity Reserve

Movements in the equity reserve predominately relate to the reduction in the Parent's shareholding in New Hope and movement in associates' equity reserves.

28 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 have also developed their own risk management programs tailored to address their business specific risks. The Parent entity and certain group entities use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are used for hedging and funding 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 boards of each relevant business within the Group. 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.

	Fair value through Other Comprehensive Income \$'000	Hedging Derivatives \$'000	Amortised cost \$'000	Fair Value through Profit or Loss \$'000	Total \$'000
Financial assets					
2021					
Cash and cash equivalents	–	–	610,324	–	610,324
Trade and other receivables	–	–	397,501	–	397,501
Biological assets	–	–	4,658	–	4,658
Financial assets held for trading	–	–	–	397,582	397,582
Other financial assets	–	18,814	19,669	29,852	68,335
Long term equity investments	2,362,838	–	–	–	2,362,838
Total financial assets	2,362,838	18,814	1,032,152	427,434	3,841,238
2020					
Cash and cash equivalents	–	–	344,813	–	344,813
Trade and other receivables	–	–	165,842	–	165,842
Biological assets	–	–	2,062	–	2,062
Financial assets held for trading	–	–	–	267,371	267,371
Other financial assets	–	54,764	13,034	23,843	91,641
Long term equity investments	2,616,094	–	–	–	2,616,094
Total financial assets	2,616,094	54,764	525,751	291,214	3,487,823
Financial liabilities					
2021					
Trade and other payables	–	–	113,891	–	113,891
Interest bearing liabilities	–	–	1,042,632	–	1,042,632
Lease liabilities	–	–	131,412	–	131,412
Total financial liabilities	–	–	1,287,935	–	1,287,935
2020					
Trade and other payables	–	–	136,575	–	136,575
Interest bearing liabilities	–	–	823,635	–	823,635
Lease liabilities	–	–	121,366	–	121,366
Total financial liabilities	–	–	1,081,576	–	1,081,576

28 Financial risk management (continued)

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. There are two sources of exposure:

- The Group through its subsidiaries, New Hope and Round Oak, is exposed to foreign exchange risk arising from currency exposures to the US dollar.

New Hope uses forward contracts 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 by New Hope as hedges of foreign exchange risk on specific future transactions.

New Hope's risk management framework is to hedge anticipated transactions (export coal sales) in US dollars for the subsequent year as deemed necessary. All hedges of projected export coal sales qualify as "highly probable" forecast transactions for hedge accounting purposes.

Round Oak's market risk management strategy is to manage and control market risk exposures within acceptable parameters, while optimising returns. During the current and previous financial periods Round Oak did not engage in any foreign exchange hedging.

- The Parent Entity has exposure to foreign exchange risk on external secured loans to third parties denominated in Canadian ("CAD") and New Zealand ("NZD") dollars.

Cross currency interest rate swaps are used to manage foreign exchange risk. To comply with Parent Entity's foreign exchange risk management strategy to hedge exposures arising in foreign currency, the Parent Entity's objective is to hedge the exposure arising from CAD and NZD denominated external loan assets against the changes in the spot exchange rate of CAD/AUD and NZD/AUD respectively.

The hedged items create an exposure to foreign currency denominated fixed interest and principal amounts in local currency terms. As such, there is an expectation that the value of the hedging instruments and the value of the hedged items move in the opposite direction as a result of movements in the CAD/AUD and NZD/AUD spot exchange rates.

Determination of the hedge ratio and sources of hedge ineffectiveness on NZD and CAD exposures

To comply with the Parent Entity's hedging policy, the hedge ratio is based on a hedging instrument with the same notional amount in foreign currency terms as the underlying hedged item. This results in a hedge ratio of 1:1 or 100%. This is the ratio that the Parent Entity uses for risk management purposes, and this ratio is appropriate for purposes of hedge accounting as it does not result in an imbalance that would create hedge ineffectiveness.

The following potential sources of hedge ineffectiveness are identified:

- Reduction or modification in the hedged item (that is; a debt repayment or interest rate reduction);
- A change in the credit risk of the borrower or the swap counterparty; and
- A mismatch between the cash flows of the hedged item and the hedging instrument.

	2021 US\$'000	2020 US\$'000
US dollar exposure		
Cash and cash equivalents	51,410	23,853
Trade receivables	58,171	34,567
Trade payables	5,304	661
Forward exchange contracts – sell foreign currency (cash flow hedge)	27,000	303,000

New Zealand dollar exposure

Cash and cash equivalents	431	-
Loan to external parties – secured	23,500	-
Cross currency swap (pay NZD fix/receive AUD fix)	23,500	-

Canadian dollar exposure

Cash and cash equivalents	393	-
Loan to external parties – secured	14,300	-
Cross currency swap (pay CAD fix/receive AUD fix)	14,300	-

2021	2020
NZ\$'000	NZ\$'000
431	-
23,500	-
23,500	-
C\$'000	C\$'000
393	-
14,300	-
14,300	-

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 as deemed necessary. Contracts are designated as cash flow hedges. Commodity price contracts are designated as hedges of price risk on specific future transactions.

Sensitivity analysis

Based on the cash, trade receivables, and trade payables held at 31 July 2021, 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 \$9.26 million/(\$10.82 million) (2020: \$5.63 million/(\$5.65 million)), mainly as a result of foreign exchange gains/(losses) on translation of US dollar receivables and cash balances as detailed in the above table. The Group's equity as at reporting date would have increased/(decreased) by the same amounts.

Based on the forward exchange contracts held at 31 July 2021, 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 \$3.32 million/(\$4.06 million) (2020: \$38.14 million/(\$46.61 million)). There is no effect on post-tax profits.

iii. Price risk

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

Long term investments held 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.

28 Financial risk management (continued)

	Impact to post-tax profit		Impact on reserves	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Financial assets held for trading	(13,716)	(9,349)	–	–
Long term equity investments	–	–	(78,585)	(87,622)
	(13,716)	(9,349)	(78,585)	(87,622)

iv. Fair value interest rate risk

Refer to note 28e 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. 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:

	2021 \$'000	2020 \$'000
Cash and cash equivalents	610,324	344,813
Trade and other receivables ²	397,501	165,842
Other financial assets ³	18,814	54,764
Long term equity investments ¹	289,810	235,182
	1,316,449	800,601

¹ The long term equity investments balance as stated above represents amounts that banks hold as security against short term debt. Refer Note 25.

² The trade and other receivables balance as stated above reflects the recoverable value and is net of any impairments or allowance for expected credit loss. Refer Note 9 for further description on the impairment of receivables.

³ The other financial assets balance as stated above represents derivative financial assets. Refer Note 14.

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.

d) **Maturity of financial liabilities**

The Group has trade and other payables that are payable within 12 months (current liabilities) and greater than 12 months (non-current liabilities). 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 reporting period 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 22.

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 \$289.81 million (2020: \$235.18 million). The outstanding debt can be repaid by providing 30 days notice.

As security for the Parent Entity's short term bank financing, 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.

The Group's maturity analysis for derivative financial instruments is set out in Note 14. The Group's maturity analysis for lease liabilities is set out in Note 20.

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 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 \$4.27 million (2020: \$2.41 million). This scenario assumes all cash and cash equivalents at reporting date continue to remain invested for the whole year.

The Parent Entity utilises short term bank financing. The balance at year end was \$289.81 million (2020: \$235.18 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 the Group's due diligence on potential investments is the assessment of environmental, social and governance (ESG) risks, including climate risk, in accordance with 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 profiles are subject to additional due diligence and heightened consideration and assessment. The Directors considered climate-related risk in the preparation of the this Financial Report.

29 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 reporting 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.

Valuation techniques

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 most 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 Consolidated Entity selects and uses one or more valuation techniques to measure the fair value of these unlisted equities.

The Consolidated 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 Consolidated 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.

Amortised cost : Trade and other receivables and loans to external parties

- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.
- Expected credit loss approach (ECL): valuation technique that 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.

KEY JUDGEMENTS AND ESTIMATES (CONTINUED)

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 Consolidated 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. Unobservable inputs are those for which market data is not available and therefore are developed using the best information available about such assumptions.

Investment Properties

Refer to Note 17b for details on the valuation techniques used for investment properties.

Biological assets

Risk adjusted value approach: valuation techniques that calculates the projected cash inflows from the sale of the matured commodity (including a risk adjustment factor) less the cash outflows needed to grow the commodity to its matured state.

Fair value measurement

The following table represents the Group's assets and liabilities measured and recognised at fair value as at 31 July 2021 and 31 July 2020.

As at 31 July 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Biological assets	–	–	4,658	4,658
Financial assets held for trading	383,319	–	14,263	397,582
Other financial assets	8,564	40,102	19,669	68,335
Long term equity investments	2,244,687	81,982	36,169	2,362,838
Loan at amortised cost	–	–	236,205	236,205
Non-financial assets				
Investment properties	–	–	87,158	87,158
Total assets	2,636,570	122,084	398,122	3,156,776

As at 31 July 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Biological assets	–	–	2,062	2,062
Financial assets held for trading	263,057	–	4,314	267,371
Other financial assets	4,065	74,542	13,034	91,641
Long term equity investments	2,502,944	74,686	38,464	2,616,094
Loan at amortised cost	–	–	59,505	59,505
Non-financial assets				
Investment properties	–	–	75,724	75,724
Total assets	2,770,066	149,228	193,103	3,112,397

29 Fair value estimation (continued)

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 2021 and 31 July 2020:

	Biological assets ¹ \$'000	Financial assets held for trading ² \$'000	Other financial assets ³ \$'000	Long term equity investments ^{4,6} \$'000	Loans at amortised cost ⁵ \$'000	Investment properties ⁷ \$'000	Total \$'000
Opening balance at 1 August 2019	–	2,580	5,646	31,169	77,588	106,281	223,264
Acquisitions	554	1,734	7,388	4,109	11,741	437	25,963
Disposals/repaid	–	–	–	(14)	(27,944)	(3,757)	(31,715)
Change in fair value due to biological transformation	4,952	–	–	–	–	–	4,952
Transfer to inventory	(3,444)	–	–	–	–	–	(3,444)
Interest charged	–	–	–	–	3,975	–	3,975
Gain recognised in other income – unrealised	–	–	–	–	–	38	38
Gain recognised in other comprehensive income – unrealised	–	–	–	3,200	–	–	3,200
Transfer to Financial assets held for trading	–	–	–	–	(5,855)	–	(5,855)
Transfer to held-for-sale asset	–	–	–	–	–	(27,275)	(27,275)
Closing balance at 31 July 2020	2,062	4,314	13,034	38,464	59,505	75,724	193,103
Acquisitions	664	12,633	6,635	25	220,219	8,020	248,196
Disposals/repaid	–	–	–	–	(43,519)	–	(43,519)
Transfer to Financial assets held for trading (listed)	–	(2,684)	–	–	–	–	(2,684)
Change in fair value due to biological transformation	11,113	–	–	–	–	–	11,113
Transfer to inventory	(9,181)	–	–	–	–	–	(9,181)
Transfer to Equity accounted associate	–	–	–	(11,971)	–	–	(11,971)
Transfer to Investment properties	–	–	–	(1,109)	–	–	(1,109)
Gain recognised in other income – unrealised	–	–	–	–	–	3,691	3,691
Gain recognised in other comprehensive income – unrealised	–	–	–	10,760	–	–	10,760
Transfer to held-for-sale asset	–	–	–	–	–	(277)	(277)
Closing balance at 31 July 2021	4,658	14,263	19,669	36,169	236,205	87,158	398,122

Fair value measurement, valuation techniques and inputs

Class of assets		
1	Biological assets:	Included in level 3 of the fair value hierarchy are valued at a risk adjusted value of expected cash flows.
2	Financial assets held for trading:	Unlisted financial assets held for trading included in level 3 fair value hierarchy are held for short term trading. Purchase price is a proxy to fair value.
3	Other financial assets:	Loans at fair value have been included in level 3 fair value hierarchy. Fair value is anchored to the underlying net asset value of the underlying company.
4	Long term equity investments:	Unlisted long term equity investments are valued under various valuation techniques.
5	Loans at amortised cost:	Loans at amortised cost: loans at amortised cost have been included in level 3 fair value hierarchy. Fair value is anchored to expected credit losses valuation technique.

	Class of assets	Assets	Valuation technique	Fair value hierarchy	Range	Inputs used to measure fair value	Significant unobservable inputs
6	Long term equity investments	Unlisted investment	EBITDA multiple	Level 3	\$28.1 million to \$25.4 million	Discount rate multiple	A increase/decrease of 5% on discount rate multiple would increase/decrease the value by \$1.34 million and \$1.34 million respectively.
7	Investment properties	Industrial and commercial properties	Capitalisation rate approach	Level 3	2021: 6.0% to 6.5%; 2020: 6.5% to 7.5%	Adopted capitalisation rate	A increase/decrease of 25 basis points in the adopted capitalisation rate would increase/decrease the market capitalisation value by \$2.5 million and \$1.8 million respectively.

30 Contingent liabilities

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

	2021 \$'000	2020 \$'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	21,982	37,002
Undertakings and guarantees issued by the bankers of the Bengalla Joint Venture (of which a subsidiary is a party) for rail and port suppliers ¹	–	13,669
	21,982	50,671

¹ During the period to 31 July 2021 the participants have assumed responsibility for providing guarantees directly to rail and port suppliers.

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

Certain companies in the Group are recipients of complaints made or are defendants in certain claims and/or proceedings (either commenced or threatened).

In the opinion of the Directors, all such matters are not anticipated to have a material effect on the financial position of the Group or are at a stage which does not support a reasonable evaluation of the likely outcome of the matters.

Other than the above and the matters set out in Note 23, there are no other contingent liabilities of the Group as at 31 July 2021.

The Consolidated Entity had unrestricted access at 31 July 2021 to bank guarantee facilities of \$335.1 million (2020: \$335.0 million). At 31 July 2021, the Consolidated Entity had drawn down on these facilities by \$125.5 million (2020: \$269.6 million).

31 Commitments

	2021 \$'000	2020 \$'000
a) Lease commitments – operating		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	180	126
One to five years	–	56
More than five years	–	–
	180	182

b) Capital commitments

Capital expenditure contracted for at year end but not recognised as liabilities is as follows:		
Within one year	81,497	111,178
One to five years	8,225	34,613
More than five years	5,255	3,262
	94,977	149,053

Capital commitments include contracted management services for mining services, exploration permits and acquisition of property, plant and equipment.

c) Parent Entity investment in API

In July 2021 the Parent Entity granted a call option to Wesfarmers Limited ("Wesfarmers") over its 19.3% shareholding (95.1 million shares) in API and agreed, subject to certain conditions, to vote in favour of any formal proposal made by Wesfarmers to gain control of API. Refer to Note 32 for further information.

d) Commitments relating to associates

For commitments relating to associates refer to Note 15.

32 Events after the reporting period

On 22 June 2021, the Parent Entity entered into a Scheme Implementation Agreement with Milton Corporation Limited ("Milton"), under which it was proposed that the Parent Entity would acquire 100% of the share capital of Milton it did not already own. Since that date, the following events have occurred:

- On 13 September 2021, the Scheme Meeting was held. The Scheme Resolution was passed by the requisite majorities of Milton shareholders.
- On 20 September 2021, the Federal Court of Australia approved the Scheme of arrangement.
- On 5 October 2021, the scheme of arrangement in relation to the merger of WHSP and Milton was implemented. In accordance with the scheme, all Milton shares not already owned by WHSP have now been transferred to WHSP. Former Milton shareholders were issued 121.47 million newly issued WHSP shares which equates to \$4.61 billion in consideration.

In July 2021 the Parent Entity granted a call option to Wesfarmers over its 19.3% shareholding (95.1 million shares) in API. Since that date, the following events have occurred:

- On 16 September 2021, Wesfarmers announced it had entered into a Process Deed with API in relation to a proposal to acquire 100 per cent of the shares in API.
- On 7 October 2021, Wesfarmers exercised the call option and acquired the Parent Entity's shareholding in API.

33 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 recognise the individual assets, liabilities, income and expenses of subsidiaries. Associates are equity accounted, with initial investment increased/(decreased) by profits/(losses) recognised in the Consolidated 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.

	2021 \$'000	2020 \$'000
Statement of Financial Position		
Current assets	560,979	554,831
Non-current assets	3,474,586	3,481,686
Total assets	4,035,565	4,036,517
Current liabilities	332,524	241,275
Non-current liabilities	725,392	792,288
Total liabilities	1,057,916	1,033,563
Net assets	2,977,649	3,002,954
Shareholders' equity		
Issued capital	47,176	43,232
Reserves	(169,360)	34,085
Retained earnings	3,099,833	2,925,637
	2,977,649	3,002,954
Profit after tax for the year	320,226	1,476,877
Total comprehensive income	102,543	1,317,058

Restatement of comparative information

Deferred tax assets were reassessed at reporting date requiring a restatement to the comparative of \$78.2 million to Non-Current Assets and Retained Earnings and \$31.7 million to profit after tax.

Refer to Basis of Preparation in Note 1 for further information on the reclassification of the Parent Entity's 2020 comparative.

33 Parent entity information (continued)

a) Interest bearing liabilities of the Parent Entity

The Parent Entity has complied with all the financial covenants of its borrowing facilities during the 2021 and 2020 reporting periods. Refer to Note 25(2) for details of interest bearing liabilities of the Parent Entity.

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 2021 these guarantees totalled \$9.21 million (2020: \$22.21 million).

c) Contingent liabilities of the Parent Entity

The Parent Entity did not have any contingent liabilities at 31 July 2021 or 31 July 2020.

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

The Parent Entity did not have any contractual commitments for property, plant or equipment at 31 July 2021 (2020: \$51.80 million).

34 Controlled entities and joint ventures

Basis of consolidation

The consolidated financial statements of the Group incorporate 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.

34 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 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.

Details of significant subsidiaries within the Group are as follows:

Name of entity	Principal place of business	Ownership interest	
		2021	2020
Subsidiaries			
New Hope Corporation Limited	Australia	40%	50%
Round Oak Minerals Pty Limited	Australia	100%	100%
Round Oak Jaguar Pty Limited	Australia	100%	100%
WHSP Stockman Pty Limited	Australia	100%	100%
Exco Resources Pty Limited	Australia	100%	100%
WHSP Aquatic Achievers Pty Limited	Australia	100%	100%
WHSP Agriculture Holding Trust	Australia	95%	95%
WHSP Water Holding Trust	Australia	100%	100%
Pitt Capital Partners Limited	Australia	100%	100%
Soul Private Equity Limited	Australia	100%	100%

KEY JUDGEMENTS AND ESTIMATES

Consolidation of entities with less than 50% ownership

The directors of the Parent Entity have concluded that the Consolidated Entity controls New Hope Corporation Limited even though it holds less than half of the voting rights of this subsidiary. This is because the Consolidated Entity is the largest shareholder with a 39.85% equity interest while the remaining shares are widely dispersed. In addition, three of the directors on the Board of New Hope Corporation Limited are directors of the Parent Entity.

Material partly owned subsidiary

The Parent Entity has a 39.85% (2020: 50.00%) shareholding in its subsidiary, New Hope. In December 2020 and July 2021, the Parent Entity sold down its shareholding in New Hope by 10.15%. Total consideration received was \$61.54 million in July 2020 and \$70.20 million in December 2021.

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 60.15% (2020: 50.00%) 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 profit after income tax for the year \$47.73 million (2020: loss after income tax of \$78.51 million);
- Net increase in cash and cash equivalents \$351.83 million (2020: increase \$11.11 million);
- Total assets \$2.78 billion (2020: \$2.55 billion);
- Total liabilities \$1.03 billion (2020: \$0.82 billion);
- Net assets \$1.75 billion (2020: \$1.73 billion); and
- Non-controlling interest share of net assets \$1.05 billion (2020: \$0.863 billion).

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

Acquisition during the prior reporting period

On 18 October 2019, a subsidiary of the Parent Entity, WHSP Agriculture Holding Trust, acquired 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.

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.

There are no acquisitions in the current reporting period.

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.

34 Controlled entities and joint ventures (continued)

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

	2021 \$'000	2020 \$'000
Consolidated statement of comprehensive income – closed group		
Profit before income tax	424,403	1,479,993
Income tax expense	(84,448)	(351,575)
Profit after tax attributable to closed group	339,955	1,128,418
Other comprehensive income – closed group		
Changes in the fair value of equity investments at fair value through other comprehensive income	(212,782)	(162,428)
Share of other comprehensive income movements, net of tax	10,891	20,898
Total other comprehensive income for the year, net of tax	(201,891)	(141,530)
Total comprehensive income for the year	138,064	986,888
Summary of movements in consolidated retained earnings – closed group		
Opening balance at 1 August	3,336,525	2,330,086
Profit for the year	339,955	1,128,418
Transfer from general reserve to retained profits	–	2,342
Effect for initial adoption of AASB 16	–	(2,859)
Derecognition of TPG as an associate	–	(4,586)
Reclassification of a fair value investment to an associate	(3,570)	–
Dividends declared and paid	(121,028)	(116,876)
Closing balance at 31 July	3,551,882	3,336,525

	2021 \$'000	2020 \$'000
Consolidated statement of financial position		
Current assets		
Cash and cash equivalents	135,095	254,952
Trade and other receivables	26,888	40,556
Assets classified as held for sale	–	53
Financial assets held for trading	397,582	180,317
Other financial assets	9,068	–
Total current assets	568,633	475,878
Non-current assets		
Trade and other receivables	369,379	81,851
Equity accounted associates	900,557	917,810
Long term equity investments	2,667,086	2,942,722
Other financial assets	49,521	36,877
Property, plant and equipment	7,087	7,516
Right-of-use assets	11,102	12,251
Deferred tax assets	17,905	61,324
Total non-current assets	4,022,637	4,060,351
Total assets	4,591,270	4,536,229
Current liabilities		
Trade and other payables	10,137	13,012
Interest bearing liabilities	289,810	245,980
Lease liabilities	689	612
Current tax liabilities	30,260	–
Provisions	881	788
Total current liabilities	331,777	260,392
Non-current liabilities		
Trade and other payables	41	–
Interest bearing liabilities	216,282	199,170
Lease liabilities	11,559	12,249
Deferred tax liabilities	614,107	664,361
Provisions	649	612
Total non-current liabilities	842,638	876,392
Total liabilities	1,174,415	1,136,784
Net assets	3,416,855	3,399,445
Equity		
Share capital	47,176	43,232
Reserves	(182,203)	19,688
Retained profits	3,551,882	3,336,525
Total equity	3,416,855	3,399,445

34 Controlled entities and joint ventures (continued)

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.

Name	Accounted for as:	Group's interest	Segment allocated to:
Bengalla Joint Venture	Joint operation	80%	New Hope Corporation Limited
Lenton Joint Venture	Joint operation	90%	New Hope Corporation Limited

White Dam Joint Venture

In the prior reporting period, Round Oak held a 50% interest in the White Dam Joint Venture which operated the White Dam Gold Mine in South Australia. Round Oak disposed of its 50% interest on 29 July 2021. A gain of \$0.7 million (net of tax) was recorded on disposal.

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. Judgement is required by the Group to assess whether the arrangement is a joint operation or a joint venture.

35 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 amendments have been identified as those which may impact the Group in the period of initial application, are effective for annual periods beginning after 1 August 2021:

Amendments to IAS 1 – Classification of liabilities as current or non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether the entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The potential effects on adoption of the amendment are yet to be determined.

AASB 9 Financial instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted. The potential effects on adoption of the amendment are yet to be determined.

Cloud computer costs

In April 2021, IFRIC published an agenda decision in relation to the accounting treatment for cloud computing costs. The Group is currently assessing the impact of the agenda decision and expects to complete the implementation of the IFRIC agenda decision as part of its 31 January 2022 reporting.

AASB 102 Inventories

In June 2021, IFRIC published an agenda decision in relation to the accounting treatment when determining net realisable value (NRV) of inventories, in particular, what costs are necessary to sell inventories under AASB 102 'Inventories'. The Group is currently assessing the impact the agenda decision will have on its current accounting policy and whether an adjustment to inventory may be necessary. Accordingly, a reliable estimate of the impact of the IFRIC agenda decision on the Group cannot be made at the date of this report. The Group expects to complete the implementation of the above IFRIC agenda decision as part of its 31 July 2022 reporting.

36 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 Loneragan 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.

Performance hurdle			Movement in number of performance rights granted					
Grant Date	Vest Date	TSR Hurdle or Non TSR Hurdle	Fair value	Balance at start of year	Granted during the year	Vested	Forfeited	Balance at year end
Feb-21	Jul-23	Non-TSR	\$13.10	–	57,917	–	–	57,917
Feb-21	Jul-23	TSR	\$21.70	–	57,917	–	–	57,917
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	–	(19,661)	(23,449)	–
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	–	(11,796)	(14,069)	–
Dec-17	Aug-21 Sep-21*	TSR	\$6.16	25,864	–	(25,864)	–	–
Dec-17	Aug-22	Non-TSR	\$7.70	17,244	–	(7,865)	(9,379)	–
Dec-17	Aug-22	TSR	\$6.16	17,244	–	(17,244)	–	–
Dec-16	Sep-19 Sep-20*	Non-TSR	\$13.10	1,490	–	(1,490)	–	–
Dec-16	Sep-19 Sep-20*	TSR	\$5.22	1,489	–	(1,489)	–	–
Dec-16	Aug-20 Sep-20*	Non-TSR	\$13.10	7,630	–	(5,250)	(2,380)	–
Dec-16	Aug-20 Sep-20*	TSR	\$3.25	7,630	–	(3,460)	(4,170)	–
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-20	Non-TSR	\$13.86	5,679	–	(3,780)	(1,899)	–
Dec-15	Aug-20	TSR	\$10.87	5,678	–	(3,779)	(1,899)	–
				433,190	115,834	(144,788)	(57,245)	346,991

* 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 current reporting period an expense of \$2.01 million (2020: \$1.62 million) was recognised in the profit or loss for the rights issued under the Parent Entity LTI plan. The total fair value of the performance rights outstanding at year end was \$3.59 million (2020: \$5.08 million).

37 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 are set out in Note 34 and associates in Note 15.

c) Key management personnel (KMP) compensation

	Paid to KMP of the Consolidated Entity		Paid to KMP of the Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Short term employee benefits	4,446	5,340	3,966	4,757
Post-employment benefits	216	231	170	184
Long term employee benefits	(50)	44	(50)	44
Termination benefits	140	–	140	–
Share-based payments	1,932	1,584	1,932	1,584
	6,684	7,199	6,158	6,569

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

d) Transactions

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 advances and repayments, subscribing to additional capital and capital returns, 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.

	2021 \$'000	2020 \$'000
Summary of transactions		
Advisory, consulting, underwriting, management and other fees:		
received by subsidiaries from associates	38	46
rent income received by Parent Entity from an associate	154	168
Management fees paid by Parent Entity to an associate	330	330
Interest income from associate	1,869	1,516

Loans to associates

During the reporting period, the Parent Entity:

- increased its stand-by loan facility to Palla Pharma Limited from \$16 million to \$20 million. The amount owed at 31 July 2021 was \$18 million (2020: \$13.50 million). Interest is charged at commercial rates. The facility matures on 1 April 2022 (2020: 31 August 2021). The facility is secured by a first ranking mortgage over property.
- advanced \$20.22 million in property development loans to the Cronulla by Moran partnership. The amount owed at 31 July 2021 was \$21.36 million. No interest is charged on these loans. The facility matures on 30 September 2022 and secured.

In the prior reporting period, the Parent Entity advanced Heritage Brand Limited \$1.25 million. The amount owed at 31 July 2021 was \$1.25 million (2020: \$1.25 million). Interest was charged at commercial rates. The facility is secured with a second ranking charge over all assets.

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 reporting period, 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 current reporting period, Contact was paid \$0.33 million (2020: \$0.33 million) 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 Bank of Queensland

Mr W M Negus is a Director of the Parent Entity and the Bank of Queensland.

During the reporting period, the Parent Entity participated in the Bank of Queensland Limited capital raising offer resulting in the purchase of 9,262,668 shares for \$68.08 million (2020: \$nil).

38 Other accounting policies

a) Foreign currency translation

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.

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.

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 reporting period.

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 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 and therefore not considered dilutive.

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:

'Plain English' terminology	AASB terminology
Share capital	Contributed equity
Financial assets held for trading	Other financial assets at fair value through profit or loss
Other financial assets	Other 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.

39 Remuneration of auditors

During the reporting period, the following fees were paid or payable for services provided by the auditor:

	2021 \$'000	2020 \$'000
Fees to Ernst & Young (Australia)		
Fees for the audit and review of the financial reports of the Group and any controlled entities	935	–
Fees for other assurance and agreed-upon-procedures services	165	–
Fees for other services		
– tax compliance	7	–
Total fees to Ernst & Young (Australia)	1,107	–
Fees to Pitcher Partners (Sydney) and other auditors		
Fees for the audit and review of the financial reports of the Group and any controlled entities	666	1,308
Fees for other assurance and agreed-upon-procedures services	42	234
Fees for other services		
– tax compliance	113	58
– others	–	337
Total fees to Pitcher Partners (Sydney) and other auditors	821	1,937

40 Coronavirus (COVID-19)

Since the last reporting period, the Coronavirus (Covid-19) continued to have 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 operated uninterrupted, with a priority to protect the health and safety of all employees. The operating businesses of the Consolidated Entity used 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 during the twelve months to 31 July 2021 were as follows:

- Changes to demand resulting in higher commodity prices, in particular, increased average realised prices achieved for thermal coal, copper and zinc. Since August 2020, copper and zinc prices have significantly improved. In contrast, realised thermal coal prices declined over the August 2020 to November 2020 period, before rebounding in December and January 2021. An appreciating Australian dollar has partly offset the gains from the increase in commodity prices.
- The impact of reduced 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 its 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 for two operating businesses in the WHSP investment portfolio of \$6.86 million comprising New Hope (\$5.86 million) and a subsidiary operating a network of swimming schools (\$1 million). For the swimming schools operation, the support was received for periods where Covid-19 restrictions shut down or severely restricted operations. New Hope received support for the period where Covid-19 disrupted the global thermal coal market, reducing consumption and substantially lowering prices.

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 2021 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 34 c) 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

25 October 2021



Independent Auditor's Report



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Independent Auditor's Report to the Members of Washington H. Soul Pattinson and Company Limited

Report on the Financial Report

Opinion

We have audited the financial report of Washington H. Soul Pattinson and Company Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 July 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 July 2021 and of its consolidated financial performance for the year ended on that date; and
- b. 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 responsibilities 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Direction, supervision and evaluation of the work of component auditors

Why significant	How our audit addressed the key audit matter
<p>As auditor of the Group, we are responsible for the direction, supervision, and performance of the Group audit and are required to obtain sufficient appropriate audit evidence on which to base our audit opinion.</p> <p>Given the size and structure of the Group, there are a number of significant components of the Group, which are audited by auditors, other than the Group auditors ("Component Auditors"). The direction, supervision and evaluation of the work of the Component Auditors was considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We assessed the significance and risks associated with each component of the Group and identified the components where audit procedures were required to be performed, to support our audit opinion on the financial report of the Group. • We communicated our requirements to the Component auditors, detailing the work to be performed, the use to be made of that work and the form and content of their communication to us as auditor of the Group. • Meetings with the Component Auditors during the planning stage, execution and when audit procedures were completed to discuss the extent and outcome of these procedures. • Review of the work performed by the Component Auditors focussing on selected areas, based upon our risk assessment • Considered the results of this work on our audit opinion

Classification of investments

Why significant	How our audit addressed the key audit matter
<p>Refer to Note 13: Financial assets held for trading, Note 15: Equity accounted associates, Note 16: Long Term Equity Investments, and Note 34: Controlled entities and joint ventures.</p> <p>Equity investments, excluding investments in controlled entities amount to \$2.8 billion representing 38.0% of total assets.</p> <p>There are significant differences in how investments are accounted for depending upon whether they have been classified by the Group as fair value through profit or loss, fair value through other comprehensive income, an equity accounted associate or a consolidated controlled entity, in accordance with Australian Accounting Standards.</p> <p>Given the complexity and judgements involved in determining the appropriate classification of these equity investments and the significance to the financial report of the different accounting outcomes impacting revenue and income in particular, this was considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Evaluated the Group's assessment of the classification of a sample of investments against the requirements of Australian Accounting Standards. • Assessed whether a sample of investments were accounted for in accordance with Australian Accounting Standards, based upon the determined classification. • Considered the appropriateness of the disclosures in the financial report.

Valuation of investments in unlisted entities carried at fair value

Why significant	How our audit addressed the key audit matter
<p>Refer to Note 13: Financial assets held for trading, Note 14: Other financial assets, and Note 16: Long Term Equity Investments.</p> <p>The determination of the valuation of financial assets held at fair value by the Group was based upon a range of inputs and judgements. Where observable data to support these inputs and the valuations was not available, such as for unlisted investments, estimates were developed by the Group based upon the most appropriate source data, with these valuations being subject to a higher level of judgement. The value of unlisted investments amounted to \$173 million.</p> <p>Accordingly, our audit procedures related to the fair value of these investments is considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> With the assistance of our valuation specialists, we assessed the fair values of a sample of financial assets carried at fair value. Our procedures included assessing future cash flows, industry data, comparable benchmarks, and suitability of the valuation methodology based on the type of investment. Considered the associated financial report disclosures.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2021 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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.

Responsibilities of the directors 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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 the 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 the Australian Auditing Standards, we exercise professional judgment 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 to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year 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.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 54 to 69 of the directors' report for the year ended 31 July 2021.

In our opinion, the Remuneration Report of Washington H. Soul Pattinson and Company Limited for the year ended 31 July 2021, 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.



Ernst & Young



Ryan Fisk

Partner

Sydney

25 October 2021

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ASX Additional Information

Distribution of Equity Securities as at 5 October 2021

Size of Holding	Ordinary Shares		Performance Rights	
	Number of Holders	% of Total Ordinary Shares	Number of Holders	% of Total Issued Rights
1 – 1,000	33,835	3.22%	–	–
1,001 – 5,000	16,901	10.88%	1	1%
5,001 – 10,000	3,194	6.21%	2	4%
10,001 – 100,000	2,176	13.98%	2	20%
100,001 and over	203	65.71%	1	75%
TOTAL	56,309	100%	6	100%
Holding less than a marketable parcel	833			

Top 20 Shareholders as at 5 October 2021

	Ordinary Shares Held	% of Issued Shares
1 BRICKWORKS LIMITED	93,489,855	25.91%
2 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	19,412,381	5.38%
3 J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	10,339,688	2.87%
4 J S MILLNER HOLDINGS PTY LIMITED	9,227,859	2.56%
5 MILTON CORPORATION LIMITED	9,174,640	2.54%
6 DIXSON TRUST PTY LIMITED	8,749,192	2.42%
7 CITICORP NOMINEES PTY LIMITED	4,131,387	1.14%
8 T G MILLNER HOLDINGS PTY LIMITED	3,521,051	0.98%
9 HIGLETT PTY LTD	3,212,580	0.89%
10 WARBONT NOMINEES PTY LTD <UNPAID ENTREPOD A/C>	3,148,039	0.87%
11 HEXHAM HOLDINGS PTY LIMITED	3,053,127	0.85%
12 ARGO INVESTMENTS LIMITED	2,509,312	0.70%
13 MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	1,972,463	0.55%
14 NATIONAL NOMINEES LIMITED	1,911,858	0.53%
15 BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	1,465,497	0.41%
16 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,365,943	0.38%
17 MARY MILLNER HOLDINGS PTY LIMITED	1,206,860	0.33%
18 BORTRE PTY LIMITED	1,132,612	0.31%
18 DANWER INVESTMENTS PTY LTD	1,132,612	0.31%
20 EST GEOFFREY EDWARD MARSHALL	1,050,612	0.29%

Substantial Shareholders as at 5 October 2021

As disclosed in notices received by the Company.

	Ordinary Shares Held	% of Issued Shares	Notice Received
Brickworks Limited and its subsidiaries	94,314,855	26.14	5 Oct 2021
Mr Robert Dobson Millner	22,485,768	6.23	5 Oct 2021
Mr Thomas Charles Dobson Millner	21,630,464	5.99	5 Oct 2021

21,612,053 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 5 October 2021 with the ASX (**ASX code: SOL**).

Unquoted Equity Securities

As at 5 October 2021 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	342,626	6

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.

WHSP Convertible Notes

On 29 January 2021, WHSP issued 1,125 senior convertible notes with an aggregate principal amount of \$225 million. WHSP Convertible Notes (**Notes**) are unsecured senior convertible notes due in 2026 (convertible bond investors have a put option in February 2024). They are convertible at the option of the noteholders into WHSP ordinary shares (**ASX:SOL**). There has been no movement in the number of Notes since the issue date. The Notes are listed on the Singapore Exchange Securities Trading Limited (**SGX-ST**).

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Auditors

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Washington H. Soul Pattinson and Company Limited

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ASX Code: SOL