WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

A.B.N. 49 000 002 728

DIRECTORS' ANNUAL REPORT and FINANCIAL STATEMENTS

2009

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WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

A.B.N. 49 000 002 728

DIRECTORS

ROBERT D MILLNER
F.A.I.C.D.
Chairman of Directors
Director since 1984

MICHAEL J MILLNER
M.A.I.C.D.
Non-Executive Director - Deputy Chairman
Director since 1997

PETER R ROBINSON
B.Com.(UNSW) F.A.I.C.D.
Executive Director
Joined the Company 1978
Director since 1984

DAVID J FAIRFULL
B.Com., A.C.I.S., C.P.A., fFin, M.A.I.C.D.
Non-Executive Director
Director since 1997

ROBERT G WESTPHAL
B.Com.(UNSW), F.C.A., fFin, M.A.I.C.D.
Non-Executive Director
Director since 2006

DAVID E WILLS
B.Com.(UNSW), F.C.A., M.A.I.C.D.
Non-Executive Director
Director since 2006

CHIEF FINANCIAL OFFICER
MELINDA R RODERICK, CA

COMPANY SECRETARY
IAN D BLOODWORTH, CA

AUDITORS
MOORE STEPHENS SYDNEY

REGISTERED OFFICE:
FIRST FLOOR
160 PITT STREET MALL
SYDNEY NSW 2000
Telephone: (02) 9232 7166
Facsimile: (02) 9235 1747
Internet Website Address: www.whsp.com.au

SHARE REGISTER
Computershare Investor Services Pty. Limited
Level 3, 60 Carrington Street, Sydney NSW 2000
Telephone: 1300 855 080 (within Australia)
Telephone: +61 3 9415 4000 (outside Australia)
Facsimile: +61 3 9473 2500
Email: web.queries@computershare.com

DIRECTORS' REPORT

The Directors of Washington H. Soul Pattinson and Company Limited (WHSP) present their report and the financial statements of the company and the consolidated entity, being the company and its subsidiaries, for the financial year ended 31 July 2009.

CONSOLIDATED FINANCIAL PERFORMANCE

The profit of the Group, **after tax and before non-regular items**, attributable to Shareholders for the year ended 31 July 2009 was **$224.7 million**, an increase of 98.6% over the previous year. This net increase of $111.5 million resulted mainly from improved results by New Hope Corporation Limited (New Hope) in both operations and treasury and improved results in Pitt Capital Partners Limited and SP Telemedia Limited.

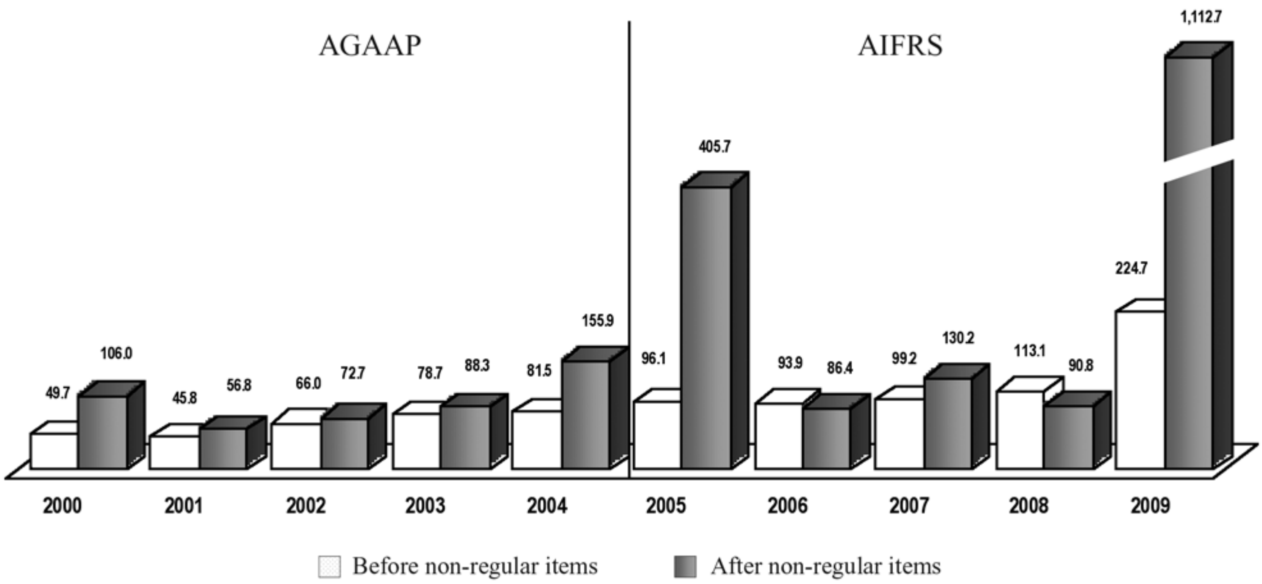
The profit of the Group, **after tax and non-regular items**, attributable to Shareholders was **$1.1 billion**, in excess of 12 times that of the previous corresponding period. The net profit on non-regular items of $888.0 million was principally composed of the Group's $1.03 billion share of the profit on the sale of New Hope's New Saraji coal project, reduced by the impairment of investments in associated companies of $127.9 million.

Comparisons with the corresponding period last year are as follows:-

	2009 $'000	**2008 $'000**		**% Change**
Revenue from continuing operations	**774,953**	681,640	+	13.7%
Profit after tax before non-regular items	**224,685**	113,146	+	98.6%
Profit after tax and non-regular items	**1,112,652**	90,828	+	1,125%
Interim Dividend (paid May 2009 and 2008)	**13.0c**	12.0c	+	8.3%
Final Dividend	**19.0c**	18.0c	+	5.6%
Special Dividend	**25.0c**	-		-
Total Dividends	**57.0c**	30.0c	+	90.0%

The graph below shows the performance of the consolidated Group before and after non-regular items over the last 10 years.

Consolidated Profit Results
Profit After Tax and Outside Equity ($M)



DIVIDENDS

Over the last two reporting periods many of the listed companies on the Australian Securities Exchange have either lowered their dividends or have not paid a dividend at all.

WHSP has been listed on the Australian Securities Exchange for 107 years making it the second oldest listed company. During this time WHSP has never missed the payment of a dividend, including during the depression and war years, and has never requested additional capital from its Shareholders.

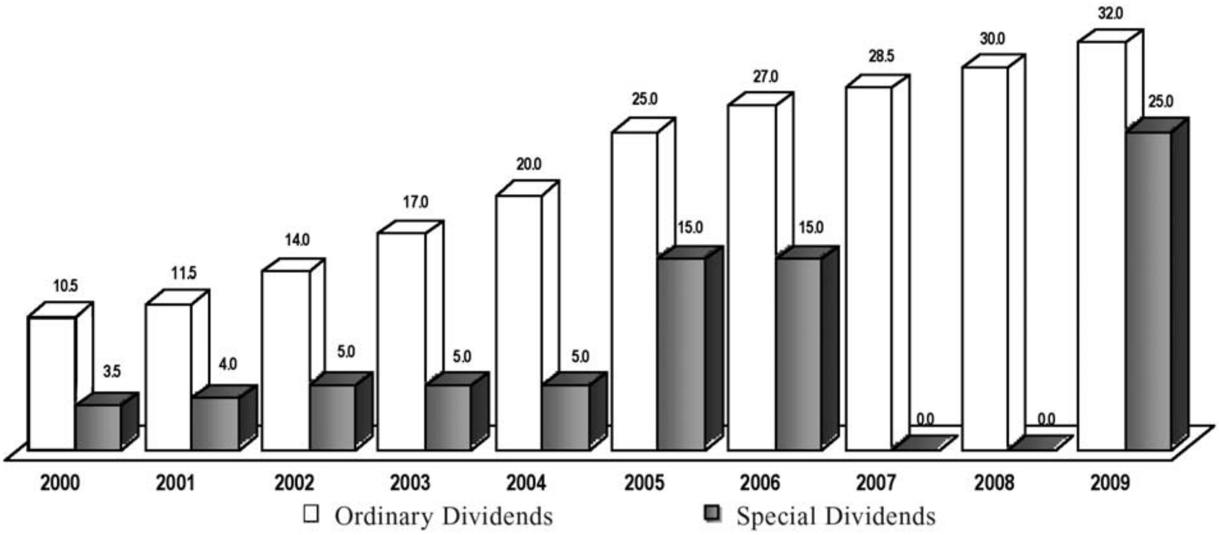
At the end of the financial year WHSP had no borrowings from financial institutions.

DIVIDENDS (continued)

The graph below shows the ordinary dividends paid or payable by the company over the last 10 years which have increased year on year. Further, the eight special dividends which have been paid or are payable for this period total 77.5 cents.

Dividend Performance

Cents per share



Final Dividend

Directors recommend the payment of a fully franked final dividend of 19 cents per share in respect of the year ended 31 July 2009 (2008: 18 cents fully franked).

This dividend is to be approved by Shareholders at the Annual General Meeting and will be payable on 7 December 2009. The record date for this dividend will be 16 November 2009.

The Directors consider the profit before non-regular items to be the underlying profit of the Group. Accordingly, interim and final dividends are declared and recommended based on that profit.

Special Dividend

Directors recommend the payment of a fully franked special dividend of 25 cents per share in respect of the Group's $1.03 billion share of the non-regular profit on the sale of the New Saraji coal project by New Hope.

This dividend is to be approved by Shareholders at the Annual General Meeting and will be payable on 7 December 2009. The record date for this dividend will be 16 November 2009.

Dividends paid or recommended by the Company since the end of the previous financial year were:-

	Cents Per Share	Total amount $'000	Franked/ Unfranked	Date of Payment
Declared and paid during the financial year				
Final ordinary dividend 2008	18.0	42,955	Fully Franked	8 December 2008
Interim ordinary dividend 2009	13.0	31,023	Fully Franked	14 May 2009
Dealt with in the financial report as dividends	31.0	73,978		
Recommended after the end of year				
Proposed final ordinary dividend 2009	19.0	45,342	Fully Franked	7 December 2009
Special dividend	25.0	59,660	Fully Franked	7 December 2009
	44.0	105,002		

REVIEW OF OPERATIONS

HOLDING COMPANY

The market value of the listed investment portfolio, which includes controlled entities and associates, was $4.0 billion as at 31 July 2009 compared with $3.6 billion as at 31 July 2008, an increase of $421 million. The portfolio significantly out performed the benchmark S&P/ASX 300 accumulation index with a positive return of +14.4% compared to the benchmark return of negative -10.3%.

The performance was mostly due to the significant increase in the New Hope share price. On 1 August 2008 the New Hope share price was $4.69, at year end it had increased to $5.27. New Hope's market capitalisation was $4.3 billion as at 31 July 2009. SP Telemedia Limited and Brickworks Limited also contributed to this result with significant increases in their market values.

Excluding controlled entities and associates, the market value of the listed investment portfolio increased by a net $2.6 million to $396 million. Under the Group's accounting policies the movements in market values are transferred to the asset revaluation reserve or reflected in the Income Statement as impairments. Impairments totalling $11.5 million were made during the year.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

HOLDING COMPANY (CONTINUED)

During the year $89.1 million was invested in the equities market. The main purchases were Brickworks Investment Company Limited, Primeag Australia Limited, Ruralco Holdings Limited, SP Telemedia Limited, Telstra Corporation Limited and Westpac Banking Corporation. Purchases of shares in controlled entities and associates totalled $18.8 million. Proceeds from disposals totalled $32.6 million, which included shares to the value of $20.4 million received as a result of the takeovers of Huntley Investment Company Limited and St George Bank Limited. The other major disposal was Brambles Limited.

Dividend and distribution income received from the listed investment portfolio, excluding those from controlled and associated entities, was $20.1 million, down 3.0% compared to last year.

Ten largest investments based on market value as at 22 October 2009
(excluding controlled and associated entities)

Company	$ million
Milton Corporation Limited	74
Brickworks Investment Company Limited	69
BHP Billiton Limited	51
Choiseul Investments Limited	46
Commonwealth Bank of Australia	26
National Australia Bank Limited	22
Perpetual Limited	20
Bank of Queensland Limited	17
Brambles Limited	14
Macquarie Group Limited	12

CONTROLLED ENTITIES

New Hope Corporation Limited (New Hope) - (60.7% held)*

New Hope has reported a net profit after tax of $150.5 million from its coal mining, port, and other operations (excluding interest income), an 82% increase over last year's result of $82.5 million. Net profit after tax and before non-regular items, was $262.3 million which was 189% higher than the previous corresponding period.

In addition, New Hope has reported a non-regular net profit after tax of $1.69 billion as a result of the sale of its New Saraji coal project to BHP Billiton Mitsubishi Alliance (BMA), which was completed on 10 September 2008. Total net profit after tax for the fiscal year was $1.95 billion.

Earnings per share for the year ended 31 July 2009 from operations and interest were 32.3 cents, which was an increase of 188% over the previous corresponding year. In addition, earnings per share as a result of the sale of the New Saraji coal project were 208.0 cents. Total earnings per share were 240.3 cents.

The Directors of New Hope have declared a final ordinary dividend of 4.5 cents per share and a special dividend of 72.75 cents per share. Both of these dividends are fully franked, to be paid on 10 November 2009. The record date for such dividends was 26 October 2009.

The 2009 result benefited from:

- Higher coal sales prices for both export and domestic coal;
- Continued coal sales growth, which was up 11.7% to 4.97 million tonnes for the year;
- Higher export coal sales tonnages, which were up 19.9% to 3.87 million tonnes for the year;
- Higher revenue from interest earned on the sale proceeds of the New Saraji coal project;
- Higher contribution from the Queensland Bulk Handling operations at the Port of Brisbane, due to higher throughput of 6.12 million tonnes (up 11.8%).

offset by:

- A volatile Australian dollar to US dollar exchange rate during the year resulting in modest hedging losses;
- A write down in the value of specific held for sale financial assets;
- Ongoing exploration and project expenditures;
- Increased mining costs resulting primarily from increasing strip ratios.

Operations

Total saleable coal production from New Hope's operations in the 2009 year was 5.14 million tonnes, 15.5% higher than in 2008.

Total coal sold during the year was 11.7% higher at 4.97 million tonnes, compared with 4.45 million tonnes sold in the 2008 year. Coal export volumes rose by 643,000 tonnes (or 19.9%) to 3.87 million tonnes while domestic sales were some 122,000 tonnes lower (or 10%) at 1.10 million tonnes.

* Percentage of the issued capital of the company held by Washington H. Soul Pattinson and Company Limited as at 31 July 2009.

REVIEW OF OPERATIONS (CONTINUED)

CONTROLLED ENTITIES (CONTINUED)

New Acland Mine

The New Acland Mine is located 16km north west of Oakey on the Darling Downs in South East Queensland and is the Company's major production source with 4.26 million tonnes produced during the year. This reflects the expansion to the rate of 4.2 million tonnes per year, which was completed in April 2008. New Acland has completed the initial development of a second open cut pit south of the current operations to maximise coal qualities and operating flexibility. First coal from this southern pit was processed in mid September 2008.

Planning is well advanced on the next incremental expansion at New Acland (New Acland Stage 3 expansion) to 4.8 million tonnes per year. The expansion is scheduled for completion in the second quarter of 2009/10, subject to construction contractor performance. The scale of this incremental expansion will maximise production within existing mining approvals and fully utilise available rail capacity.

Additionally, significant progress has been made on a potential New Acland Expansion Stage 4 which would optimise staged future production pathways up to 10 million tonnes per year.

West Moreton Mines

The balance of coal production in the 2009 year of 877,000 tonnes (2008: 531,000 tonnes) came from the New Oakleigh and Jeebropilly mines in the West Moreton district, near Ipswich. Production from New Oakleigh was 14.9% lower than the prior year at 452,000 tonnes, with the remaining 425,000 tonnes of West Moreton production coming from the recommissioned Jeebropilly mine.

Operating experience since re-commissioning the mine in 2008 has resulted in higher yields and lower strip ratios than originally planned, leading to lower than expected unit costs. As a result, a decision was taken in early 2009 to increase the production capacity of the Jeebropilly mine to 900,000 tonnes per year.

Queensland Bulk Handling

Queensland Bulk Handling Pty Ltd (QBH), which is 100% owned by New Hope Corporation, achieved a record throughput with 6.12 million tonnes loaded onto 87 ships in 2009, up from 5.47 million tonnes loaded onto 82 ships in 2008, an 11.8% increase. The QBH facility continues to operate essentially demurrage free.

As reported in 2008, QBH has committed to an expansion of the coal handling facilities with the addition of new stockpiles and associated infrastructure to meet increased forecast coal exports through the Port of Brisbane as extra rail capacity is forecast to become available. Expansion work is progressing well.

The project is on track to be completed by October 2010 with minimal interruption to scheduled coal exports during the expansion project, which will take annual capacity to a nominal 10 million tonnes.

Wetalla Pipeline Project

The Wetalla Pipeline Project commenced in April 2008 with the execution of a long term (43 years) water supply agreement with the Toowoomba Regional Council (TRC) for New Acland Coal (NAC) to receive recycled waste water from TRC's Wetalla Water Reclamation plant on the outskirts of the city of Toowoomba. The agreement with the TRC requires NAC to construct a 46km pipeline from Wetalla to the New Acland Mine.

The construction of the pipeline and associated pump station and other support infrastructure has been completed. The pipeline was commissioned in October 2009, on time and with total project costs below budget estimates.

Arrow Energy Limited

New Hope acquired its initial shareholding in Arrow Energy in July 2006, and has subsequently increased its shareholding via exercising options and purchasing additional shares. As at 31 July 2009 New Hope held 122.6 million shares at a total cost of $119.3 million; equivalent to 16.9% of the company. Arrow Energy's share price on 31 July 2009 was $4.26, valuing the New Hope investment at $525.9 million and representing an unrealised gain before tax of $406.6 million. The investment is carried at $525.9 million in the balance sheet of New Hope and the increase over cost of $406.6 million has been reflected through the asset revaluation reserve.

New Hope Exploration

Subsequent to the sale of the New Saraji coal project to BMA in September 2008, New Hope's exploration activity refocussed on its other Central Queensland and Darling Downs tenements and its existing mining operations.

New Hope's exploration strategy remains unchanged and is directed toward evaluating open cut and underground coking coal resources in Central Queensland, open cut thermal coal in South East Queensland and coals as potential sources of both surface and possible underground gasification and liquefaction projects. Recently New Hope has initiated the next phase of exploration at Jimbour and Ownaview.

In central Queensland, New Hope's exploration activities have been directed to expanding its resource definition program within the broader exploration permit coal (EPC) at Lenton and evaluating future target drill sites at the Bee Creek EPC. Recent drilling and seismic programmes indicate additional coal volumes at Lenton.

Coal to Synfuels

New Hope continued its research activities regarding the evaluation of conversion of Acland coal into gas followed by possible power generation and/or liquefaction. New Hope continued ongoing gasification trials in both South Africa and the USA, focussing on two different technologies.

* Percentage of the issued capital of the company held by Washington H. Soul Pattinson and Company Limited as at 31 July 2009.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

CONTROLLED ENTITIES (CONTINUED)

Initial results from a test scale slurry reactor have been encouraging and have confirmed earlier results which indicate the suitability of New Acland coal for conversion to liquid fuels. Further trials over the next three to six months will enable finalisation of design parameters for a one tonne per hour concept test unit, subject to government approvals.

Land

During the development cycle of its exploration and coal mining activities, New Hope has acquired over 12,000 hectares of land around Ipswich, Rosewood, Amberley and Acland.

New Hope has acquired further landholdings in the Acland region during the year, taking the total landholdings there to approximately 9,200 hectares. This land is being managed by New Hope's agricultural company, Acland Pastoral Company Pty Ltd.

Outlook

New Hope's mining operations are reliable, efficient and low cost and it employs experienced supporting personnel (including its own exploration crews) to underwrite the continued growth in production over the coming years. Whilst production and sales growth are subject to favourable economic conditions and access to rail capacity, New Hope is well positioned to continue building on the growth delivered over the past 5 years.

The sale of the New Saraji coal project further underpins a strong balance sheet, after the expected return of dividends to Shareholders. New Hope is investing in the necessary infrastructure to support the expanded New Acland operations via the Wetalla pipeline and the expanded QBH operations.

The Lenton Project (likely metallurgical and thermal coals) will be evaluated to determine the best development path over the next few years. A number of alternative strategies are being evaluated, with port capacity being a possible development constraint before 2012.

New Hope's operations continue to perform strongly; however with the sharp decrease in export coal prices which resulted from the world economic downturn in late 2008 and early 2009, it is likely that an earnings decline will eventuate in 2010 from normal operations; despite higher production and sales. Exchange rate volatility is also likely to continue given the uncertainty in world economic activity, which could further impact on New Hope's earnings.

As a result of WHSP's 60.7% holding in the issued capital of the company, New Hope contributed a net profit of $1.2 billion to the Group (2008: $55.4m, 61.2% holding).

Pitt Capital Partners Limited (PCP) - (78.3% held)*

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

Among other transactions completed during the year PCP was the sole advisor to New Hope Corporation Limited in their sale of the New Saraji coal project to the BHP Billiton Mitsubishi Alliance, the largest completed coal sector transaction in the three years to 31 July 2009.

The Boards and staff of WHSP and PCP were deeply saddened by the untimely death of Mr Christopher Photakis on 7 August 2009. Mr Photakis had been the Managing Director of PCP since 2 April 2007 and will be greatly missed by all.

As a result of WHSP's 78.3% interest in the issued capital of the company, PCP contributed $13.0 million to the net profit of the Group (2008: $1.2m).

ASSOCIATED ENTITIES

Australian Pharmaceutical Industries Limited (API) - (24.6% held)*

API's financial year ends 31 August 2009. API's results for the full-year were released to the market on 21 October 2009.

API released its half-year profit result on 30 April 2009. For the 6 months, sales increased 8.1% to $1.74 billion and net profit after tax by 8.7% to $6.7 million.

Sales growth in Pharmacy Distribution grew by 10.4%. The Company also posted a strong comparable store revenue growth of 5.7% for Priceline in difficult retailing conditions. API's strategy of converting company-owned Priceline stores to franchises is proving successful with 16 new Priceline Pharmacies opened during the period which was deemed satisfactory given much tighter credit markets.

Priceline Pharmacy reported front-of-store growth of 11.1% for the 6 month period, well above industry average.

WHSP has equity accounted API's result for the 12 months to February 2009. As a result of WHSP's 24.6% holding in the issued capital of the company, API contributed a net profit of $3.9 million to the Group (2008: $0.8m, 10 months to February 2008).

Brickworks Limited (Brickworks) - (49.4% held)*

Brickworks net profit after tax and non-regular items for the full year was $305.2 million. Profit after tax, before non-regular items (normalised profit) was $113.7 million, an increase of 5.1% on the corresponding period. These results include the equity accounted profit contribution from WHSP.

The result once again highlights the strength and reliability of the Brickworks' model with earnings diversity from its three divisions of Building Products, Land & Development and Investments.

Normalised earnings per share (EPS) increased 5.1% to 85.6 cents per share for the full year ended 31 July 2009, from 81.5 cents per share for the year ended 31 July 2008.

The Directors of Brickworks have declared a final dividend of 26.5 cents per share in respect of the full year ended 31 July 2009. The dividend will be fully franked and payable on 9 December 2009.

* Percentage of the issued capital of the company held by Washington H. Soul Pattinson and Company Limited as at 31 July 2009.

REVIEW OF OPERATIONS (CONTINUED)

ASSOCIATED ENTITIES (CONTINUED)

Total interest bearing debt including 'Pavers' reduced by 28.9% to $400.0 million as at 31 July 2009. This significant improvement was delivered without the need to raise fresh capital and without potential earnings dilution to current shareholders.

As a consequence of the domestic slowdown in the economy, total dwelling starts in Australia fell 17.3% to 131,061 during the year ended 30 June 2009, despite the First Home Owners Grant. As a result Brickworks EBIT from the Building Products division was down 31.0% to $37.0 million compared to last year.

In February 2009 the Federal Government announced a $42 billion 'National Building & Jobs Plan'. This announcement included two critical initiatives for the building industry, the $14.7 billion 'Building the Education Revolution' package to schools for maintenance and construction work and the combined $6.7 billion packages for public and defence housing. While these initiatives are strong positives for the Building Products division, orders from these programs have only started to flow in the latter stages of the 2009 financial year.

The Land & Development division produced an EBIT of $40.6 million for the year ended 31 July 2009, a decrease of 54% on the record EBIT achieved during the prior year of $93.7 million.

The Property Trust generated a net profit result of $9.6 million for the year under review from development profit and trust income.

The economic downturn in Australia has not fully abated and Brickworks' Directors deem it premature to conclude that a recovery is in full swing. The anticipated recovery in dwelling construction activity during the 2009-2010 year is predicated on pent up demand for housing, the continuation of the First Home Owners Grant (albeit in a reduced form), low interest rates, improved construction finance availability and improved housing affordability.

The Directors of Brickworks believe the company, with its low gearing and strong balance sheet is well placed to take advantage of the expected economic recovery.

As a result of WHSP's 49.4% holding in the issued capital of the company, Brickworks contributed a $17.2 million regular profit to the Group (2008: $37.7m, holding 49.5%). In addition, WHSP's share of the non regular write downs was $41.3 million (2008: nil). These contributions exclude the WHSP profit taken up by Brickworks under the equity accounting method.

Clover Corporation Limited (Clover) - (28.6% held)*

Clover reported a net profit before tax for the year ended 30 June 2009 of $4.5 million (2008: $3.0 million) an increase of 46.9%. Due to the initial recognition of a deferred tax asset in 2008 amounting to $1.3 million, the net profit after tax fell by 25.5% to $3.1 million from $4.1 million in 2008.

Annual sales declined by 2% due to a number of major international infant formula companies reducing their stockholdings during the year in response to the global financial crisis. Despite this, sales of Omega^3 products into the key markets of Asia and USA increased by 25% when compared to the same period last year.

During the year Clover focussed on sales of higher value-added microencapsulated products, particularly in infant formula applications. This led to an improved gross profit performance despite the slightly reduced sales for the year. The improved gross profit performance along with effective control of operating expenses had a positive impact on the result. In order to expand the sales, marketing and distribution of Clover's products in the America's and Europe, an exclusive distribution and agency agreement was completed with GTC Nutrition in March 2009. This will provide Clover with greater exposure for its products in these important and growing markets. Along with the continued sound financial performance of the company, of note during the year was:-

- Winning the 2009 Frost & Sullivan Asia Pacific Industrial Technologies Award for Functional Ingredient Company of the Year, recognising success in the Omega^3 infant and nutrition market;
- There was important output from Clover's research program. The University of Adelaide reported in January 2009 the results obtained from a large DINO study indicating that the consumption of Clover's tuna oil by premature babies resulted in improvements in their cognitive and physical development;
- Increased research and development activity has focussed on the development of new microencapsulated ingredients primarily for the infant formula markets with a number of new products currently in customer evaluation trials;
- Inventory levels were significantly increased by year end in response to increased sales orders and forecasts for 2009-10.

Clover's Directors have declared a 1 cent fully franked dividend with payment due 19 November 2009.

As a result of WHSP's 28.6% holding in the issued capital of the company, Clover contributed a net profit of $0.9 million to the Group (2008: $1.2 million).

Ruralco Holdings Limited (Ruralco) - (23.5% held)*

Ruralco's financial year ends 30 September 2009. Ruralco's results for the full-year are scheduled to be released to the market on 24 November 2009.

Ruralco released its half-year profit result on 26 May 2009. For the six months, sales decreased 4.1% to $412.6 million and net profit after tax by 40.1% to $6.3 million on the previous corresponding period.

Following a capital raising during the period Ruralco's gearing ratio (net debt/equity) reduced to 54.1%.

An interim dividend of 6 cents per share fully franked was paid in June 2009 down from 9 cents in 2008.

Following WHSP's acquisition of additional shares in Ruralco on 4 June 2008, WHSP's investment in Ruralco was reclassified as an investment in an associated company. Accordingly, this investment has been equity accounted since that date.

* Percentage of the issued capital of the company held by Washington H. Soul Pattinson and Company Limited as at 31 July 2009.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

ASSOCIATED ENTITIES (CONTINUED)

As a result of WHSP's 23.5% holding in the issued capital of the company, Ruralco contributed a net profit of $2.6 million to the Group. For the year ended 31 July 2008 dividend income of $1.9 million was taken up by WHSP.

SP Telemedia Limited (SPT) - (28.5% held*)

SPT's earnings before interest, tax, depreciation and amortisation (EBITDA) for the year were $98.5 million whilst net profit after tax (NPAT) was $17.7 million.

These results represent a 296% increase on the EBITDA of $24.9 million achieved last year and a 194% increase on last year's $18.9 million net loss after tax.

Earnings per share for the year of 2.6 cents represent a 168% increase on the 3.8 cents loss per share last year.

The continued growth in SPT's business has been underpinned by broadband subscribers, with net additions for the FY09 year of 88,000 including 56,000 added in the 2nd half. Total broadband subscribers had reached 400,000 in September 2009.

The TPG consumer mobile offering, since its inception in late 2008 has already been taken up by more than 90,000 subscribers, comprising new customers, existing broadband customers and customers transferring from their Soul post paid plans.

SPT continued to focus on corporate & government business and improving systems and processes. This resulted in improved customer service levels while margins benefited from increased on-net services.

SPT generated net cash inflows from operations before interest, tax, capex and debt repayments during the year of $153 million. This excellent cash generation included a significant improvement of $24 million in working capital over 2008 and has enabled the company to make repayments in the year of $81 million against its bank debt facility, including $60 million in the 2nd half-year.

In the 15 months since the April 2008 merger with TPG, the group has repaid $95m of bank debt, putting it $75m ahead of its debt repayment schedule. It now has only $58m of bank debt remaining and its next compulsory debt repayment does not arise until February 2011.

In SPT's end of year results TPG indicated that the TPG Home Phone will be coming soon. Telstra has approximately 9 million fixed line connections in Australia. Telstra currently charges $29.99 per month for each of these lines. At the end of October 2009, TPG will commence the rollout of its ADSL bundled $9.99 per month fixed line service.

SPT's Directors have declared a fully franked final dividend of 1 cent per share, payable on 18 November 2009 to shareholders on the register at 21 October 2009.

SPT's strong profit growth is forecast to continue and SPT's directors have provided the following guidance for the FY10 result:

- Revenue $460 million
- EBITDA $130 million (excludes amortisation of deferred subscriber acquisition costs)
- EBIT $71 million

Following SPT's merger with TPG, WHSP's control over SPT ceased on 7 April 2008. Accordingly, the investment in SPT has been equity accounted since that date.

As a result of WHSP's 28.5% holding in the issued capital of the company, SPT contributed $4.9 million to the net profit of the Group (2008: $6.9 million loss, holding reduced from 44.5% to 27.5% in April 2008).

DIRECTORS

The Directors of the Company in office at any time during or since the end of the financial year are:

Robert Dobson Millner F.A.I.C.D.
Chairman.

Non-executive Director since 1984, appointed Chairman 1998. Member of the Remuneration Committee and member of the Nomination Committee since 5 December 2008.

Mr Millner has extensive experience in the investment industry.

Other listed company directorships held during the past three years:

- Australian Pharmaceutical Industries Limited – Appointed 2000 (current)
- Brickworks Limited – Appointed 1997 (current) Chairman since 1999
- Brickworks Investment Company Limited – Appointed 2003 (current) Chairman since 2003
- Choiseul Investments Limited – Appointed 1995 (current) Chairman since 2000
- Milton Corporation Limited – Appointed 1998 (current) Chairman since 2002
- New Hope Corporation Limited – Appointed 1995 (current) Chairman since 1998
- Souls Private Equity Limited – Appointed 2004 (current) Chairman since 2004
- SP Telemedia Limited – Appointed 2000 (current)

* Percentage of the issued capital of the company held by Washington H. Soul Pattinson and Company Limited as at 31 July 2009.

DIRECTORS (CONTINUED)

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

Non-executive Director since 1997, appointed Deputy Chairman 1998. Chairman of the Nomination Committee and member of the Audit and Remuneration Committees.

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

Other listed company directorships held during the past three years:

- Brickworks Limited – Appointed 1998 (current)
- Choiseul Investments Limited – Appointed 2001, Resigned 2008
- Ruralco Holdings Limited – Appointed 2007 (current)
- SP Telemedia Limited – Appointed 2000, Resigned 2008

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

Joined the Company 1978, appointed Director 1984.

Mr Robinson has held both executive and non-executive directorships for a period of 25 years and has over 30 years experience at general management and chief executive officer level. He is chairman of Australian Pharmaceutical Industries Limited and Clover Corporation Limited.

Other listed company directorships held during the past three years:

- Australian Pharmaceutical Industries Limited – Appointed 2000 (current)
- Clover Corporation Limited – Appointed 1997 (current)
- KH Foods Limited (in liquidation) – Appointed 2008 (current) (previously Appointed 1987, Resigned 2006)
- New Hope Corporation Limited – Appointed 1997 (current)
- SP Telemedia Limited – Appointed 2000, Resigned 2008

David John Fairfull B.Com., A.C.I.S., C.P.A., fFin, M.A.I.C.D.
Non-executive Director, appointed Director 1997. Member of the Audit and Nomination Committees.

Mr Fairfull is a merchant banker and professional company director with over 40 years experience in corporate finance. He is a consultant to Pitt Capital Partners Limited which is a Group Company.

Other listed company directorships held during the past three years:

- Australian Pharmaceutical Industries Limited – Appointed 2000, Resigned 2007
- KH Foods Limited (in liquidation) – Appointed 2008 (current)
- New Hope Corporation Limited – Appointed 1997 (current)
- Soul Communications Limited (formerly B Digital Limited) – Appointed 2005, Resigned 2007
- Souls Private Equity Limited – Appointed 2004 (current)
- SP Telemedia Limited – Appointed 2000, Resigned 2008
- Stockland Limited – Appointed 1990, Resigned 2006

Robert Gordon Westphal B.Com.(UNSW), F.C.A., fFin, M.A.I.C.D.
Non-executive Director since 2006. Chairman of the Audit Committee and member of the Remuneration Committee. Member of the Nomination Committee until 5 December 2008.

Mr Westphal is a Chartered Accountant and was a partner of Ernst & Young for 25 years. He has many years of experience in corporate transactions with particular emphasis on mergers and acquisitions, due diligence and valuations across a variety of industry sectors. Mr Westphal is a non-executive director of a number of companies in which Souls Private Equity Limited has invested. He is a consultant to Pitt Capital Partners Limited which is a Group Company and was formerly the Chairman of the Board of Governors of Queenwood School for Girls Limited for 10 years.

Other listed company directorships held during the past three years:

- Souls Private Equity Limited – Appointed 2005 (current)

David Edward Wills B.Com.(UNSW), F.C.A., M.A.I.C.D.
Non-executive Director since 2006. Chairman of the Remuneration Committee and member of the Audit Committee. Member of the Nomination Committee until 5 December 2008.

Mr Wills is a Chartered Accountant, having been a partner in Coopers & Lybrand and then PricewaterhouseCoopers for 25 years. He was Managing Partner of the Sydney office and Deputy Chairman of the Australian firm immediately prior to his retirement from the firm in 2004. He is also a non-executive director of a number of companies in which Souls Private Equity Limited has invested.

Other listed company directorships held during the past three years:

- Clover Corporation Limited – Appointed 2005 (current)
- Dyno Nobel Limited – Appointed 2006, Resigned 2008
- Souls Private Equity Limited – Appointed 2004 (current)

DIRECTORS' REPORT (CONTINUED)

COMPANY SECRETARY

Ian David Bloodworth

Mr Bloodworth is a Chartered Accountant with more than 20 years accounting and company secretarial experience and was appointed Company Secretary of Washington H. Soul Pattinson and Company Limited in July 2007. Prior to joining Washington H. Soul Pattinson and Company Limited, 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 Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the company during the financial year are:

		Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
		Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
Mr R D Millner	R,N	18	18	-	-	2	2	1	1
Mr M J Millner	A,R,N	16	16	5	5	2	2	1	1
Mr P R Robinson		18	17	-	-	-	-	-	-
Mr D J Fairfull	A,N	16	16	5	5	-	-	1	1
Mr R G Westphal	A,R	18	18	5	5	2	2	-	-
Mr D E Wills	A,R	16	13	5	5	2	2	-	-

A Denotes current member of the Audit Committee of Directors.

R Denotes current member of the Remuneration Committee of Directors.

N Denotes current member of the Nomination Committee of Directors.

DIRECTORS' INTERESTS

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

	Ordinary Shares
Mr R D Millner	19,204,996
Mr M J Millner	18,839,976
Mr P R Robinson	74,210
Mr D J Fairfull	60,000
Mr R G Westphal	5,000
Mr D E Wills	118,866

REMUNERATION REPORT (AUDITED)

Scope of Report

The scope of this Remuneration Report covers the parent entity and the unlisted controlled entities Pitt Capital Partners Limited, Souls Funds Management Limited and Souls Financial Solutions Pty. Limited. The other controlled entities of the Group are publicly listed and, accordingly, have their own Remuneration Committees. It is the policy of the Board to allow those controlled entities to produce their own Remuneration Report in accordance with Section 300A of the Corporations Act 2001 to be voted on by their shareholders.

Remuneration Committee

The Remuneration Committee consists of non-executive directors whose responsibility is to make recommendations to the full Board on remuneration matters and other terms of employment for executive directors, senior executives and non-executive directors

The Remuneration Committee ensures that remuneration levels for directors, senior managers and group executives are competitively set to attract and retain qualified and experienced directors and executives. The Committee is authorised by the Board to obtain independent professional advice on the appropriateness of remuneration packages if deemed necessary.

Non-executive Directors

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

The aggregate amount of fees which may be paid to non-executive directors by the parent entity is subject to the approval of Shareholders in general meeting and is currently set at $750,000 per annum. Approval for this aggregate amount was given at the 2002 Annual General Meeting.

During the year ended 31 July 2009 fees paid to the non-executive directors by the parent entity amounted to $561,000 which included the statutory superannuation guarantee contribution of 9%.

With effect from 31 July 2004 the retiring allowance for non-executive directors was frozen at 3 times the average annual fees for the three years prior to that date. Non-executive directors appointed after 1 August 2004 do not qualify for a retiring allowance.

Executive Directors and Senior Executives

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

Remuneration of the executive director and senior executives consists of a fixed remuneration package comprising a base salary, superannuation and fringe benefits, where taken. In addition to the foregoing, the remuneration of certain executives of Pitt Capital Partners Limited and Souls Funds Management Limited may include other components which are subject to annual assessment by the Boards of those companies.

In respect of the parent entity and the unlisted controlled entities, no employment contracts for either executive directors or senior executives were in place at any time during the financial year.

Company Performance, Shareholder Wealth and Remuneration

In its review of remuneration policies, the Remuneration Committee has regard to the following measures of the consolidated entity's performance for the current and previous four financial years.

	2006* $'000	**2007** $'000**	**2008 $'000**	**2009 $'000**
Revenue from continuing activities	$786,541	$750,618	$681,640	$774,953
Profit after tax (before non-regular items)	$93,944	$99,192	$113,146	$224,685
Share price at year end	$7.80	$9.27	$10.45	$11.00
Ordinary dividends paid/recommended	27 cents	28.5 cents	30 cents	32 cents
Special dividends paid	15 cents	-	-	25 cents

* 2006 comparatives have been restated for discontinued operations and policy changes.
** 2007 comparatives have been restated for discontinued operations.

Key management personnel of the Parent Entity

Non – executive Directors

Mr R D Millner – Chairman
Mr M J Millner – Deputy Chairman
Mr D J Fairfull
Mr R G Westphal
Mr D E Wills

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Executive Director
Mr P R Robinson

Other key management personnel of the Parent Entity
Ms M R Roderick – Chief Financial Officer
Mr I D Bloodworth – Company Secretary

Key management personnel of the Consolidated Entity
Mr M L Bailey – Chief Operations Officer and Acting Chief Financial Officer, New Hope Corporation Limited
Mr B J Garland – General Manager – Resource Development, New Hope Corporation Limited
Mr C C Hopkins – General Manager – Marketing, New Hope Corporation Limited
Mr P K Mantell – Chief Financial Officer and Company Secretary, New Hope Corporation Limited (Resigned 16 March 2009)
Mr R C Neale – Director and Chief Executive Officer, New Hope Corporation Limited
Mr K Parsons – Acting Chief Executive Officer, Chief Financial Officer and Company Secretary, KH Foods Limited (in liquidation) (ceased employment 11 July 2008)
Mr C J Photakis (Deceased 7 August 2009) – Managing Director, Pitt Capital Partners Limited
Mr M Simmons – Chief Executive Officer, SP Telemedia Limited (employer became an associate 7 April 2008)

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

Key Management Personnel 2009	**Short Term Employee Benefits**			**Post Employment Benefits**		**Share Based Payments**	**Total**	**Received from**	
Name	**Salary & Fees $'000**	**Cash Bonus $'000**	**Non Monetary Benefits $'000**	**Super-annuation $'000**	**Termination Benefits $'000**	**Value of Options $'000**	**$'000**	**Parent entity $'000**	**Controlled entities $'000**
Non-executive Directors									
Mr R D Millner	350	150	20	32	-	-	552	181	371
Mr M J Millner	97	-	-	9	-	-	106	106	-
Mr D J Fairfull	497	-	-	15	-	-	512	88	424
Mr R G. Westphal	209	-	-	11	-	-	220	98	122
Mr D E Wills	143	-	-	13	-	-	156	88	68
								561	985
Executive Director – 2009									
Mr P R Robinson	580	150	63	105	-	-	898	631	267
Key Management Personnel of the Parent entity – 2009									
Ms M R Roderick	295	-	14	26	-	-	335	335	-
Mr I Bloodworth	192	-	-	17	-	-	209	209	-
Key Management Personnel of the Consolidated entity – 2009									
Mr R C Neale	687	1,906	37	26	-	98	2,754	-	2,754
Mr M L Bailey	460	579	29	14	-	372	1,454	-	1,454
Mr B J Garland	328	453	25	14	-	248	1,068	-	1,068
Mr C C Hopkins	260	563	23	18	-	62	926	-	926
Mr C J Photakis (Deceased 7 Aug 2009)	578	900	-	52	-	-	1,530	-	1,530
Mr P K Mantell (Resigned 16 March 2009)	197	134	20	17	202	74	644	-	644
Total	**4,873**	**4,835**	**231**	**369**	**202**	**854**	**11,364**	**1,736**	**9,628**

REMUNERATION REPORT (AUDITED) (CONTINUED)

Key Management Personnel 2008	Short Term Employee Benefits			Post Employment Benefits		Share Based Payments	Total	Received from	
	Salary & Fees	Cash Bonus	Non Monetary Benefits	Super-annuation	Termination Benefits	Value of Options		Parent entity	Controlled entities
Name	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-executive Directors									
Mr R D Millner	363	-	20	33	-	-	416	159	257
Mr M J Millner	125	-	-	12	-	-	137	91	46
Mr D J Fairfull	563	-	-	50	-	-	613	76	537
Mr R G Westphal	295	-	-	10	-	-	305	89	216
Mr D E Wills	108	-	-	9	-	-	117	76	41
								491	1,097
Executive Director - 2008									
Mr P R Robinson	558	-	61	98	-	-	717	575	142
Key Management Personnel of the Parent entity - 2008									
Ms M R Roderick	255	-	14	23	-	-	292	292	-
Mr I D Bloodworth	170	-	-	15	-	-	185	185	-
Key Management Personnel of the Consolidated entity - 2008									
Mr R C Neale	624	216	35	24	-	231	1,130	-	1,130
Mr P K Mantell	302	64	25	19	-	173	583	-	583
Mr M Simmons (Employer became an associate 7 April 2008)	382	125	34	64	-	-	605	-	605
Mr K Parsons (Ceased employment 11 July 2008)	244	289	18	23	351	-	925	-	925
Mr C J Photakis (Deceased 7 Aug 2009)	550	260	-	50	-	-	860	-	860
Total	**4,539**	**954**	**207**	**430**	**351**	**404**	**6,885**	**1,543**	**5,342**

PRINCIPAL ACTIVITIES

The principal activities of the corporations in the consolidated entity during the course of the financial year were ownership of shares and properties, coal mining, bulk handling, merchant banking, funds management and retailing of pharmaceutical products.

There were no significant changes in the nature of the consolidated entity's principal activities during the year.

STATE OF AFFAIRS

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

FINANCIAL POSITION, FINANCIAL INSTRUMENTS AND GOING CONCERN

The consolidated entity's net assets increased from $2.02 billion at 31 July 2008 to $3.83 billion at 31 July 2009. This was primarily due to the sale of the New Saraji coal project by New Hope Corporation Limited. For further information refer to the financial statements.

The above net asset amounts are determined in accordance with Australian Accounting Standards and do not take into account the market values of controlled and associated entities.

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 2 of the 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 BALANCE DATE

The Directors are not aware of any other event or circumstance since the end of the financial year not otherwise dealt with in this report or the consolidated financial report that has or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years. Refer to Note 45 of the consolidated financial report.

DIRECTORS' REPORT (CONTINUED)

LIKELY DEVELOPMENTS, BUSINESS STRATEGY AND PROSPECTS

Further information about likely developments, business strategy and prospects and the expected results in subsequent financial years has not been included in this report because the Directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the consolidated entity.

INDEMNIFICATION OF OFFICERS AND AUDITORS

Indemnification

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

Insurance

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

Auditors

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

ENVIRONMENTAL COMPLIANCE

New Hope Corporation Limited's (New Hope) Queensland mining operations and exploration tenements are regulated by the Queensland Department of Environment and Natural Resources (formerly the Environmental Protection Agency) under the Queensland's Environmental Protection Act 1994. New Hope's coal export port facility, Queensland Bulk Handling (QBH), operates under a site-based Environmental Management Plan to meet the conditions of its Development Approval issued under the Integrated Planning Act 1997.

Each one of New Hope's operating sites (mines, exploration tenements and port facility) operates under a separate, site–specific environmental authority.

New Hope conducted several major development projects during 2008/09; each having environmental relevance.

- A draft Environmental Impact Statement (EIS) was submitted to the Queensland Department of Infrastructure & Planning in May 2008 (final report in September 2008) seeking approval for New Hope's planned Wetalla Water Pipeline Project. The Coordinator General, subsequent to assessment of the EIS, approved the project in December 2008. The project provides for the construction and operation of a 45km pipeline which will transport treated waste water from the Toowoomba Regional Council Wetalla Water Reclamation Plant to the New Acland Mine site, primarily for use in coal mining and processing operations.
- An EIS for the New Acland Mine Stage 3 Expansion Project was prepared ready for submission to the Queensland Department of Infrastructure and Planning. The EIS will be submitted early in the 2009/10 financial year.
- QBH completed modifications to the discharge structure for a new environmental settlement pond constructed as part of the terminal expansion project.

New Hope has continued its participation in the Commonwealth Energy Efficiency Opportunities (EEO) program, including lodging its first Public and Government Reports within the required timeframes. Under the EEO program, energy use by various businesses within the corporate group is assessed to identify opportunities for energy savings.

The Greenhouse Challenge Plus program under which New Hope has previously reported was discontinued by the Federal Government in the 2008/09 Financial Year.

All three mine sites and QBH submitted reports as required under the National Pollutant Inventory program.

New Hope maintains its membership of Coal21, a multi-million dollar fund which provides financial contributions to demonstrate clean coal technologies.

New Hope has taken steps to understand and meet its obligations under the National Greenhouse and Energy Act 2007 including preparing to register for the program and submit first reports in October 2009. In conjunction with this, New Hope continues to monitor the evolution of the Federal Government's proposed Carbon Pollution Reduction Scheme to understand likely impacts on its businesses.

Environmental management is an important aspect of the NHC's business. Management systems and operating procedures have continued to evolve to keep pace with operational expansions, increasing public expectations and emerging regulatory requirements.

NON AUDIT SERVICES

During the year, Moore Stephens Sydney, the Company's auditor, has performed certain other services in addition to their statutory duties. An entity associated with Moore Stephens Sydney was paid $6,750 for providing taxation services in respect of the Group. Details of the amounts paid to the auditors are disclosed in note 42 of the financial statements.

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

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

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 31 July 2009 has been received and is included on page 16.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

OPTIONS

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

ROUNDING OF AMOUNTS

The amounts contained in the accompanying financial statements have been rounded off to the nearest one thousand dollars under the option available to the Company under Class Order 98/100.

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

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

Dated this 28th day of October 2009.

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Washington H. Soul Pattinson and Company Limited and its Controlled Entities for the year ended 31 July 2009, I declare that, to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Washington H. Soul Pattinson and Company Limited and its Controlled Entities during the period.

Moore Stephens Sydney

Moore Stephens Sydney
Chartered Accountants

Martin J. Shannon

Martin J. (Joe) Shannon
Partner

Dated in Sydney this 26th day of October 2009

Moore Stephens Sydney ABN 90 773 984 843
Level 7, 20 Hunter Street, Sydney NSW 2000
GPO Box 473, Sydney NSW 2001
Telephone: +61 2 8236 7700 Facsimile: +61 2 9233 4636
Email: sydney@moorestephens.com.au Web: www.moorestephens.com.au

CORPORATE GOVERNANCE STATEMENT

The Board of Washington H. Soul Pattinson and Company Limited (the Company) is committed to ensuring its policies and practices reflect good corporate governance and recognises that for the success of the Company an appropriate culture is nurtured and developed throughout all levels of the Company.

This statement outlines the Company's Corporate Governance Practices in place throughout the year, unless otherwise stated, and has been summarised into sections in line with the 8 core principles set out in the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 2nd edition".

Principle 1 – Lay solid foundations for management and oversight

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

It is the responsibility of the Board to determine policies, practices, management and the operations of the Company and to ensure that the Company is compliant with statutory, legal and other regulatory obligations.

Responsibilities of the Board include the following:-

- Determining corporate strategies, policies and guidelines for the successful performance of the Company in the present and in the future;
- Monitoring the performance and conduct of the Company;
- Accountability to Shareholders;
- Ensuring that risk management procedures and compliance and control systems are in place and operating effectively;
- Monitoring the performance and conduct of senior management, and ensuring adequate succession plans are in place; and
- Ensuring the Company continually builds an honest and ethical culture.

The Board has delegated responsibility for the following to management:

- Day to day management of the Company;
- Production of performance measurement reports;
- Managing the compliance and risk management systems; and
- Management of staff including, appointment, termination, staff development and performance measurement.

The Executive Director is responsible for ensuring that the responsibilities delegated by the Board are properly discharged.

The performance of the Executive Director is evaluated by the Board with reference to the overall performance of the Company, its subsidiaries and associates in which the Executive Director represents the Company. Both qualitative and quantitative measures are used to evaluate performance.

The Executive Director evaluates the performance of the other senior executives and reports to the Board. The Board also reviews the performance of these executives via the monthly Board reports and their attendance at Board meetings.

The performance of the senior executives of the Company was assessed, as set out above, during the reporting period.

Principle 2 – Structure the Board to add value

The Company's constitution states that its Board is to comprise of no less than three and no more than six Directors. The names and details of the Directors of the Company at the date of this statement are set out in the Directors' Report.

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

Robert D. Millner - Chairman, non-executive

Michael J. Millner - Deputy Chairman, non-executive

David J. Fairfull - Non-executive

Robert G. Westphal - Non-executive

David E. Wills - Non-executive

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

Under the ASX Corporate Governance Principles and Recommendations two non-executive Directors do not qualify as independent for the following reasons:

Mr Robert Millner and Mr Michael Millner are both Directors of Brickworks Limited, a major shareholder in the Company. They also have relevant interests in substantial shareholdings in the Company as disclosed in the Key Management Personnel note to the financial statements.

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

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

The Nomination Committee consists of non-executive Directors who review the membership of the Board annually having regard to the Company's particular needs, both present and future. The names of the members of the Committee at the date of this statement and their attendance at meetings are set out in the Directors' Report. Where a Director is due for re-election at the next Annual General Meeting that Director may not serve on the Nomination Committee during the year preceding re-election.

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

Directors are initially appointed by the full Board, following consideration of recommendations made by the nomination committee.

Appointment is subject to election by the Shareholders of the Company at the next Annual General Meeting. Under the Constitution, one third of the Board is required to retire from office each year. Retiring Directors may stand for re-election subject to approval by the Board.

In the discharge of their duties and responsibilities, the Directors either individually or jointly, have the right to seek independent professional advice at the Company's expense. In respect of advice to individual Directors, the prior approval of the Chairman is required, such approval is not to be unreasonably withheld. The Chairman is entitled to receive a copy of any such advice obtained.

The Chairman is responsible for monitoring and assessing the performance of individual Directors, each Board Committee and the Board as a whole. The Chairman interviews each Director and provides feedback regarding their performance. The Board as a whole continuously monitors the efficiency and effectiveness of its operations on an informal basis.

The performance of each Director of the Company was assessed, as set out above, during the reporting period.

Principle 3 – Promote ethical and responsible decision-making

The Company has an established code of conduct dealing with matters of integrity and ethical standards. The Board recognises the need for the Directors and employees to adhere to the highest standards of behaviour and business ethics.

All Directors and employees are expected to abide by the code of conduct which requires them to:-

- Act in accordance with ethical and professional standards;
- Act with honesty and integrity in dealings with shareholders, customers, suppliers and competitors;
- Ensure compliance with all laws and regulations;
- Act in accordance with standards of workplace behaviour and equal opportunity;
- Avoid actual or potential conflicts of interest between private and company matters;
- Not engage in insider trading;
- Not accept unauthorised benefits as a result of their position in the Company;
- Ensure Company assets and confidential information are not used improperly;
- Maintain and further enhance the Company's reputation and will not act in a manner which may harm that reputation; and
- Reporting all breaches of the code.

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

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

  At times other than those referred to above, Directors and senior executives, may trade with the prior approval of the Chairman, or in his absence, two Directors. Subsequent confirmation of any such trades is to be given to the Chairman or the Directors who approved the trade.

- Directors and senior executives are prohibited from using margin loans to finance the purchase of shares in the Company or from trading in any financial products issued or created over the Company's shares.

Principle 4 – Safeguard integrity in financial reporting

The Company has an established audit committee, which has a formal charter outlining the committee's function, composition, authority, responsibilities and reporting.

The current members of the audit committee are:

Robert G. Westphal - Chairman

Michael J. Millner

David J. Fairfull

David E. Wills

All of the members of the committee are non-executive, independent Directors. Mr Westphal, who is the Chairman of the audit committee, is not the Chairman of the Board. The Chairman of the Board is not a member of the audit committee. The details of the audit committee members at the date of this statement and their attendance at meetings are set out in the Directors' Report.

The non-executive Chairman, Executive Director, Chief Financial Officer and Company Secretary may attend audit committee meetings by invitation. The external auditors, Moore Stephens Sydney, are requested by the audit committee to attend the appropriate meetings to report on the results of their half-year review and full year audit.

The function of the audit committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:-

- The external reporting of financial information, including the selection and application of accounting policies;
- The independence and effectiveness of the external auditors;
- The effectiveness of internal control processes and management information systems;
- Compliance with the Corporations Act, ASX Listing Rules and any other applicable requirements; and
- The application and adequacy of risk management systems within the Company.

The Executive Director and the Chief Financial Officer are required to state in writing to the Board, by submission to the audit committee, that the Company's financial statements present a true and fair view, in all material respects, of the Company's financial position and operational results and that they are in accordance with relevant accounting standards. A declaration from the Executive Director and the Chief Financial Officer has been received in respect of the current reporting period.

Principle 5 – Make timely and balanced disclosure

The Board recognises the need to ensure that all investors have equal and timely access to material information regarding the Company and for announcements to be factual, clear, balanced and complete.

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

The Board Chairman and Executive Director are responsible for determining disclosure obligations and the Company Secretary is the nominated continuous disclosure officer for the Company.

Principle 6 – Respect the rights of Shareholders

The Board is committed to ensuring that Shareholders are fully informed of all material matters affecting the Company in a timely manner.

The dissemination of information is mainly achieved as follows:-

- An Annual Report is distributed to Shareholders in November each year;
- The Chairman's Address to the Annual General Meeting is distributed to Shareholders in December each year;
- A Half-yearly Review of Operations is distributed to Shareholders in May each year; and
- Significant information is posted on the Company's website.

In addition, Shareholders are encouraged to attend and participate in the Annual General Meeting of the Company. The external auditor attends the Annual General Meeting to answer Shareholders' questions in regard to the conduct of the audit and the content of the auditor's report.

Principle 7 – Recognise and manage risk

The Company is committed to identifying and managing areas of significant business risk to protect Shareholders, employees, earnings and the environment. Arrangements in place include:-

- Regular detailed financial, budgetary and management reporting;
- Procedures to manage financial and operational risks;
- Established organisational structures, procedures and policies dealing with the areas of health and safety, environmental issues, industrial relations and legal and regulatory matters;
- Comprehensive insurance and risk management programs;
- Procedures requiring Board approval for all borrowings, guarantees and capital expenditure beyond minor levels; and
- Where applicable, the utilisation of specialised staff and external advisors.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 7 – Recognise and manage risk (continued)

Management is responsible for the design and implementation of a risk management and internal control system which manages the material business risks of the Company and reporting to the Board on whether those risks are being managed efficiently. Management reported to the Board on an ongoing basis during the current reporting period.

The Executive Director and the Chief Financial Officer are required to state in writing to the Board, by submission to the audit committee, that the risk management and internal control compliance systems are operating efficiently and effectively. In their declaration under section 295A of the Corporations Act the Executive Director and the Chief Financial Officer have made this statement in respect of the current reporting period.

Principle 8 – Remunerate fairly and responsibly

The Company has established a Remuneration Committee which consists of five Directors, the majority of whom are independent, and is chaired by an independent Director. The Committee makes recommendations to the full Board on remuneration matters and other terms of employment for executive Directors, senior executives and non-executive Directors. The details of the Remuneration Committee members at the date of this statement and their attendance at meetings are set out in the Directors' Report.

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

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

The Executive Director and senior executive staff are renumerated by way of salary, non monetary benefits, and superannuation contributions. Neither the Executive Director nor senior executive staff are entitled to receive bonus payments or any equity based remuneration.

Non-executive Directors' fees are reviewed annually by the full Board after taking into consideration the Company's performance, market rates, level of responsibility and the recommendations of the Remuneration Committee. The aggregate amount of fees which may be paid to non-executive Directors is subject to the approval of Shareholders at the Annual General Meeting and is currently set at $750,000 per annum. Approval for this amount was given at the 2002 Annual General Meeting.

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

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

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

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

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This financial report covers both Washington H. Soul Pattinson and Company Limited as an individual entity and the Consolidated entity consisting of Washington H. Soul Pattinson and Company Limited and its controlled entities. The financial report is presented in Australian currency.

Washington H. Soul Pattinson and Company Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is located in New South Wales:

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

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

The financial report was authorised for issue by the directors on 28th October 2009.

INCOME STATEMENTS
FOR THE YEAR ENDED 31 JULY 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Revenue from continuing operations	5	**774,953**	681,640	**152,312**	117,808
Other income	6	**2,429,851**	(7,970)	**10,205**	1,870
Cost of sales		**(259,768)**	(340,706)	**(7,301)**	(7,183)
Selling and distribution expenses		**(88,966)**	(106,751)	**(2,223)**	(2,169)
Administration expenses		**(42,442)**	(69,026)	**(3,514)**	(3,425)
Occupancy expenses		**(4,000)**	(4,831)	**(461)**	(416)
Other expenses		**(4,470)**	(17,136)	**(292)**	(500)
Impairment of assets	7	**(147,705)**	(23,215)	**(132,806)**	(9,983)
Finance costs		**(1,478)**	(3,870)	**(1,405)**	(5,968)
Share of results from equity accounted associates		**(5,493)**	40,757	**-**	-
Profit before income tax		**2,650,482**	148,892	**14,515**	90,034
Income tax (expense)/benefit	9a	**(798,595)**	(35,901)	**(3,457)**	1,777
Profit after tax from continuing operations		**1,851,887**	112,991	**11,058**	91,811
Loss after tax from discontinued operations	10b	**(578)**	(13,191)	**-**	-
Profit after tax for the year		**1,851,309**	99,800	**11,058**	91,811
Profit after tax attributable to minority interest		**(738,657)**	(8,972)	**-**	-
Profit after tax attributable to members of Washington H. Soul Pattinson and Company Limited		**1,112,652**	90,828	**11,058**	91,811
Profit before non regular items from ordinary activities after tax attributable to members		**224,685**	113,146	**96,769**	82,341
Profit/(Loss) from non regular items after income tax attributable to members	8	**887,967**	(22,318)	**(85,711)**	9,470
Profit after tax and non regular items attributable to members		**1,112,652**	90,828	**11,058**	91,811

	Note	2009 Cents	2008 Cents
Earnings per share			
Basic and diluted earnings per share to the members of Washington H. Soul Pattinson and Company Limited			
Continuing operations		**466.49**	43.59
Discontinued operations	10b	**(0.24)**	(5.53)
Earnings per share from all operations		**466.25**	38.06
Weighted average number of shares used in calculating basic and diluted earnings per share		**238,640,580**	238,640,580

The Directors have enlarged the income statements to highlight the operating profit after tax and before non regular items. The Company is a long-term investor and does not seek to increase its operating profit by the sale of investments when the share market rises but to make its profit from the receipt of dividend income.

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

BALANCE SHEETS
AS AT 31 JULY 2009

	Note	Consolidated		Parent entity	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
Current assets					
Cash and cash equivalents	11	**228,530**	34,337	**1,784**	1,627
Term deposits	12	**2,619,238**	267,931	**109,000**	95,638
Trade and other receivables	13	**48,956**	45,937	**2,221**	2,035
Inventories	14	**45,421**	33,747	**1,025**	670
Other financial assets at fair value through profit or loss	16	**45,056**	74,544	**5,370**	6,282
Derivative financial instruments	17	**14,525**	8,363	**-**	-
Non-current assets classified as held for sale	18	**-**	7,139	**-**	-
Other assets		**124**	1,506	**-**	-
Total current assets		**3,001,850**	473,504	**119,400**	106,252
Non-current assets					
Trade and other receivables	19	**4,607**	6,993	**-**	250
Investments accounted for using the equity method	20	**526,798**	671,894	**-**	-
Available for sale financial assets	21	**924,907**	794,452	**396,256**	393,611
Other financial assets	22	**12,553**	11,125	**326,564**	433,040
Derivative financial instruments	17	**8,157**	7,106	-	-
Property, plant and equipment	23	**416,121**	327,654	**3,848**	4,075
Exploration and evaluation assets	24	**2,572**	1,976	**-**	-
Investment property	25	**35**	35	**-**	-
Deferred tax assets	26	**38,700**	16,033	**29,348**	30,698
Intangible assets	27	**8,360**	14,650	**-**	292
Total non-current assets		**1,942,810**	1,851,918	**756,016**	861,966
Total assets		**4,944,660**	2,325,422	**875,416**	968,218
Current liabilities					
Trade and other payables	28	**52,872**	35,828	**803**	993
Interest bearing liabilities	29	**33,827**	28,623	**33,908**	28,704
Current tax liabilities		**746,156**	17,415	**122**	2,243
Provisions	30	**10,495**	11,186	**376**	357
Total current liabilities		**843,350**	93,052	**35,209**	32,297
Non-current liabilities					
Deferred tax liabilities	32	**255,983**	202,438	**47,504**	57,596
Provisions	31	**17,942**	13,802	**987**	944
Other		**122**	135	**-**	-
Total non-current liabilities		**274,047**	216,375	**48,491**	58,540
Total liabilities		**1,117,397**	309,427	**83,700**	90,837
Net assets		**3,827,263**	2,015,995	**791,716**	877,381
Equity					
Contributed equity	33	**32,900**	32,900	**32,900**	32,900
Reserves	34	**768,942**	744,033	**546,793**	569,538
Retained profits	34	**1,841,068**	793,887	**212,023**	274,943
Parent entity interest		**2,642,910**	1,570,820	**791,716**	877,381
Minority interest		**1,184,353**	445,175	**-**	-
Total equity		**3,827,263**	2,015,995	**791,716**	877,381

The above balance sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2009

Consolidated entity	Share capital $'000	Retained profits $'000	Reserves $'000	Total members equity $'000	Minority interests $'000	Total $'000
Total equity at the beginning of the year 1 August 2007	32,900	754,033	792,115	1,579,048	567,748	2,146,796
Net movement in asset revaluation reserve, net of tax	-	144	(50,307)	(50,163)	24,563	(25,600)
Net movement in hedge reserve	-	-	1,751	1,751	799	2,550
Net movement in foreign currency translation reserve	-	-	(1,472)	(1,472)	(51)	(1,523)
Net movement in equity reserve	-	-	1,035	1,035	3	1,038
Recognising previously available-for-sale investment as an equity accounted associate	-	3,892	(357)	3,535	-	3,535
Net profit for the year after tax	-	90,828	-	90,828	8,972	99,800
Total recognised income and expense for the year	-	94,864	(49,350)	45,514	34,286	79,800
Dividends declared and paid	-	(54,535)	-	(54,535)	(32,270)	(86,805)
Contributions of equity, net of transaction costs	-	-	-	-	94	94
Net movement in share based payments reserve	-	201	1,467	1,668	1,066	2,734
Net movement in treasury reserve	-	-	(199)	(199)	(236)	(435)
Acquisition of additional ownership in subsidiaries	-	(606)	-	(606)	(6,572)	(7,178)
Equity transfer from members on issue of share capital in controlled entities	-	(70)	-	(70)	70	-
Equity transfer – minority interests share of SP Telemedia Limited no longer controlled by the Group	-	-	-	-	(119,011)	(119,011)
Total equity at the end of the year 31 July 2008	32,900	793,887	744,033	1,570,820	445,175	2,015,995
Total equity at the beginning of the year 1 August 2008	**32,900**	**793,887**	**744,033**	**1,570,820**	**445,175**	**2,015,995**
Net movement in asset revaluation reserve, net of tax	**-**	**-**	**29,674**	**29,674**	**34.039**	**63,713**
Net movement in hedge reserve	**-**	**-**	**2,568**	**2,568**	**2,117**	**4,685**
Net movement in foreign currency translation reserve	**-**	**-**	**(1,423)**	**(1,423)**	**5**	**(1,418)**
Net movement in equity reserve	**-**	**-**	**(3,488)**	**(3,488)**	**-**	**(3,488)**
Net profit for the year after tax	**-**	**1,112,652**	**-**	**1,112,652**	**738,657**	**1,851,309**
Total recognised income and expense for the year	**-**	**1,112,652**	**27,331**	**1,139,983**	**774,818**	**1,914,801**
Dividends declared and paid	**-**	**(58,296)**	**-**	**(58,296)**	**(51,409)**	**(109,705)**
Contributions of equity, net of transaction costs	**-**	**-**	**-**	**-**	**10,546**	**10,546**
Net movement in share based payments reserve	**-**	**-**	**(2,422)**	**(2,422)**	**629**	**(1,793)**
Acquisition of additional ownership in subsidiaries	**-**	**44**	**-**	**44**	**(3,593)**	**(3,549)**
Equity transfer from members on issue of share capital in controlled entities	**-**	**(7,219)**	**-**	**(7,219)**	**8,187**	**968**
Total equity at the end of the year 31 July 2009	**32,900**	**1,841,068**	**768,942**	**2,642,910**	**1,184,353**	**3,827,263**

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2009

Parent entity	Share capital $'000	Retained profits $'000	Reserves $'000	Total $'000
Total equity at the beginning of the year 1 August 2007	32,900	252,338	657,012	942,250
Revaluation of available-for-sale investments, net of tax	-	-	(86,393)	(86,393)
Transfer to income statement on sale of available-for-sale investments, net of tax	-	-	(3,541)	(3,541)
Transfer to income statement for impaired available-for-sale investments	-	-	2,460	2,460
Net profit for the year after tax	-	91,811	-	91,811
Total recognised income and expense for the year	-	91,811	(87,474)	4,337
Dividends declared and paid	-	(69,206)	-	(69,206)
Total equity at the end of the year 31 July 2008	32,900	274,943	569,538	877,381
Total equity at the beginning of the year 1 August 2008	**32,900**	**274,943**	**569,538**	**877,381**
Revaluation of available-for-sale investments, net of tax	**-**	**-**	**(19,592)**	**(19,592)**
Transfer to income statement on sale of available-for-sale investments, net of tax	**-**	**-**	**(11,432)**	**(11,432)**
Transfer to income statement for impaired available-for-sale investments		**-**	**8,279**	**8,279**
Net profit for the year	**-**	**11,058**	**-**	**11,058**
Total recognised income and expense for the year	**-**	**11,058**	**(22,745)**	**(11,687)**
Dividends declared and paid	**-**	**(73,978)**	**-**	**(73,978)**
Total equity at the end of the year 31 July 2009	**32,900**	**212,023**	**546,793**	**791,716**

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 JULY 2009

	Note	Consolidated		Parent entity	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
Cash flows from operating activities					
Receipts from customers inclusive of GST		**626,789**	672,626	**12,580**	12,145
Receipt of GST on the sale of the New Saraji coal project		**245,000**	-	**-**	-
Payments to suppliers and employees inclusive of GST		**(388,656)**	(571,412)	**(14,244)**	(13,636)
Payment of GST on the sale of the New Saraji coal project		**(245,000)**	-	**-**	-
		238,133	101,214	**(1,664)**	(1,491)
Dividends received		**53,124**	56,646	**131,408**	96,127
Interest received		**40,059**	25,561	**6,434**	8,573
Finance costs		**(280)**	(3,652)	**(208)**	(275)
Income taxes paid		**(65,417)**	(53,342)	**(3,913)**	(3,598)
Net cash inflow from operating activities	43	**265,619**	126,427	**132,057**	99,336
Cash flows from investing activities					
Payment for property, plant and equipment and intangibles		**(128,427)**	(60,362)	**(130)**	(360)
Proceeds from sale of property, plant and equipment		**2,450,523**	1,865	**-**	20
Costs incurred on the sale of the New Saraji coal project		**(670)**	-	**-**	-
Net (payments for) / proceeds from term deposits		**(2,223,898)**	25,192	**(13,362)**	8,658
Payments for investments		**(79,750)**	(65,004)	**(69,515)**	(30,587)
Proceeds from sale of investments		**28,943**	18,494	**17,653**	13,225
Acquisition of subsidiary/business, net of cash acquired		**(576)**	(41,257)	**-**	-
Cash outflow from loss of control of a subsidiary		**(1,751)**	(31,998)	**-**	-
Proceeds from divestment of business units		**-**	22,117	**-**	-
Loans advanced		**(1,544)**	(2,272)	**(394)**	(200)
Loan repayments received		**1,066**	217	**3,866**	101
Net cash inflow/(outflow) from investing activities		**43,916**	(133,008)	**(61,882)**	(9,143)
Cash flows from financing activities					
Proceeds from issues of equity		**9,967**	93	**-**	-
Dividends paid		**(125,385)**	(101,457)	**(73,979)**	(69,206)
Proceeds from interest bearing liabilities		**3,961**	10,577	**3,961**	-
Repayment of borrowings and leases		**-**	(41,165)	**-**	(21,012)
Restricted cash released		**-**	553	**-**	-
Net cash (outflow) from financing activities		**(111,457)**	(131,399)	**(70,018)**	(90,218)
Net increase/(decrease) in cash and cash equivalents		**198,078**	(137,980)	**157**	(25)
Cash and cash equivalents at the beginning of the year		**34,337**	173,272	**1,627**	1,652
Effects of exchange rate changes on cash and cash equivalents		**(3,885)**	(955)	**-**	-
Cash and cash equivalents at the end of the year	11a	**228,530**	34,337	**1,784**	1,627

The above cash flow statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report covers the consolidated entity of Washington H. Soul Pattinson and Company Limited and controlled entities ("Consolidated entity" or "Group"), and Washington H. Soul Pattinson and Company Limited as an individual parent entity ("Company" or "Parent entity").

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

a) Basis of preparation of accounts

This general purpose financial report has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

i. Compliance with International Financial Reporting Standards (IFRS)

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

ii. Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and liabilities (including derivative instruments) carried at fair value.

iii. Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

b) Principles of consolidation

i. Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Washington H. Soul Pattinson and Company Limited ("Company" or "Parent entity") as at 31 July 2009 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority 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 minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements of Washington H. Soul Pattinson and Company Limited.

ii. Associates

Associates are all entities over which the Group has significant influence but not control over the financial and operations policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The consolidated entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

d) Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Washington H. Soul Pattinson and Company Limited's functional and presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the foreign currency translation reserve in equity.

iii. Group companies

The results and financial position of all of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rates at the date of that balance sheet;
- income and expenses for each income statement item are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are taken to shareholders' equity. When a foreign operation is sold a proportionate share of such exchange differences is recognised in the income statement as part of the gain or loss on sale.

e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

- Revenue from the sale of goods (net of returns, discounts and allowances) is recognised when the goods are despatched to the customer and for coal sales when title has transferred to the customer in accordance with the sales terms. Where a sale is settled through instalments, interest revenue is recognised over the contract term, using the effective interest rate method.
- Consulting and management fee income is recognised as the services are performed and the control of the right to be compensated for the commitments undertaken.
- Revenue from the rendering of telecommunication services, including access to mobile networks, telephone calls, connection and retention commissions are recognised in proportion to the stage of completion of the contract.
- Interest income is recognised on a time proportion basis using the effective interest method.
- Dividend income is taken into profit when the right to receive payment is established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.
- Lease income from operating leases is recognised on a straight-line basis over the lease term.

f) Income tax

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

Deferred tax assets and liabilities are provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and the carrying amount in the consolidated financial statements is determined using tax rates (and laws) expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Income tax (continued)

Deferred tax assets are recognised for the 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 liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary difference and it is probable that the differences will not reverse in the foreseeable future.

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Some of the entities within the consolidated entity implemented tax consolidation. The tax office has been notified on these decisions.

Controlled entities within the relevant tax-consolidated groups, continue to be responsible by the operation of tax funding agreements, for funding tax payments required to be made by the head entity in their tax consolidation groups from underlying transactions of their controlled entities.

g) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

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

h) Impairment of assets

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

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

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts. Bank overdrafts are shown within borrowings in the current liabilities in the balance sheet.

j) Trade receivables

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

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for amortisation of doubtful debts is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

k) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes 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.

Coal stocks are valued at the lower of cost, including an appropriate proportion of fixed and variable mining overheads, and net realisable value in the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less cost to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

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

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

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

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

m) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

ii. Loans and receivables

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

iii. Held to maturity investments

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

iv. Available for sale financial assets

Available for sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financials assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, are presented in the income statement within other income or other expenses in the period in which they arise.

Changes in the fair value of financial assets classified as available-for-sale are recognised in equity.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Investments and other financial assets (continued)

Fair value

The fair values of quoted investments are based on current bid prices. For financial assets without an active market and for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, references to other instruments that are substantially the same, and discounted cash flow analysis.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the value of a security below its cost is considered an indicator that the security may be impaired. Impairment losses are recognised in the income statement.

n) Derivatives - Forward foreign exchange contracts

The Group hedges its foreign currency exposure by entering into forward contracts.

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

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

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

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

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

o) Fair value estimation

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

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

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

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

p) Property, plant and equipment

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

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

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

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Property, plant and equipment (continued)

The depreciation rates used for each class of depreciable assets are:

Class of Property, plant and equipment:	Depreciation rate
Buildings	2½ – 5%
Machinery	5 – 33⅓%
Vehicles	15 – 33⅓%
Furniture, fittings and equipment	5 – 40%
Mining reserves & leases	Over productive life of mine
Mine development costs	Over productive life of mine

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

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

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

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

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

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

r) Investment Property

The investment property, principally comprising freehold commercial buildings, is held for long-term rental yields and is not occupied by the Group. Investment property is accounted for using the historical cost model. Buildings are depreciated on a straight line basis over 40 years.

s) Leases

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

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

t) Intangible assets

i. Goodwill

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

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

ii. Capitalised subscriber costs

Capitalised subscriber costs comprising dealer connection commissions, fulfilment costs and sim-cards are recognised as an asset and amortised using the straight line method from the date of initial recognition over the period during which the future economic benefits are expected to be obtained, being the contract period.

iii. Acquired customer bases

On acquisition of a subsidiary, customers of the acquired subsidiary are valued and brought to account as intangible assets. The value given to the customers is the expected future economic benefit expected to be derived from these customers.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Intangible assets (continued)

iv. Brand names

The brand names have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

v. 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 consolidated entity.

vi. Other intangible assets

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

vii. Development costs

Operating costs incurred in developing or acquiring income producing assets are recognised as an asset and amortised using the straight line method from the date of initial recognition over the period during which the future economic benefits are expected to be obtained, being the contract period.

viii. Subsequent expenditure

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

Amortisation of intangible assets

Amortisation is charged to the income statement on a straight-line basis, unless otherwise stated, over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives of intangibles are as follows:

Class of intangible	Useful life
Goodwill	Indefinite life
Capitalised subscriber costs	24 months
Acquired customer base	4 years based on rate of churn of customers
Brand names	20 years
Software	3 – 5 years
Development costs	2 – 20 years

Impairment of assets

The carrying amount of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable value. Impairment losses are recognised in the income statement unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use.

u) Trade and other payables

Trade and other payables are stated at their amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and usually paid within 30 to 60 days of recognition.

v) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of facility.

Borrowings are removed from the balance sheet when the obligation specified in the contact is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs for the construction of a qualifying asset are capitalised at the rate applicable for the facility used to construct the asset. Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings and finance lease charges.

x) Provisions

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

y) Restoration, rehabilitation and environmental expenditure

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

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

z) Premises 'make good' provision

Future estimated costs for the restoration of leased factory premises to their condition at lease inception are recognised at the present value of those future costs.

aa) Restructuring costs

Liabilities arising from undertaking a restructuring program, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan of the restructuring activity has been developed and implementation of the restructuring program as planned has commenced, by either entering into contracts to undertake the restructuring activities or making a detailed announcement such that affected parties are in no doubt the restructuring program will proceed.

bb) Employee benefits

i. Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and vested sick leave expected to be settled within 12 months of the reporting date are recognised in current liabilities and measured at the amounts expected to be paid when the liabilities are settled, including related on costs, in respect of employees' services up to that date.

ii Long service leave

A liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using appropriate risk free rates as applicable to the estimated future cash outflows.

iii. Superannuation

The company and other controlled entities contribute to several defined contribution superannuation plans. Contributions are recognised as an expense in the income statement on an accruals basis.

cc) Share-based payments

Share-based payments are provided to employees of Group entities. All options have been granted after 7 November 2002 and vest after 1 January 2005.

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the options. Options are exercisable by current employees during the nominated vesting period or by directors' consent. Detailed vesting conditions are set out in note 44.

The fair value at grant date is independently determined using various option pricing models and are detailed in note 44.

At each balance sheet date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

dd) Exploration, evaluation and relevant acquisition costs

Exploration, evaluation and relevant acquisitions costs are accumulated separately for each area of interest. They comprise acquisition costs, direct exploration and evaluation costs and an appropriate portion of related overhead expenditure. Costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ee) Benching and forward overburden removal

The costs of overburden removed in advance and establishment of work benches have been deferred and will be charged to the income statement in subsequent years on the basis of saleable tonnes produced. Costs have not been deferred in operations where uncertainty exists as to their recoverability as a result of either remaining mine life or technical conditions within the mine.

ff) Contributed equity

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

gg) Dividends

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

hh) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus element in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

ii) 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 balance sheet 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 balance sheet.

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

jj) Rounding of amounts

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

kk) Comparative figures

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

ll) New Accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 July 2009 reporting periods. The Group has elected not to early adopt these standards and interpretations. The Group is currently determining what impacts these standards and interpretations will have on the amounts recognised in the financial statements. A list of these standards and interpretations is as follows:

i. AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*
AASB 8 and AASB 2007-3 are applicable to annual reporting periods commencing on or after 1 January 2009. Application of AASB 8 may result in different segments, segment results, and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial

ii. Revised AASB 123 *Borrowing Costs* and AASB 2007-6 Amendments to *Australian Accounting Standards arising from AASB 123* (AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12). The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. Application of AASB 123 is not expected, at this stage, to have any material effect on the Group as it does not use debt to fund the construction of qualifying assets.

iii. Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB101*
AASB 101 is applicable to reporting periods commencing on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet, as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 August 2009.

iv. Revised AASB 3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements*, and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*
The revisions to AASB 3 and AASB 127 are applicable to annual reporting periods commencing on or after 1 July 2009. The Group intends to apply the revised standards prospectively only from 1 August 2009. Their impact will therefore depend on whether the Group will enter into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2009

v. Improvements to Australian Accounting Standards: AASB 2008-5 and AASB 2008-6
In July 2008, the AASB issued a number of improvements to existing Australian Accounting Standards. The amendments will generally apply to financial reporting periods commencing on or after 1 January 2009, except for some changes to AASB 5 Non-current Assets Held for Sale and Discontinued Operations regarding the sale of the controlling interest in a subsidiary which will apply from 1 July 2009. The Group will apply the revised standards from 1 August 2009. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

vi. AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations*

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group will apply the revised standard from 1 August 2009, but it is not expected to affect the accounting for the Group's share-based payments.

vii. AASB 2009-2 *Amendments to AASB7 Financial Instruments: disclosures*

The IASB has issued a number of amendments to IFRS 7 which require financial instruments that are measured at fair value to be disclosed within a 3 level hierarchy, being quoted market prices, substantial market inputs, and unobservable inputs, representing the inputs used in measuring the fair values of the financial instruments. The group will apply the revised standard from 1 August 2009.

NOTE 2. FINANCIAL RISK MANAGEMENT

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

Risk management is carried out in accordance with policies approved by the Board of Directors. These policies cover specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of foreign exchange contracts and investment of excess liquidity.

	Consolidated		**Parent entity**	
	2009	2008	**2009**	2008
The Group and Parent entity hold the following financial instruments:	**$’000**	$’000	**$’000**	$’000
Financial assets				
Cash and cash equivalents	**228,530**	34,337	**1,784**	1,627
Term deposits	**2,619,238**	267,931	**109,000**	95,638
Loans and receivables	**53,563**	52,930	**2,221**	2,285
Shares held for trading	**45,056**	74,544	**5,370**	6,282
Derivative financial instruments	**22,682**	15,469	**-**	-
Available-for-sale financial assets	**924,907**	794,452	**396,256**	393,611
Other financial assets	**12,553**	11,125	**12,546**	11,046
Total financial assets	**3,906,529**	1,250,788	**527,177**	510,489
Financial liabilities				
Trade and other payables	**52,872**	35,828	**803**	993
Interest bearing liabilities	**33,827**	28,623	**33,908**	28,704
Total financial liabilities	**86,699**	64,451	**34,711**	29,697

a) Market Risk

i. Foreign exchange risk

The Parent entity’s financial instruments are not exposed to foreign currency risk.

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity’s functional currency. The Group is exposed to foreign exchange risk arising from currency exposures to the US dollar and the Japanese yen.

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

The Group’s risk management policy is to hedge up to 60% of anticipated transactions (export coal sales) in US dollars for the subsequent 5 years. All hedges of projected export coal sales qualify as “highly probable” forecast transactions for hedge accounting purposes.

The Group has hedged Japanese yen upon the signing of a purchase order for the purchase of mining equipment sourced from Japan in order to secure certainty of the value of the purchase order. In the 2008 financial year A$5,384,000 was included as a commitment for capital expenditure (refer note 36).

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Consolidated	
	2009	2008
	USD $'000	USD $'000
US dollar exposure		
Cash and cash equivalents	**12,219**	111
Trade receivables	**16,620**	10,919
Forward exchange contracts – sell foreign currency (cash flow hedge)	**257,000**	213,000
Total exposure to USD	**285,839**	224,030

	Consolidated	
	2009	2008
	JPY000	JPY000
Japanese yen exposure		
Forward exchange contracts – buy foreign currency (cash flow hedge)	**-**	574,679

Group sensitivity

Based on the trade receivables and cash held at 31 July 2009, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the year would have increased/(decreased) by $2,709,000/($2,216,000) (2008: $909,000/($744,000)), mainly as a result of foreign exchange gains/losses on translation of US dollar receivables as detailed in the above table. The Group's equity as at balance date would have increased/(decreased) by the same amounts.

Based on the forward exchange contracts held at 31 July 2009, 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 $19,749,000/($24,138,000) (2008: $14,370,000/($17,560,000)) There is no effect on post-tax profits. Equity in 2009 is more sensitive to movements in the Australian dollar / USD exchange rates than in 2008 because of the increased value of forward exchange contracts in 2009.

ii. Price Risk

Price risk is the risk that changes in market prices will affect the fair value of the financial instrument.

The Group and Company invest in equity securities and are therefore exposed to market risk through the movement of the share prices of the companies in which they are invested. The majority of the Group's investments are publicly traded on the Australian Securities Exchange.

Investments held for the long-term are classified on the balance sheet as 'Available for sale' financial assets. As the market value of individual companies fluctuate, the fair value of the portfolio changes with the movement being recognised directly to equity. Where an investment's value falls below its cost, management may consider the investment to be impaired. An impairment expense is recognised in the income statement. Available-for-sale financial assets represent 24.2% (2008: 39.4%) of the Group's net assets and 41.2% (2008: 44.9%) of the Company's net assets.

Investments held for the short to medium term and classified on the balance sheet as '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 income statement. 'Held for trading' investments represent 1.2% (2008: 3.7%) of the Group's net assets and 0.7% (2008: 0.7%) of the Company's net assets.

The performance of the investment portfolios are monitored by the individual Boards of the Group. The Group and Company seeks to reduce market risk by ensuring that it is not exposed to one group or one particular sector of the market.

Sensitivity analysis

The following table summarises the financial impacts of a hypothetical 5% decrease in the market value of investments for both the Group and Parent entity as at balance date. Where this decrease results in an individual security being valued below its cost, the reduction below cost has been recognised in the income statement. For available-for-sale investments, a 5% increase in market values would have no impact on the income statement as all increases are recognised directly in equity. This would be the impact for both the Group and the Parent entity.

Consolidated	Impact to post-tax profit		Impact on reserves	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Held-for-trading investments	**(1,573)**	(2,602)	**-**	-
Available-for-sale investment	**(3,555)**	(5,977)	**(30,458)**	(22,991)
Total	**(5,128)**	(8,579)	**(30,458)**	(22,991)

Parent entity	Impact to post-tax profit		Impact on reserves	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Held-for-trading investments	**(189)**	(220)	**-**	-
Available-for-sale investments	**(3,555)**	(5,977)	**(10,314)**	(7,971)
Total	**(3,744)**	(6,197)	**(10,314)**	(7,971)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2009

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

iii. Fair value interest rate risk

Refer to (e) below.

b) Credit Risk

Credit risk is the risk that a financial loss will occur because a counterparty to a financial instrument fails to discharge an obligation.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to export and domestic customers, including outstanding receivables and committed transactions.

The Group has no significant concentrations of credit risk. For the Group, derivative counterparties, held to maturity investments and cash transactions are limited to financial institutions with a rating of at least BBB. For the Company, cash and held to maturity investments are placed with financial institutions with a minimum Standard & Poors rating of A2. The Group and Company 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 (see note 29).

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 balance sheet. The following table summarises these assets:

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Cash and cash equivalents	**228,530**	34,337	**1,784**	1,627
Term deposits	**2,619,238**	267,931	**109,000**	95,638
Loans and receivables	**53,563**	52,930	**2,221**	2,285
Derivative financial instruments	**22,682**	15,469	**-**	-
	2,924,013	370,667	**113,005**	99,550

The loans and receivables balances as stated above reflect the recoverable value and are net of any impairments or provisions. Refer notes 13 and 19 for further description on certain impairments.

c) Liquidity risk

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

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

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

In addition, 25.4% (2008: 43.1%) of the Group's net assets and 41.9% (2008: 45.6%) of the Company's net assets are in the form of readily tradeable listed investments which could be liquidated through on-market sales if necessary.

Financing arrangements

At 31 July 2009, the Group and parent entity had no external borrowings. Details of financial facilities available are set out in note 29(c).

d) Maturity of financial liabilities

The Group's and Parent entity's trade and other payables are all payable within one year.

The Group's maturity analysis for derivative financial instrument is set out in note 17.

The Group's maturity analysis for other financial liabilities is described in note 29(a).

e) Cash flow and fair value interest rate risk

The Group and parent entity currently have significant interest-bearing assets which are placed with reputable investment counterparties for up to 12 months. The Group and parent entity have treasury investment policies approved by 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 and parent entity's income and operating cash flows. Cash flow interest rate risk is managed by placing excess funds in term deposits and other fixed interest bearing assets. Refer to notes 11 and 12 for details. Based on the deposits held at balance date, the sensitivity to a hypothetical 1% per annum increase or decrease in interest rates would increase or decrease after tax profit by $19.9 million (2008: $2.1 million). This scenario assumes all cash and term deposits at balance date continue to remain invested for the whole year.

At 31 July 2009, the Group and parent entity have no external borrowings and therefore their income statements and operating cash flows are substantially independent of changes in market interest lending rates.

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Fair value estimation

The carrying amounts of financial instruments in the balance sheets approximate their net fair value determined in accordance with the accounting policies disclosed in note 1.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on trends and economic data, obtained both externally and within the Group.

a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i. Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets, including receivables, property, plant and equipment, goodwill and intangibles and other assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use and fair value less costs to sell calculations are performed in assessing recoverable amounts and require the use of assumptions.

ii. Rehabilitation – coal mining operations

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

iii. Determination of coal reserves and coal services

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

iv. Determination of fair value – equity accounted associates

Where it is considered that active market does not exist or where quoted prices are not reflective of the fair value, fair value is determined by using a variety of valuation techniques.

The methodologies applied include:

a) Valuation techniques using market observable inputs. Such techniques may include:
   - using recent arm's length market transactions; and/or
   - reference to the current fair value of similar instruments; and/or
   - discounted cash flow analysis, pricing models or other techniques commonly used by market participants.

b) Valuation techniques using the above, but which include significant inputs that are not observable.

In applying these valuation methodologies, the Group uses a number of assumptions and estimates involved in calculating the net present value of future cash flows from the Group's businesses, including management's expectations of:

- growth in earnings,
- timing and quantum of future capital expenditure;
- movements in net working capital
- long term growth rates; and
- the selection of discount rates to reflect the risks involved.

Due to their nature and the judgement applied, the application of assumptions and estimates means that any selection of different assumptions, in particular the discount rate and growth rate used in the cash flow projections, could significantly affect the Group's impairment evaluation and, hence, results. We consider that the assumptions we have made are appropriate, and that our financial statements therefore present our financial position and results fairly, in all material respects.

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

i. Exploration and development expenditure

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2009

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

ii. Investment in Arrow Energy Limited

The investment in Arrow Energy Limited has been classified as an 'Available for sale' financial asset on the grounds that the company does not exert significant influence over the operations of Arrow Energy.

iii. Impairment of financial assets

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the financial results for the year ended 31 July 2009 include the assessment of the recoverable amounts for financial assets, including investments in associates and available for sale financial assets (refer to notes 7 and 39).

NOTE 4. SEGMENT INFORMATION

a) Business segments

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

Continuing operations

Investing activities

The Group engages in investments in listed and unlisted entities, and short term deposits.

Coal mining

The Group operates coal mining and support activities.

Consulting

The Group is involved in the provision of consulting services.

Telecommunications

In the prior year, the Group controlled SP Telemedia Limited, a licensed telecommunications carrier selling both wholesale and retail products and services.

Discontinued operations

Bakery

The Group was involved in the manufacture and sale of bakery products. With all bakery divisions having now been divested, the entire segment is disclosed as 'discontinued'. For details of the divestments, refer note 10 Discontinued operations.

b) Geographical segment

The Group predominantly operates in Australia.

Australian sales to external customers include coal sales to the Asia-Pacific region which originate from Australian companies. For the year ended 31 July 2009 total sales amounted to $442,407,764 (2008: $243,914,065).

c) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and accounting standard AASB 114 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, investments, inventories, property, plant and equipment, goodwill and intangible assets net of related provisions. While most of these assets are directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits, provisions and interest bearing liabilities. Segment assets and liabilities do not include income taxes.

Inter-segment pricing is determined on an arm's length basis.

NOTE 4. SEGMENT INFORMATION (CONTINUED)

d) Primary reporting format – business segments

2009	Investing activities $'000	Coal mining $'000	Consulting $'000	Intersegment eliminations /unallocated $'000	**Total continuing operations $'000**	Discontinued operations - Bakery $'000	Intersegment eliminations /unallocated $'000	**Total discontinued operations $'000**	**Consolidated $'000**
Revenue from external customers	57,899	700,785	4,755	11,514	**774,953**	202	-	**202**	**775,155**
Intersegment revenue	82,083	-	31,272	(113,355)	**-**	-	-	**-**	**-**
Total revenue	139,982	700,785	36,027	(101,841)	**774,953**	202	-	**202**	**775,155**
Share of results from equity accounted associates	(1,915)	-	87	(3,665)	**(5,493)**	-	-	**-**	**(5,493)**
Other income	(10,326)	2,411,177	-	29,000	**2,429,851**	-	-	**-**	**2,429,851**
Total segment revenue/income	127,741	3,111,962	36,114	(76,506)	**3,199,311**	202	-	**202**	**3,199,513**
Segment results	(62,657)	2,772,114	24,883	(83,858)	**2,650,482**	(473)	247	**(226)**	**2,650,256**
Income tax (expense)					**(798,595)**			**-**	**(798,595)**
Loss on disposal of discontinued operations after tax					**-**	**(352)**	**-**	**(352)**	**(352)**
Net profit/(loss) for the year					**1,851,887**			**(578)**	**1,851,309**
Segment assets	1,168,285	3,743,342	29,195	(35,675)	**4,905,147**	-	-	**-**	**4,905,147**
Segment liabilities	43,010	69,756	2,664	(171)	**115,259**	-	-	**-**	**115,259**
Investments in associates	536,244	-	327	(9,773)	**526,798**	-	-	**-**	**526,798**
Acquisition of property, plant and equipment, intangibles and other non-current assets	88,145	121,092	115	(3,166)	**206,186**	-	-	**-**	**206,186**
Depreciation and amortisation expense	(2,125)	(28,622)	(147)	-	**(30,894)**	-	-	**-**	**(30,894)**
Impairment expense	(145,307)	(2,398)	-	-	**(147,705)**	-	-	**-**	**(147,705)**

NOTE 4. SEGMENT INFORMATION (CONTINUED)

d) Primary reporting format – business segments

2008	Investing activities $'000	Telecomm-unications $'000	Coal mining $'000	Consulting $'000	Intersegment eliminations /unallocated $'000	**Total continuing operations $'000**	Discontinued operations - Bakery $'000	Intersegment eliminations /unallocated $'000	**Total discontinued operations $'000**	**Consolidated $'000**
Revenue from external customers	61,683	269,160	329,787	9,849	11,161	**681,640**	39,026	-	**39,026**	**720,666**
Intersegment revenue	47,810	259	-	3,703	(51,772)	**-**	-	-	**-**	**-**
Total revenue	109,493	269,419	329,787	13,552	(40,611)	**681,640**	39,026	-	**39,026**	**720,666**
Share of results from equity accounted associates	41,089	-	-	73	(405)	**40,757**	-	-	**-**	**40,757**
Other income	(8,531)	21	540	-	-	**(7,970)**	-	-	**-**	**(7,970)**
Total segment revenue/income	142,051	269,440	330,327	13,625	(41,016)	**714,427**	39,026	-	**39,026**	**753,453**
Segment results	62,074	(6,680)	128,729	2,174	(37,405)	**148,892**	(16,370)	558	**(15,812)**	**133,080**
Income tax (expense)						**(35,901)**			**-**	**(35,901)**
Gain on sale of discontinued operations after tax						**-**	2,621	-	**2,621**	**2,621**
Net profit for the year						**112,991**			**(13,191)**	**99,800**
Segment assets	1,327,924	-	990,561	11,421	(29,236)	**2,300,670**	8,248	-	**8,248**	**2,308,918**
Segment liabilities	38,822	-	44,866	2,291	-	**85,979**	29,906	(26,311)	**3,595**	**89,574**
Investments in associates	678,137	-	-	299	(6,542)	**671,894**	-	-	**-**	**671,894**
Acquisition of property, plant and equipment, intangibles and other non-current assets	32,603	37,745	138,366	188	(5,801)	**203,101**	484	-	**484**	**203,585**
Depreciation and amortisation expense	(1,913)	(35,251)	(24,999)	(120)	-	**(62,283)**	(641)	-	**(641)**	**(62,924)**
Impairment expense	(22,939)	(183)	-	(93)	-	**(23,215)**	(5,174)	-	**(5,174)**	**(28,389)**

Note:

The Telecommunication segment represents SP Telemedia Limited's revenue and results for the period commencing 1 August 2007 and ending 7 April 2008.

NOTE 5. REVENUE

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
From operating activities				
Sales revenue	**577,101**	625,190	**11,514**	11,161
Other revenue				
Dividends received				
- Associates	**-**	-	**31,380**	30,473
- Controlled entities	**-**	-	**81,720**	43,339
- Other corporations	**21,834**	24,057	**19,260**	21,723
Interest received				
- Associates	**7**	7	**7**	7
- Controlled entities	**-**	-	**267**	561
- Other corporations	**169,022**	26,313	**6,676**	8,602
Rental income	**718**	698	**277**	255
Other	**6,271**	5,375	**1,211**	1,687
Total other revenue	**197,852**	56,450	**140,798**	106,647
Total revenue from continuing operations	**774,953**	681,640	**152,312**	117,808
Revenue from discontinued operations	**202**	39,026	**-**	-

NOTE 6. OTHER INCOME

From continuing operations				
Gain on sale of the New Saraji coal project	**2,440,352**	-	**-**	-
Fair value (losses)/gains on other financial assets at fair value through profit or loss	**(19,161)**	(14,920)	**1,744**	(3,915)
Net gain on sale of available-for-sale financial assets	**6,525**	6,200	**6,525**	6,200
Gain on sale of related entities	**1,936**	-	**1,936**	-
Other income	**199**	750	**-**	(415)
	2,429,851	(7,970)	**10,205**	1,870

NOTE 7. EXPENSES

Profit before income tax expense includes the following specific expenses:				
Depreciation				
Buildings	**406**	402	**161**	161
Plant and equipment	**22,167**	33,043	**168**	248
Total depreciation	**22,573**	33,445	**329**	409
Amortisation				
Capitalised subscriber costs	**-**	22,002	**-**	-
Non-current assets				
Mining reserves and mine development	**6,018**	4,741	**-**	-
Intangible assets	**2,303**	2,736	**292**	500
Total amortisation – non-current assets	**8,321**	7,477	**292**	500
Impairment charges				
Property, plant and equipment	**-**	183	**-**	-
Intangibles	**4,953**	758	**-**	-
Investments – Controlled entities	**-**	-	**5,951**	-
Investments – Associates (a)	**127,901**	14,135	**118,364**	-
Investments – other (b)	**14,480**	3,483	**11,488**	3,483
Loans	**371**	3,096	**(2,997)**	6,500
Other	**-**	1,560	**-**	-
Impairment – continuing operations	**147,705**	23,215	**132,806**	9,983
Impairment – discontinued operations	**-**	5,174	**-**	-
Total impairment	**147,705**	28,389	**132,806**	9,983

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2009

NOTE 7. EXPENSES (CONTINUED)

Profit before income tax expense includes the following specific expenses (continued):

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Bad and doubtful debts expense				
Trade receivables – telecommunications	**-**	8,013	**-**	-
Subscriber costs – telecommunications	**-**	6,239	**-**	-
Other	**678**	559	**-**	-
Total bad and doubtful debts expense	**678**	14,811	**-**	-
Loss of control of SP Telemedia Limited	**-**	9,660	**-**	-
Employee benefits expense	**77,852**	108,161	**3,158**	3,094
Finance Costs				
Interest and finance charges paid/payable	**1,478**	5,120	**1,405**	5,968
Rental expense relating to operating leases	**2,202**	1,304	**46**	43
Exploration costs expensed	**7,693**	1,376	**-**	-

a) The recoverable amount of investments in equity accounted associates is reviewed at each reporting date after taking into consideration any applicable impairment indicators. At the half year ended 31 January 2009, several associates were considered to be impaired and an impairment expense was recognised. At 31 July 2009, an additional impairment expense has been recognised for Ruralco Limited ($5.4 million). In addition to this expense, a reversal of impairment amounting to $50.8 million relating to the Group's holding in SP Telemedia Limited, has been recognised through profit and loss during the second half 2009. Directors consider that the circumstances that gave rise to the initial impairment expense at 31 January 2009, no longer existed at year end. Refer to note 39.

b) During the year ended 31 July 2009, there were significant decreases in the share prices of certain listed equity investments held by the Group. In accordance with AASB 139, a 'prolonged decline in the fair value of an investment in an equity instrument below its cost is objective evidence of impairment'. Where an 'available for sale' financial asset's market bid price is lower than the original cost and management consider the investment to be 'impaired', the Group has recognised an impairment expense in respect of these investments. An impairment recognised for an 'available for sale' financial asset is prohibited from being reversed in subsequent periods. Any future increments in the bid price of an impaired investment is to be recognised as a fair value increment in the asset revaluation reserve.

NOTE 8. NON REGULAR ITEMS IMPACTING PROFIT

The Directors consider the disclosure of the impact of non regular items enhances the understanding of the results to members. Details of these items are as follows:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Non regular items impacting profit after income tax attributable to members:				
Special dividend received - controlled entities	**-**	-	**39,576**	14,811
Profit on disposal of investments	**8,452**	4,580	**8,594**	4,580
Profit on sale of the New Saraji coal project	**1,031,082**	-	**-**	-
Gain on sale of businesses	**-**	3,313	**-**	-
Gain/(loss) of control of a controlled entity	**(352)**	(9,660)	**-**	-
Operating losses attributable to minority interest absorbed by Parent entity interest	**(30)**	(1,840)	**-**	-
Impairment and bad debt expense	**(138,498)**	(13,446)	**(132,806)**	(7,010))
Share of significant revenue and expenses from associate entities	**(43,382)**	(2,793)	**-**	-
Restructure and other corporate costs	**-**	(4,547)	**-**	-
Tax credits/(expense)	**32,286**	1,248	**(1,075)**	(2,911)
Other non regular items	**(1,591)**	827	**-**	-
Total non regular items	**887,967**	(22,318)	**(85,711)**	9,470

NOTE 9. INCOME TAX EXPENSE

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
a) Income tax expense				
Current tax	**796,813**	39,602	**2,089**	3,727
Deferred tax – excluding gain on sale of discontinued operations	**5,447**	(1,717)	**1,366**	(5,505)
(Over)/under provided in prior years	**(3,665)**	(1,984)	**2**	1
	798,595	35,901	**3,457**	(1,777)
Income tax expense is attributed to:				
Profit from continuing operations	**798,595**	35,901	**3,457**	(1,777)
Profit from discontinued operations	**-**	-	**-**	-
Aggregate income tax expense for operations	**798,595**	35,901	**3,457**	(1,777)
Gain on sale of discontinued operations	**-**	-	**-**	-
Total tax expense/(benefit)	**798,595**	35,901	**3,457**	(1,777)
Deferred income tax/(revenue)				
Decrease/(increase) in deferred tax assets – (note 26)	**(24,090)**	(3,656)	**1,350**	(5,130)
(Decrease)/increase in deferred tax liabilities – (note 32)	**29,537**	1,939	**16**	(375)
	5,447	(1,717)	**1,366**	(5,505)
b) Reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax	**2,650,482**	148,892	**14,515**	90,034
(Loss) /profit from discontinued operations before income tax	**(578)**	(13,191)	**-**	-
	2,649,904	135,701	**14,515**	90,034
Tax at the Australian tax rate of 30% (2008: 30%)	**794,971**	40,710	**4,355**	27,010
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Goodwill impairment & other amortisation	**41,699**	3,298	**40,741**	150
Non-assessable income	**(22,021)**	(389)	**(2,645)**	(240)
Non-assessable gain on sale of discontinued operation	**-**	(692)	**-**	-
Franked dividends and other investment income	**(11,145)**	(15,236)	**(38,996)**	(28,521)
Tax losses and timing differences for which no deferred tax assets are recognised	**4,605**	10,106	**-**	-
Share based payment expense	**(4,808)**	817	**-**	-
Sundry items	**(1,041)**	(729)	**-**	(177)
Total tax expense/(benefit)	**802,260**	37,885	**3,455**	(1,778)
(Over)/under provision in prior years	**(3,665)**	(1,984)	**2**	1
	798,595	35,901	**3,457**	(1,777)
c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax – debited/(credited) directly to equity (notes 26 and 32).	**26,184**	(12,859)	**(10,108)**	(36,684)
d) Tax effect of impairments				
Impairments for which no deferred tax asset has been recognised	**180,408**	105,158	**146,457**	14,936
Potential tax benefit at 30%	**54,122**	31,547	**43,937**	4,481

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2009

NOTE 10. DISCONTINUED OPERATIONS

a) Description

In 2008, KH Foods Limited (in liquidation) (KHF) divested all of its remaining businesses. In this report, these operations have been disclosed as discontinued with all assets and liabilities of the company being disclosed in the consolidated balance sheet as Assets / Liabilities of a disposal group classified as held for sale.

In March 2009, KHF was placed into members' voluntary liquidation. From this date, KHF was no longer controlled by the Group.

b) Financial performance and cash flow information

Financial information relating to the discontinued operations for the period to the date of disposal is set out below:

	2009 Bakery $'000	2008 Bakery $'000
Results of discontinued operations		
Revenue	**202**	39,026
Expenses	**(428)**	(49,664)
Results from operating activities	**(226)**	(10,638)
Impairment (charge)	**-**	(5,174)
Income tax (expense) / credit	**-**	-
Results from operating activities, net of income tax	**(226)**	(15,812)
(Loss) / gain on disposal of discontinued operation	**(352)**	2,621
Income tax on (loss) / gain on disposal of discontinued operation	**-**	-
(Loss) / gain on disposal of discontinued operation after income tax	**(352)**	2,621
(Loss) from discontinued operation	**(578)**	(13,191)
(Loss) from discontinued operation attributable to members	**(578)**	(13,191)
Basic earnings per share (cents)	**(0.24) cents**	(5.53) cents
Diluted earnings per share (cents)	**(0.24) cents**	(5.53) cents

Cash flows from discontinued operation

Incorporated in the consolidated cash flow statement are the following net cash movements relating to the discontinued operation:		
Net cash (outflow) from operating activities	**(2,146)**	(17,022)
Net cash (outflow)/inflow from investing activities	**(1,751)**	21,669
Net cash (outflow)from financing activities	**-**	(18,740)
Net cash (outflow) from discontinued operation	**(3,897)**	(14,093)

NOTE 10. DISCONTINUED OPERATIONS (CONTINUED)

c) Effect of the discontinued operations on the financial position of the Group

i. Disposal of bakery divisions

Details of the sales of the discontinued bakery divisions are as follows:

	2009 $'000	2008 $'000
Net assets divested		
Plant and equipment	**-**	17,704
Inventory	**-**	1,736
Cash and Receivables	**1,765**	4,681
Provisions	**(385)**	(2,389)
Borrowings	**(1,028)**	(6,692)
Net assets and liabilities of bakery divisions	**352**	15,040
Consideration received or receivable:		
Cash	**-**	17,540
Amount due within one year	**-**	350
Total disposal consideration	**-**	17,890
Carrying amount of net liabilities (assets) sold	**(352)**	(15,040)
Cost of disposals	**-**	(229)
(Loss) / gain on dispoal before income tax	**(352)**	2,621
Income tax expense	**-**	-
(Loss) / gain on disposal after income tax	**(352)**	2,621

NOTE 11. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated		**Parent entity**	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Cash at bank and on hand	**228,530**	34,337	**1,784**	1,627

a) Reconciliation of cash balance at the end of the year

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the balance sheet as follows:-

Cash and cash equivalents	**228,530**	34,337	**1,784**	1,627

b) Cash at bank and on hand and cash equivalents

Cash includes deposits for which there is a short term identified use in the operating cashflows of the group, and attracts interest at rates between 0% and 3.6% (2008: 0% and 8.3%)

c) Risk exposure

Information about the Group and parent entity's exposure to credit risk and foreign exchange risk is detailed in note 2.

NOTE 12. CURRENT ASSETS – TERM DEPOSITS

Term deposits	**2,619,238**	267,931	**109,000**	95,638

Term deposits are held to their maturity of less than one year and carry a weighted average interest rate of 6.43% (2008: 8.05%). Due to their short term nature their carrying value is assumed to approximate their fair value. Information regarding the Group and Parent entity's exposure to credit risk is disclosed in note 2.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2009

NOTE 13. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Trade receivables	**36,022**	35,420	**1,715**	1,412
Provision for impairment of receivables	**(286)**	(125)	**(5)**	(25)
	35,736	35,295	**1,710**	1,387
Loans and receivables to related entities	**208**	472	**5,669**	6,673
Impairment	**(156)**	-	**(5,656)**	(6,500)
	52	472	**13**	173
Loans to other parties – secured	**1,536**	56	**-**	37
Current tax asset	**812**	470	**-**	-
Other receivables	**7,414**	6,455	**9**	20
Prepayments	**3,406**	3,189	**489**	418
	48,956	45,937	**2,221**	2,035

a) Impairment – loans to related entities
Parent entity
In the prior year, the loan from the Parent entity to the previously controlled entity, KH Foods Limited (in liquidation) of $6,500,000 was fully impaired.

b) Credit, foreign exchange and interest rate risk
Information about the Group's and parent entity's exposure to these risks in relation to trade and other receivables are provided in note 2.

c) Fair value of receivables
The fair value of receivables approximates their carrying values.

NOTE 14. CURRENT ASSETS – INVENTORIES

	Consolidated 2009	Consolidated 2008	Parent 2009	Parent 2008
Raw materials and stores – at cost	**16,356**	13,493	-	-
Finished goods – at cost	**29,065**	20,254	**1,025**	670
	45,421	33,747	**1,025**	670

Inventory expense

Inventories recognised as expense during the year ended 31 July 2009 amounted to $159,941,000 (2008: $174,715,000) for the Consolidated entity and $7,491,000 (2008: $7,183,000) for the Parent entity.

NOTE 15. CURRENT ASSETS – INTANGIBLES

	Consolidated 2009	Consolidated 2008	Parent 2009	Parent 2008
Net capitalised subscriber costs – telecommunications				
Cost	**-**	-	**-**	-
Accumulated amortisation	**-**	-	**-**	-
Net book value as at 31 July	**-**	-	**-**	-
Opening net book value	**-**	29,211	**-**	-
Additions	**-**	28,674	**-**	-
Amortisation	**-**	(22,002)	**-**	-
Written – off	**-**	(6,239)	**-**	-
Less – no longer controlled	**-**	(29,644)	**-**	-
Closing net book amount	**-**	-	**-**	-

NOTE 16. CURRENT ASSETS – OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Shares held for trading				
- Listed equity securities	**44,956**	74,334	**5,270**	6,072
- Other securities	**100**	210	**100**	210
	45,056	74,544	**5,370**	6,282

Information regarding the Group's and Parent entity's exposure to price risk is set out in note 2.

NOTE 17. DERIVATIVES

Controlled entities are parties to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign currency exchange rates.

These instruments are used in accordance with the group's financial risk management policies. The portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the group reclassifies the gain or loss into the income statement.

Refer to note 1(n) for additional information on the accounting policy for deriviatives.

At balance date the details of outstanding contracts at fair value are (AUD Equivalents)

	Consolidated	
	2009	2008
	$'000	$'000
Current assets		
- Forward exchange contracts	**14,525**	8,363
Non-current assets		
- Forward exchange contracts	**8,157**	7,106
	22,862	15,469

	Buy Australian dollars		Average exchange rate	
	2009	2008	**2009**	2008
	$'000	$'000		
Sell US Dollars				
Maturity				
0 to 6 months	**88,109**	76,404	**0.74907**	0.87692
6 to 12 months	**89,879**	90,962	**0.74545**	0.86849
1 to 2 years	**76,396**	33,934	**0.74611**	0.79566
2 to 5 years	**91,878**	50,601	**0.72922**	0.79051
	346,262	251,901		

	Sell Australian dollars		Average exchange rate	
	2009	2008	**2009**	2008
	$'000	$'000		
Buy Japanese yen				
Maturity				
0 to 6 months	**-**	5,908	-	98.5042
	-	5,908		

Credit risk exposures of derivative financial instruments

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. A material exposure arises from forward exchange contracts and the consolidated entity is exposed to loss in the event that counterparties fail to deliver the contracted amount. At balance date $346,262,000 (2008: $251,901,000) was receivable (AUD equivalents).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2009

NOTE 18. CURRENT ASSETS – NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
New Saraji exploration tenements	**-**	7,139	**-**	-

NOTE 19. NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Loans to controlled entities	**-**	-	**432**	250
Loans to related entities	**11,107**	12,961	**-**	-
Less impairment on loans to related entities	**(11,007)**	(11,007)	**(432)**	-
	100	1,954	**-**	250
Prepayments	**3,305**	3,820	**-**	-
Other receivables	**1,202**	1,219	**-**	-
Other assets	**-**	-	**-**	-
	4,607	6,993	**-**	250

a) Impairment – Loan receivables

Consolidated: The provision for impairment relates to loans provided by a controlled entity to its related parties. At balance date, these loans were determined to be unrecoverable and were fully impaired.

b) Credit, foreign exchange, fair value and interest rate risk.

Information about the Group's and Parent entity's exposure to these risks in relation to trade and other receivables is provide in note 2.

c) Related parties.

Further information relating to loans to related parties and loans to executives is set out in note 40 and 41.

NOTE 20. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Shares in associated companies (refer note 39)	**526,798**	671,894	**-**	-

Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the Parent entity (refer note 39).

NOTE 21. NON-CURRENT – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Listed securities				
Equity securities	**920,834**	788,968	**393,223**	391,008
Preference shares	**3,033**	2,603	**3,033**	2,603
	923,867	791,571	**396,256**	393,611
Unlisted securities				
Equity securities	**3**	1,488	**-**	-
Floating rate notes	**1,037**	1,393	**-**	-
	1,040	2,881	**-**	-
	924,907	794,452	**396,256**	393,611

Information regarding the Group's and Parent entity's exposure to price risk is set out in note 2.

NOTE 22. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

Shares in subsidiaries (note 38)	**-**	-	**48,568**	104,654
Less impairment	**-**	-	**(5,951)**	(59,567)
	-	-	**42,617**	45,087
Shares in associates (note 39)	**-**	-	**383,897**	385,269
Less impairment	**-**	-	**(112,496)**	(8,362)
	-	-	**271,401**	376,907
Units in unlisted trusts – at cost	**11,046**	11,046	**11,046**	11,046
Convertible notes	**1,500**	-	**1,500**	-
Other financial assets	**7**	79	**-**	-
	12,553	11,125	**326,564**	433,040

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2009

NOTE 23. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated 2008	Land $'000	Buildings $'000	Plant, fixtures and motor vehicles $'000	Leasehold equipment $'000	Mining reserves and leases $'000	Mine development $'000	Total $'000
At 1 August 2007							
Cost or fair value	85,864	27,061	396,215	2,866	9,813	34,510	**556,329**
Accumulated depreciation/ amortisation	-	(2,065)	(149,357)	(665)	(5,001)	(14,634)	**(171,722)**
Net book amount	85,864	24,996	246,858	2,201	4,812	19,876	**384,607**
Year ended 31 July 2008							
Opening net book amount	85,864	24,996	246,858	2,201	4,812	19,876	**384,607**
Asset acquired by purchase of subsidiary	-	-	74,002	-	-	-	**74,002**
Additions	6,345	964	31,558	730	-	8,872	**48,469**
Transfers in/(out)	-	-	(181)	-	-	181	-
Assets included in a disposal group classified as held for sale and other disposals	(3,557)	(12,191)	(3,382)	-	-	-	**(19,130)**
Less assets no longer controlled	(60)	-	(114,793)	(2,714)	-	-	**(117,567)**
Impairment charge	-	-	(4,531)	-	-	-	**(4,531)**
Depreciation/amortisation charge	-	(402)	(32,826)	(217)	(735)	(4,006)	**(38,186)**
Foreign exchange adjustment	-	-	(10)	-	-	-	**(10)**
Closing net book amount	88,592	13,367	196,695	-	4,077	24,923	**327,654**
At 31 July 2008							
Cost or fair value	88,592	14,895	324,666	-	9,813	43,563	**481,529**
Accumulated depreciation/ amortisation	-	(1,528)	(127,971)	-	(5,736)	(18,640)	**(153,875)**
Net book amount	88,592	13,367	196,695	-	4,077	24,923	**327,654**

NOTE 23. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Consolidated 2009	Land $'000	Buildings $'000	Plant, fixtures and motor vehicles $'000	Leasehold equipment $'000	Mining reserves and leases $'000	Mine development $'000	Total $'000
At 1 August 2008							
Cost or fair value	88,592	14,895	324,666	-	9,813	43,563	481,529
Accumulated depreciation/ amortisation	-	(1,528)	(127,971)	-	(5,736)	(18,640)	(153,875)
Net book amount	88,592	13,367	196,695	-	4,077	24,923	327,654
Year ended 31 July 2009							
Opening net book amount	88,592	13,367	196,695	-	4,077	24,923	327,654
Asset acquired by purchase of subsidiary	-	-	-	-	-	-	-
Additions	8,093	5,412	95,333	-	-	8,725	117,563
Transfers in/(out)	-	1,170	(1,974)	-	-	784	(20)
Assets included in a disposal group classified as held for sale and other disposals	-	-	(492)	-	-	-	(492)
Depreciation/amortisation charge	-	(406)	(22,167)	-	(630)	(5,388)	(28,591)
Foreign exchange adjustment	-	-	7	-	-	-	7
Closing net book amount	96,685	19,543	267,402	-	3,447	29,044	416,121
At 31 July 2009							
Cost or fair value	96,685	21,732	414,642	-	9,813	53,071	595,943
Accumulated depreciation/ amortisation	-	(2,189)	(147,240)	-	(6,366)	(24,027)	(179,822)
Net book amount	96,685	19,543	267,402	-	3,447	29,044	416,121

Pledged assets

For years ending 31 July 2009 and 2008, no assets of the Group were pledged as security.

Impairment losses

In the prior year, an impairment loss of $183,000 relating to the continuing operations of the telecommunciations segment was recognised in the income statement.

In the prior year, additional impairment losses of $4,348,000 relating to the discontinued bakery operations were recognised in the income statement. Property, plant and equipment were allocated to cash generating units based on KH Foods Limited manufacturing factories.

Refer to note 27 for the methodology and assumptions used in assessing the recoverable amount of each cash-generating-unit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2009

NOTE 23. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Parent entity	Land $'000	Buildings $'000	Plant, fixtures motor vehicles $'000	Total $'000
At 1 August 2007				
Cost or fair value	413	3,399	3,051	6,863
Accumulated depreciation/amortisation	-	(635)	(1,639)	(2,274)
Net book amount	413	2,764	1,412	4,589
Year ended 31 July 2008				
Opening net book amount	413	2,764	1,412	4,589
Additions	-	-	360	360
Disposals	-	-	(465)	(465)
Depreciation charge	-	(161)	(248)	(409)
Closing net book amount	413	2,603	1,059	4,075
At 31 July 2008				
Cost or fair value	413	3,399	1,781	5,593
Accumulated depreciation/amortisation	-	(796)	(722)	(1,518)
Net book amount	413	2,603	1,059	4,075
Year ended 31 July 2009				
Opening net book amount	**413**	**2,603**	**1,059**	**4,075**
Additions	**-**	**-**	**131**	**131**
Assets included in a disposal group classified as held for sale and other disposals	**-**	**-**	**(29)**	**(29)**
Depreciation charge	**-**	**(161)**	**(168)**	**(329)**
Closing net book amount	**413**	**2,442**	**993**	**3,848**
At 31 July 2009				
Cost or fair value	**413**	**3,399**	**1,789**	**5,601**
Accumulated depreciation/amortisation	**-**	**(957)**	**(796)**	**(1,753)**
Net book amount	**413**	**2,442**	**993**	**3,848**

NOTE 24. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Exploration and evaluation at cost	**2,572**	1,976	**-**	-
Reconciliation				
Opening net book amount	**1,976**	-	**-**	-
Additions	**596**	9,115	**-**	-
Transfer to assets held for sale (note 18)	**-**	(7,139)	**-**	-
Closing net book amount	**2,572**	1,976	**-**	-

NOTE 25. NON-CURRENT ASSETS – INVESTMENT PROPERTY

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
The group has elected to apply the cost model to accounting for investment properties.				
Freehold land at cost	**35**	35	**-**	-
Reconciliation				
Opening net book amount	**35**	35	**-**	-
Additions/(disposals)	**-**	-	**-**	-
Depreciation charge	**-**	-	**-**	-
Closing net book amount	**35**	35	**-**	-
a) Amounts recognised in profit and loss for investment property				
Rental income	**12**	69	**-**	-
Direct operating expenses from income generating properties	**(2)**	(5)	**-**	-
	10	64	**-**	-

b) Contractual obligations

There are no contractual obligations to purchase, construct or develop investment property or for any repairs, maintenance or enhancements.

NOTE 26. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

The balance comprises temporary differences attributed to:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Amounts recognised in profit and loss				
Provisions	**9,002**	7,091	**410**	448
Receivables and accrued expenses	**1,177**	1,366	**66**	51
Impairment losses	**2,308**	3,134	**2,849**	29,289
Tax value of losses carry-forward	**33,749**	9,669	**25,540**	-
Other	**2,654**	3,623	**483**	910
	48,890	24,883	**29,348**	30,698
Amounts recognised directly in equity				
Share issue costs	**35**	35	**-**	-
	48,925	24,918	**29,348**	30,698
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions (note 32)	**(10,225)**	(8,885)	**-**	-
Net deferred tax assets*	**38,700**	16,033	**29,348**	30,698
Movements:				
Opening balance at 1 August	**24,918**	38,375	**30,698**	25,568
Credited/(charged) to the income statement – operating profit (note 9)	**24,090**	3,656	**(1,350)**	5,130
Credited/(charged) to equity (note 9)	**-**	35	**-**	-
Less : Loss of control of subsidiary	**-**	(17,148)	**-**	-
Other adjustments	**(83)**	-	**-**	-
Closing balance at 31 July	**48,925**	24,918	**29,348**	30,698

*The deferred tax assets attributed to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

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NOTE 27. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Goodwill $'000	Television licence & development costs $'000	Acquired customer base $'000	Other $'000	Total $'000
Consolidated					
At 1 August 2007					
Cost	75,093	1,459	28,341	4,972	109,865
Accumulated amortisation and impairment	(8,766)	(393)	(24,007)	(1,090)	(34,256)
Net book amount	66,327	1,066	4,334	3,882	75,609
Year ended 31 July 2008					
Opening net book amount	66,327	1,066	4,334	3,882	75,609
Additions	5,868	-	-	2,056	7,924
Impairment charge	(758)	-	-	-	(758)
Amortisation charge	-	(235)	(1,273)	(1,228)	(2,736)
Assets included in a disposed group and other disposals	-	-	-	-	-
Less intangible assets no longer controlled	(61,497)	(831)	(3,061)	-	(65,389)
Closing net book amount	9,940	-	-	4,710	14,650
At 31 July 2008					
Cost	15,699	-	-	7,028	22,727
Accumulated amortisation and impairment	(5,759)	-	-	(2,318)	(8,077)
Net book amount	9,940	-	-	4,710	14,650
Year ended 31 July 2009					
Opening net book amount	**9,940**	**-**	**-**	**4,710**	**14,650**
Additions	**609**	**-**	**-**	**344**	**953**
Impairment charge	**(4,953)**	**-**	**-**	**-**	**(4,953)**
Amortisation charge	**-**	**-**	**-**	**(2,303)**	**(2,303)**
Assets included in a disposed group and other disposals	**-**	**-**	**-**	**(7)**	**(7)**
Transfers in / (out)	**-**	**-**	**-**	**20**	**20**
Closing net book amount	**5,596**	**-**	**-**	**2,764**	**8,360**
At 31 July 2009					
Cost	**16,308**	**-**	**-**	**6,382**	**22,690**
Accumulated amortisation and impairment	**(10,712)**	**-**	**-**	**(3,618)**	**(14,330)**
Net book amount	**5,596**	**-**	**-**	**2,764**	**8,360**

Amortisation of $2,303,000 (2008: $2,736,000) is charged to the income statement (note 7).

	Parent entity	
	2009 $'000	2008 $'000
Restraint of trade		
Cost	**1,000**	1,000
Accumulated amortisation and impairment	**(1,000)**	(708)
Net book amount	**-**	292
Reconciliation		
Opening net book amount	**292**	792
Additions	**-**	-
Amortisation charge	**(292)**	(500)
Closing net book amount	**-**	292

Amortisation of $292,000 (2008: $500,000) has been charged to the income statement (note7).

a) Impairment

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

NOTE 27. NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONTINUED)

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

	2009	2008	**Country of operation**
	$'000	$'000	
Coal mining			Australia
- Goodwill	**5,596**	5,596	
Operational investments			Australia
- Goodwill (distribution activities)	**-**	4,344	
	5,596	9,940	

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

Coal mining

Goodwill relates to the purchase of the remaining 50% shareholding in Queensland Bulk Handling Pty Ltd refer note 38.

Goodwill relates to the acquisition of a subsidiary of an independent third party in an arms length transaction based on the market value for the entity as a the date of acquisition. Since that date, there have been no adverse movements in the key assumptions used in the market value, namely expected future throughput and revenues and anticipated useful asset life. Therefore the fair value of Queensland Bulk Handling is not less than its acquisition cost and therefore the recoverable amount of goodwill is not less than its carrying amount at year end.

Operational investments

– Distribution activities

Value-in-use calculations use cash flow projections based on board approved budgeted cashflows for a 5-year period and projected cashflows for a further 5 years. The cash flows are discounted using a rate of 12% and annual growth rates of 3% to 5%. Management considers that any reasonable possible change in the key assumptions in which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate carrying amount of those cash-generating units.

Management assessed the recoverable amount of the goodwill relating to ‘distribution’ cash-generating units and determined that the amount is not recoverable. The whole amount has been impaired.

– Manufacturing

Management assessed the recoverable amount of goodwill relating to the manufacturing activities and determined that the amount is not recoverable. The whole amount has been impaired.

b) Impairment charges

	Consolidated	
	2009	2008
	$’000	$’000
Continuing operations		
Investments	**4,953**	758
Total impairment – intangible assets	**4,953**	758

NOTE 28. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated		**Parent entity**	
	2009	2008	**2009**	2008
	$’000	$’000	**$’000**	$’000
Trade payables	**42,015**	19,831	**727**	812
Other payables	**10,857**	15,997	**76**	181
	52,872	35,828	**803**	993

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NOTE 29. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Deposits from related parties - Directors (a)	**33,827**	28,623	**33,827**	28,623
Loans – controlled entities	**-**	-	**81**	81
	33,827	28,623	**33,908**	28,704

a) Director deposits

The company accepts deposits from Directors and Director related entities under normal commercial agreements and consistent with deposits received from other parties. Deposits are repayable at call and carry a weighted average interest rate of 3.00% (2008: 7.00%).

b) Fair value disclosures

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

c) Financing arrangements

The consolidated entity has access to facilities as follows:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Bank overdraft	**1,000**	1,000	**1,000**	1,000
Used at balance date	**-**	-	**-**	-
Unused at balance date	**1,000**	1,000	**1,000**	1,000
Loan facilities - secured				
Total facilities	**-**	-	**-**	-
Used at balance date	**-**	**-**	**-**	**-**
Unused at balance date	**-**	-	**-**	-
Other facilities – bank guarantees				
Total facilities	**44,247**	39,606	**-**	-
Used at balance date	**(28,219)**	(28,625)	**-**	-
Unused at balance date	**16,028**	10,981	**-**	-

The major facilities relate to bank guarantees of New Hope Corporation Limited, are unsecured, for no fixed term and bear variable rates. In respect of facilities utilised, an amount of $13,747,000 (2008: $13,341,000) have been recognised in provisions being the extent to which the Group considers obligations have been incurred.

NOTE 30. CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Mining restoration and site rehabilitation	**2,453**	2,453	**-**	-
Other	**-**	2,643	**-**	-
	2,453	5,096	**-**	-
Employee benefits	**8,042**	6,090	**376**	357
	10,495	11,186	**376**	357

NOTE 30. CURRENT LIABILITIES – PROVISIONS (CONTINUED)

Consolidated Movement in total provisions 2009	Mining restoration & site rehabilitation $'000	Premises 'make good' $'000	Other $'000	Total $'000
Carrying amount at start of year	**13,431**	**55**	**2,643**	**16,129**
Additional provisions recognised	**4,488**	**-**	**-**	**4,488**
Utilised	**-**	**-**	**(2,258)**	**(2,258)**
Reversal due to sale of business unit	**-**	**-**	**-**	**-**
Less provisions for subsidiary no longer controlled	**-**	**-**	**(385)**	**(385)**
Carrying amount at end of year	**17,919**	**55**	**-**	**17,974**
Disclosed as:				
Current liabilities	**2,453**		**-**	**2,453**
Non-current liabilities	**15,466**	**55**	**-**	**15,521**
	17,919	**55**	**-**	**17,974**

NOTE 31. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Mining restoration and site	**15,466**	10,978	**-**	-
Premises 'make good'	**55**	55	**-**	-
	15,521	11,033	**-**	-
Employment benefits	**2,421**	2,769	**987**	944
	17,942	13,802	**987**	944

NOTE 32. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
The balance comprises temporary differences attributed to:				
Amounts recognised in profit and loss				
Property plant and equipment	**10,263**	8,232	**-**	-
Mine reserves	**1,034**	1,223	**-**	-
Inventories	**4,410**	3,934	**-**	-
Investments	**24,969**	36,624	**-**	-
Receivables	**40,505**	2,427	**482**	466
Other	**1,246**	1,286	**-**	-
	82,427	53,726	**482**	466
Amounts recognised directly in equity				
Available-for-sale investments	**169,100**	142,181	**47,022**	57,130
Cash flow hedges	**6,805**	4,641	**-**	-
Property plant and equipment	**7,160**	7,160	**-**	-
Other	**716**	3,615	**-**	-
	183,781	157,597	**47,022**	57,130
Total deferred tax liabilities	**266,208**	211,323	**47,504**	57,596
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions (note 26)	**(10,225)**	(8,885)	**-**	-
Net deferred tax liabilities	**255,983**	202,438	**47,504**	57,596

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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NOTE 32. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES (CONTINUED)

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Movements:				
Opening balance 1 August	**211,322**	238,178	**57,596**	94,655
Charged / (credited) to the income statement – operating profit (note 9)	**29,537**	1,939	**16**	(375)
Charged / (credited) to equity (note 9 c)	**26,184**	(12,824)	**(10,108)**	(36,684)
Less: Loss of control of subsidiary	**-**	(15,970)	**-**	-
Other adjustments	**(835)**	-	**-**	-
Closing balance at 31 July	**266,208**	211,323	**47,504**	57,596

NOTE 33. CONTRIBUTED EQUITY

	Parent entity		Parent entity	
	2009 No of shares	**2009 $'000**	2008 No of shares	2008 $'000
Share capital				
Fully paid ordinary shares	**238,640,580**	**32,900**	238,640,580	32,900

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

Capital management

The consolidated entity's and the parent entity's capital management approach is conservative with the objective to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain the future development of the consolidated entity. The Board also monitors the level of dividends ensuring that ordinary dividends are paid from profits before non regular items.

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

The parent entity has no borrowings from external financiers.

The Group's capital consists of shareholders' equity plus net debt. The movement in equity is shown in the Statement of changes in equity.

Neither the Group nor Company are subject to any externally imposed capital requirements.

NOTE 34. RESERVES AND RETAINED PROFITS

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
a) Balances:				
General reserve	**404,548**	404,548	**402,206**	402,206
Capital redemption reserve	**2,800**	2,800	**-**	-
Asset revaluation reserve	**345,517**	315,843	**144,587**	167,332
Capital profits reserve	**11,368**	11,368	**-**	-
Hedging reserve	**9,647**	7,079	**-**	-
Share-based payments reserve	**3,222**	5,644	**-**	-
Foreign currency translation reserve	**(2,587)**	(1,164)	**-**	-
Treasury reserve	**(327)**	(327)	**-**	-
Equity reserve	**(5,246)**	(1,758)	**-**	-
	768,942	744,033	**546,793**	569,538

NOTE 34. RESERVES AND RETAINED PROFITS (CONTINUED)

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
b) Movements:				
General reserve				
Balance	**404,548**	404,548	**402,206**	402,206
Capital redemption reserve				
Balance	**2,800**	2,800	**-**	-
Asset revaluation reserve				
Balance 1 August	**315,843**	366,507	**167,332**	254,806
Revaluation of Available-for-sale investments, gross	**44,350**	(63,782)	**(30,742)**	(122,257)
Revaluation of Available-for-sale investments, deferred tax	**(11,379)**	18,201	**11,150**	35,864
Transfer on sale of Available-for-sale investments to profit, gross	**(12,935)**	(5,384)	**(12,935)**	(5,384)
Transfer on sale of Available-for-sale investments to profit, deferred tax	**1,503**	1,843	**1,503**	1,843
Transfer on impairment of Available-for-sale investments to profit, gross	**10,824**	3,483	**10,824**	3,483
Transfer on impairment of Available-for-sale investments to profit, deferred tax	**(2,545)**	(1,023)	**(2,545)**	(1,023)
Transfer to retained earnings – reclassify Available-for-sale investments to an equity accounted Associates	**-**	(357)	**-**	-
Share of associates (decrements)	**(144)**	(3,645)	**-**	-
Balance 31 July	**345,517**	315,843	**144,587**	167,332
Capital profits reserve				
Balance	**11,368**	11,368	**-**	-
Hedging reserve				
Balance 1 August	**7,079**	5,328	**-**	-
Revaluation, gross	**(20,455)**	10,498	**-**	-
Revaluation, deferred tax	**6,137**	(3,149)	**-**	-
Transfer to profit, gross	**24,716**	(8,726)	**-**	-
Transfer to profit, deferred tax	**(7,414)**	2,618	**-**	-
Shares of associates (decrements) / increments	**(416)**	510	**-**	-
Balance 31 July	**9,647**	7,079	**-**	-
Share-based payment reserve				
Balance 1 August	**5,644**	4,177	**-**	-
Share-based payment and option expense	**984**	1,467	**-**	-
Transfer to share capital	**(3,406)**	-		
Balance 31 July	**3,222**	5,644	**-**	-
Foreign currency translation reserve				
Balance 1 August	**(1,164)**	308	**-**	-
Exchange difference on translation of foreign controlled entity and associates	**16**	(104)	**-**	-
Share of associates increment	**(1,439)**	(1,368)	**-**	-
Balance 31 July	**(2,587)**	(1,164)	**-**	-
Treasury share reserve				
Balance 1 August	**(327)**	(128)	**-**	-
Movement	**-**	(199)	**-**	-
Balance 31 July	**(327)**	(327)	**-**	-
Equity reserve				
Balance 1 August	**(1,758)**	(2,793)	**-**	-
Movement	**(3,488)**	1,035	**-**	-
Balance 31 July	**(5,246)**	(1,758)	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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NOTE 34. RESERVES AND RETAINED PROFITS (CONTINUED)

c) Nature and purpose of reserves

General reserve

The general reserve records funds set aside for future requirements of the Group.

Capital redemption reserve

This reserve represents amounts allocated from retained profits that were preserved for capital redemption.

Asset revaluation reserve

This reserve includes net revaluation increments and decrements arising from the revaluation of non-current assets. Changes in the fair value and exchange differences arising from translation of investments, such as equities classified as available-for-sale financial assets, are taken to the asset revaluation reserve as described in note 1 (m). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

Capital profits reserve

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

Hedging reserve

The hedging reserve is used to record the gains and losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(n). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

Share-based payments reserve

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

Foreign currency translation reserve

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

Treasury share reserve

The treasury share reserve represents the value of shares held by an equity compensation plan. The reserve will be reversed against share capital when the underlying shares vest with employees.

Equity reserve

This reserve includes amounts for tax adjustments that are unrelated to other specific reserves and are posted directly to equity.

d) Retained profits movements

Increases in ownership of controlled entities

In accordance with AASB 127 *Consolidated and Separate Financial Statements* and the Group's accounting policy for changes in ownership of a subsidiary (without gain or loss of control), any excess purchase consideration paid to minority interest holders, over the net assets acquired, is recognised directly in equity as a transaction between equity holders of the Group. The Group applies this policy by adjusting retained earnings.

For both the current and prior years, there were no significant increases in ownership of controlled entities, refer to note 38 for the parent entity's interest in controlled entities.

NOTE 35. DIVIDENDS - WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

	Parent entity	
	2009	2008
a) Ordinary shares	**$'000**	$'000
Final dividend for the year ended 31 July 2008 of 18 cents (2007: 17 cents) per fully paid share paid on 8 December 2008 (2007: 10 December 2007) fully franked based on tax paid at 30%	**42,955**	40,569
Interim dividend for the year ended 31 July 2009 of 13 cents (2008: 12 cents) per fully paid share paid on 14 May 2009 (2008: 8 May 2008) fully franked based on tax paid at 30%	**31,023**	28,637
Total dividends provided for or paid	**73,978**	69,206

(b) Dividends not recognised at year end

In addition to the above dividends, since year end the directors have recommended the payment of:

A final dividend of 19 cents per fully paid ordinary share, (2008: 18 cents) fully franked based on tax paid at 30%.	**45,342**	42,955
A special dividend of 25 cents per fully paid ordinary share, (2008: nil) fully franked based on tax paid at 30%.	**59,660**	-
The aggregate amount of the proposed dividend expected to be paid on 7 December 2009 (2008: 8 December 2008) out of retained profits as at 31 July 2009, but not recognised as a liability at year end is	**105,002**	42,955

(c) Franked Dividends

The franked portions of the final dividends recommended after 31 July 2009 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in respect of the year ended 31 July 2009.

Franking credits available for subsequent financial years based on a tax rate of 30% (2008: 30%)	**198,365**	172,063

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits that will arise from the payment of provision for income tax, franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividends recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $45,001,000 (2008: $18,409,000)

Subsequent to year end, the franking account will be reduced by the proposed final and special dividends to be paid on 7 December 2009 (2008: 8 December 2008).	**(45,001)**	(18,409)
	153,364	153,654

(d) Dividend reinvestment plans

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

NOTE 36. CONTINGENT LIABILITIES

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

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
a) Secured by charge on the Consolidated Entity's Assets				
i. Guarantee issued by KH Foods Limited's (in liquidation) bankers for workers compensation claim management.	**-**	1,045	-	-
b) Not secured by a charge on the Consolidated Entity's assets				
i. Bank guarantees issued in the normal course of business	**28,219**	28,625	**-**	-
ii. Multiple drawdown revolving loan facility to a controlled entity	**1,000**	1,000	**1,000**	1,000
iii. Undertakings and guarantees issued by a Controlled Entity's bankers to the Department of Minerals & Energy, Statutory Power Authorities and various other entities.	**14,470**	14,887	**-**	-
	43,689	45,557	**1,000**	1,000

For contingent liabilities relating to associates and joint ventures refer to note 39.

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NOTE 37. COMMITMENTS FOR EXPENDITURE

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
a) Capital commitments				
Capital expenditure contracted for at the reporting date				
Property, plant and equipment				
Payable:				
Within one year	**51,464**	17,305	**-**	-
Later than one year but not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	51,464	17,305	**-**	-
Intangible assets				
Payable:				
Within one year	**-**	-	**-**	-
Later than one year but not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	-	-	**-**	-

b) Lease commitments:

Commitments in relation to leases consist of:

i. Operating leases

The consolidated entity leases various property under non-cancellable operating leases expiring within one to ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitment for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**2,732**	1,840	**-**	-
Later than one year but not later than five years	**13,257**	12,283	**-**	-
Later than five years	**53,001**	60,225	**-**	-
	68,990	74,348	**-**	-

ii. Finance and hire purchase leases

The consolidated entity leased various plant and equipment under finance leases that expire within one to ten years. Some leases provided for the payment of incremental contingent rentals based on movements in the Consumer Price Index. For the 2008 year leases relating to KH Foods Limited (in liquidation) have been terminated and/or transferred on the divestment of its businesses.

For commitments relating to associates and joint ventures refer to note 39.

NOTE 38. SUBSIDIARIES

Name of entity	Country of incorporation	Equity holding 2009 %	Equity holding 2008 %
a) Parent entity			
Washington H. Soul Pattinson and Company Limited	Australia		
b) Controlled entities			
SP Laboratories Pty. Limited	Australia	**100.0**	100.0
SP Newcastle Pty. Limited	Australia	**100.0**	100.0
SP Runaway Bay Pty. Limited	Australia	**100.0**	100.0
Souls Funds Management Limited	Australia	**78.8**	72.9
Souls Financial Solutions Pty. Limited	Australia	**65.0**	65.0
Souls Private Equity Limited+	Australia	**13.4**	12.7
PCP Holdings 1 Pty. Limited	Australia	**13.4**	12.7
PCP Holdings 2 Pty. Limited	Australia	**13.4**	12.7
Cromford Pty. Limited	Australia	**13.4**	12.7
Australian Film and Pipe Manufacturing Pty. Limited	Australia	**13.4**	12.7
Soda Brands Limited	Australia	**6.7**	8.7
Food and Beverage Company Limited	Australia	**13.4**	12.7
Pitt Capital Partners Limited	Australia	**78.3**	78.1
Corporate & Administrative Services Pty. Ltd	Australia	**78.3**	78.1
Pitt Capital Nominees Pty. Ltd	Australia	**78.3**	78.1
Rundle Capital Partners Ltd	Australia	**78.3**	40.8
Pitt Capital Asia Ltd	Hong Kong	**78.3**	78.1
New Hope Corporation Limited*	Australia	**60.7**	61.2
Jeebropilly Collieries Pty. Limited *	Australia	**60.7**	61.2
Fowlers Engineering Pty. Limited *	Australia	**60.7**	61.2
Tivoli Coal (Hawaii) Pty. Limited *	Australia	**60.7**	61.2
New Hope Collieries Pty. Limited *	Australia	**60.7**	61.2
Tivoli Collieries Pty. Limited *	Australia	**60.7**	61.2
Andrew Wright Holdings Pty. Limited *	Australia	**60.7**	61.2
Tetard Holdings Pty. Limited *	Australia	**60.7**	61.2
Queensland Bulk Handling Pty. Limited *	Australia	**60.7**	61.2
New Oakleigh Coal Pty. Limited *	Australia	**60.7**	61.2
New Hope Exploration Pty. Limited *	Australia	**60.7**	61.2
Seven Mile Coal Pty. Limited *	Australia	**60.7**	61.2
New Acland Coal Pty. Limited *	Australia	**60.7**	61.2
Acland Pastoral Co. Pty. Limited *	Australia	**60.7**	61.2
Arkdale Pty. Limited *	Australia	**60.7**	61.2
New Lenton Coal Pty. Limited *	Australia	**60.7**	61.2

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2009

NOTE 38. SUBSIDIARIES (CONTINUED)

Name of entity	Country of incorporation	Equity holding 2009 %	Equity holding 2008 %
KH Foods Limited (in liquidation)	Australia	-	86.6
Jusfrute Limited*	Australia	-	86.6
United Beverages Pty. Limited *	Australia	-	86.6
Redland Industries Pty. Limited *	Australia	-	86.6
Keith Harris Extracts Pty. Limited *	Australia	-	86.6
Quotidian No.115 Pty. Limited *	Australia	-	86.6
Exbal Australia Pty. Limited * +++	Australia	-	86.6
Exbal Operations VIC Pty. Limited * +++	Australia	-	86.6
Exbal Operations NSW Pty. Limited * +++	Australia	-	86.6
Exbal Operations Pty. Limited * +++	Australia	-	86.6
Exbal Property Holdings Pty. Limited * +++	Australia	-	86.6
Exbal NSW Pty. Limited * +++	Australia	-	86.6
Exbal Wauchope Pty. Limited * +++	Australia	-	86.6
Exbal Pty. Limited * +++	Australia	-	86.6
Exbal Retail Pty. Limited * +++	Australia	-	86.6

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

\+ Souls Private Equity Limited and its subsidiaries have been consolidated on the basis of control of the board of directors and management control.

++ KH Foods Limited (KHF) was placed into voluntary liquidation in March 2009. From this date, KHF was no longer controlled by the Group.

+++ Following the sale of the Balfours and Betabake businesses to San Remo Macaroni Group during 2008, the Balfours group of companies changed their name to Exbal.

c) Acquisition of controlled entities

(i) Acquisitions during the year included:

Acquisitions by controlled entities of Souls Private Equity Limited

SODA Brands Limited, a controlled entity of Souls Private Equity Limited, completed the acquisition of the business owned by HairFX Australia Pty Limited. Cash consideration of $516,000 was paid.

During the year, SODA Brands Limited entered into a put and call option agreement to acquire the entire share capital of Innoxa Group Pty Limited (Innoxa) for an option fee of $1. Should SODA decide to exercise the call option, subject to Innoxa meeting certain conditions, the purchase consideration will be settled by issuance of 570,000 ordinary shares of SODA Brands Limited.

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

Acquisition of remaining 50% in Queensland Bulk Handling Pty Ltd and Bulk Terminal Service partnership – (previously equity accounted)

On 1st August 2007 Andrew Wright Holdings Pty Ltd (AWH), a fully owned subsidiary of New Hope Corporation Limited, acquired the remaining 50% equity in Queensland Bulk Handling Pty Ltd (QBH) and the Bulk Terminal Services (BTS) partnership.

The acquired business contributed a net profit of $6,838,000 to the group for the reporting period 1 August 2007 to 31 July 2008. Revenues contributed by the acquired business in respect of parties external to the group totalled $9,346,000. As the acquisition occurred on the first day of the financial year, the net profit and revenue disclosed above, also relate to the acquired entities contribution for the whole reporting.

NOTE 38. SUBSIDIARIES (CONTINUED)

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

	Acquiree's carrying amount $'000	Fair value $'000
Cash and cash equivalents	**3,159**	**3,159**
Receivables	**655**	**655**
Other	**280**	**280**
Property, plant and equipment	**4,857**	**74,002**
Deferred tax assets	**112**	**112**
Payables	**(2,069)**	**(2,069)**
Current tax liabilities	**(320)**	**(320)**
Net identifiable assets	**6,674**	**75,819**
Previously acquired interest		**37,909**
Net identifiable assets acquired		**37,910**
Goodwill on acquisition		**5,596**
Consideration – cash		**(42,500)**
Direct costs relating to the transaction		**(1,006)**
Cash (acquired)		**3,159**
Net cash outflow		**(40,347)**

The goodwill is attributed to the operational efficiencies of the business and the synergies that it creates with the other companies within the group. The fair value of assets and liabilities acquired has been determined with reference to an independent valuation conducted as part of the purchase price allocations.

(d) Loss of control and disposals of controlled entities

(i) Transactions during the year:

Loss of control – KH Foods Limited (in liquidation)

On 23 March 2009, KH Foods Limited (KHF) was placed into members' voluntary liquidation. From this date, KHF was no longer controlled by the Group.

(ii) Transactions during the prior year:

Loss of control – SP Telemedia Limited and its controlled entities

On 7 April 2008, SP Telemedia Limited (SPT) acquired 100% of the issued capital of TPG Holdings Pty Limited for total consideration of $263.4 million, comprising cash of $150 million and the issue of 270 million SPT shares.

As a result of the share issue, Washington H. Soul Pattinson and Company Limited's (WHSP) interest in SPT was diluted from 46.49% to 27.81% at that date. Immediately following the completion of the acquisition, the composition of SPT's Board also changed. A Board of a total five (5) directors now consists of two (2) representatives from TPG, including Mr David Teoh as Chairman, one (1) representative from WHSP and two (2) independent directors.

As at 7 April 2008, SPT ceased to be controlled by WHSP and the following impacts were recognised in the financial statements:

1) the Group recognised a net loss in the income statement of $9,660,000, representing the difference between the Group's share in the fair value of SPT's net assets as a consequence of the dilution;
2) the Group reclassified its investment in the SPT Group from a controlled entity to an equity accounted associate with an initial value of $89,216,000. Details relating to SPT as an associate are included in note 39; and
3) a reduction to the minority interest's equity of the Group of $119,011,000 representing the minority's interest's share in the net assets of SPT, no longer controlled by the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2009

NOTE 39. INVESTMENT IN ASSOCIATES

a) Carrying amounts

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (refer notes 20 and 22). Information relating to significant associates is set out in (f) below.

	Consolidated	
	2009	2008
	$'000	$'000
b) Movement in carrying amounts		
Carrying amount at 1 August	**671,894**	512,104
New investments during the period	**18,133**	7,866
Associates transferred (from) / to 'Available-for-sale' financial assets	**(3,205)**	56,269
Associate previously classified as a subsidiary	**-**	89,216
Disposal of the interest in an equity accounted associate	**(2,496)**	-
Gain on issue of shares in an associate	**344**	-
Former associate now classified as a subsidiary	**-**	(3,366)
Share of profits after income tax, before writedowns	**(5,493)**	40,757
Impairment of associates	**(127,901)**	(14,135)
Dividends received / receivable	**(31,774)**	(26,994)
Add back share of dividends received by associate	**15,682**	14,671
Share of associates increment in reserve	**(8,386)**	(4,494)
Carrying amount at 31 July	**526,798**	671,894
c) Summarised share of associates financial information		
Assets	**1,666,249**	1,553,572
Liabilities	**(700,611)**	(748,392)
Net assets	**965,638**	805,180

The share of associates net assets of $965,638,000 (2008: $805,180,000) includes the Group's share of the total net assets of Brickworks Limited. Brickworks Limited owns 42.85% (2008: 42.85%) of the issued capital in Washington H. Soul Pattinson and Company Limited. The equity accounted carrying value of this associate of $311,929,000 (2008:$353,215,000) excludes the Group's share of Brickworks Limited equity accounted carrying value of Washington H. Soul Pattinson and Company Limited.

Revenue	**1,589,279**	979,471
Profit before income tax	**56,501**	43,726
Income tax expense	**(61,995)**	(17,104)
Profit after income tax	**(5,494)**	26,622
d) Share of associates' expenditure commitments		
Capital commitments	**5,821**	23,992
Lease commitments	**111,687**	55,297
e) Contingent liabilities of associates		
Share of incurred jointly with other investors	**25,763**	30,087

NOTE 39. INVESTMENT IN ASSOCIATES (CONTINUED)

f) Details of significant associates	**Balance date**	**Group's percentage of holding at balance dates**				**Contribution to Group net profit**		**Fair value of listed investments at balance date**	
		Balance date company		**Balance date associate**					
Name and Principal Activity		**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Associates – held by WHSP		**%**	%	**%**	%	**$'000**	$'000	**$'000**	$'000
Brickworks Limited									
Manufacturer of clay products	**31 July**	**49.4**	49.5	**49.4**	49.5	**(24,100)**	37,748	**843,540**	771,330
Australian Pharmaceutical Industries Limited (i)									
Pharmaceutical wholesaler	**31 Aug**	**24.6**	24.6	**24.6**	21.7	**3,879**	770	**33,438**	133,006
Ruralco Holdings Limited (equity accounted from June 2008) (ii)									
Rural supplies and services	**30 Sept**	**23.5**	21.0	**23.5**	21.0	**2,177**	-	**33,640**	39,070
Apex Healthcare Berhad (equity accounted from August 2007) (iii)									
Pharmaceutical manufacturer and distributor	**30 June**	**30.3**	30.3	**30.3**	30.3	**1,930**	1,476	**11,137**	11,698
SP Telemedia Limited (equity accounted from April 2008) (iv)									
Telecommunications and internet provider	**31 July**	**28.5**	27.5	**28.5**	27.5	**4,939**	(4,658)	**103,401**	83,387
Clover Corporation Limited									
Refinement and processing of natural oil	**30 June**	**28.6**	28.6	**28.6**	28.6	**880**	1,181	**9,388**	7,546
Keith Harris & Company (Far East) Pte Limited									
Manufacturer of flavours, essences and colours	**31 July**	**49.0**	49.0	**49.0**	49.0	**271**	242	n/a	n/a
Associates – held by Controlled entity (Souls Private Equity Limited)s									
Ampcontrol Pty Limited									
Electrical supplies	**30 June**	**45.0**	45.0	**45.0**	45.0	**3,448**	3,811	n/a	n/a
Austgrains Pty Limited									
Agricultural supplies	**30 June**	**48.0**	48.0	**48.0**	48.0	**25**	(13)	n/a	n/a
Asian Property Investments Limited (v)									
Property investment	**31 Mar**	**-**	19.4	**-**	19.4	**-**	998	n/a	n/a
Belaroma Coffee Pty Ltd									
Beverage manufacturer	**30 June**	**40.0**	40.0	**40.0**	40.0	**109**	138	n/a	n/a
InterRISK Australia Pty Ltd (vi)									
Insurance broker	**30 June**	**40.0**	-	**40.0**	-	**499**	-	n/a	n/a
Krispy Kreme Holdings Australia Pty Ltd (vii)									
Food	**30 June**	**-**	24.0	**-**	24.0	**-**	(1,056)	n/a	n/a
Specialist Oncology Property Pty Limited									
Specialist medical services	**30 June**	**21.3**	21.30	**21.3**	21.3	**135**	103	n/a	n/a
Supercorp Pty Limited									
Financial services administration	**30 June**	**30.2**	30.20	**30.2**	30.2	**315**	17	n/a	n/a

	2009	2008
Share of results from equity accounted associates before impairment	**(5,493)**	40,757
Impairment of investment in associates		
- Australian Pharmaceutical Industries Limited	**(101,137)**	-
- Ruralco Holdings Limited	**(18,557)**	-
- Other associates	**(8,207)**	(14,135)
Total impairment of investment in associates	**(127,901)**	(14,135)
Share of results and impairment from equity accounted associates	**(133,394)**	26,622

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2009

NOTE 39. INVESTMENT IN ASSOCIATES (CONTINUED)

f) Details of significant associates (continued)

With the exception of Apex Healthcare Berhad and Asian Property Investment Ltd, all associates as listed above are incorporated in Australia. Apex Healthcare Berhad is incorporated in Malaysia. Asian Property Investment Ltd is incorporated in Hong Kong.

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

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

(i) Australian Pharmaceutical Industries Limited (API) has a financial year ending on 31 August. As a result WHSP has equity accounted API's result for the 12 months to 28 February 2009. This different accounting period is not considered to have had a material effect on the results of the Group. API changed its year end in 2007 from 30 April to 31 August. For 2008, API's results represent a period of 10 months (being 4 months to 31 August 2007 and 6 months to 29 February 2008).

(ii) In June 2008, Washington H. Soul Pattinson and Company Limited increased its holding in Ruralco Holdings Limited (Ruralco) to 21.0% and at that time deemed this investment to be an 'associate'. Prior to 4 June 2008, this investment was classified as an 'Available for sale financial asset'. Ruralco has a financial year ending on 30 September. As a result WHSP has equity accounted Ruralco's result from 4 June 2008 (being the date Ruralco became an associated entity) to 31 March 2009 (being the most recently published financial statements available). The different accounting period is not considered to have had a material effect on the results of the Group.

(iii) On 1 August 2007, Washington H. Soul Pattinson and Company Limited increased its holding in Apex Healthcare Berhad to 30.3% and at that time deemed this investment to be an 'associate'. Prior to 1 August 2007, this investment was classified as an 'Available for sale financial asset'.

(iv) Effective 7 April 2008, SP Telemedia Limited (SPT) was equity accounted. Prior to this date, SPT was controlled by WHSP (refer note 38d).

(v) The Group's interest in Asian Property Investments Limited was diluted in August 2008 to 16.9% and was therefore no longer deemed to be an associate.

(vi) The Group increased its shareholding in InterRISK Australia Pty Ltd in December 2008 to 40% and is now therefore deemed to be an associate.

(vii) The Group's interest in Krispy Kreme Holdings Australia Pty Ltd was diluted in August 2008 to 7% and is therefore no longer deemed to be an associate.

g) Fair value

The recoverable amount of investments in equity accounted associates is reviewed at each reporting date after taking into consideration any applicable impairment indicators. At 31 July 2009, several associates were considered to be impaired and an impairment expense was recognised totalling $127,901,000.

The fair value of listed equity accounted investments represents:

i. Unadjusted quoted prices in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis; or

ii the equity accounted carrying value where Directors consider the current quoted market price is not reflective of the long term underlying value of the business. In these instances, alternative valuation techniques have been applied to determine the fair value, using a combination of market observable and unobservable inputs, including management's judgement in selecting appropriate assumptions and estimates (refer note 2).

The following table provides a comparison between the bid value of the listed associates at balance date where an alternative valuation technique has been applied in determining that the fair value equals or exceeds the equity accounted carrying value and cost.

		Consolidated	Parent entity
2009	**Bid value**	**Equity accounted carrying value**	**Carrying value**
	$'000	**$'000**	**$'000**
Associates carrying values assessed by valuation techniques			
Australian Pharmaceutical Industries Limited	**36,127**	**33,438**	**32,324**
Ruralco Limited	**24,325**	**33,640**	**33,640**
Sub-total	**60,452**	**67,078**	**65,964**
Total for all listed associates	**1,028,433**	**491,490**	**274,267**

NOTE 40. KEY MANAGEMENT PERSONNEL

a) Directors

The following persons were Directors of Washington H Soul Pattinson and Company Limited during the financial year:

i. *Chairman – non-executive*
Mr R D Millner

ii. *Deputy chairman – non-executive*
Mr M J Millner

iii. *Executive Director*
Mr P R Robinson

iv. *Non-executive Directors*
Mr D J Fairfull
Mr R G Westphal
Mr D E Wills

b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	*Position*	*Employer*
Ms M R Roderick	Chief Financial Officer	Washington H. Soul Pattinson and Company Limited
Mr I D Bloodworth	Company Secretary	Washington H. Soul Pattinson and Company Limited
Mr M L Bailey	Chief Operations Officer and Acting Chief Financial Officer	New Hope Corporation Limited
Mr B J Garland	General Manager – Resource Development	New Hope Corporation Limited
Mr C C Hopkins	General Manager – Marketing	New Hope Corporation Limited
Mr P K Mantell	Chief Financial Officer and Company Secretary (Resigned 16 March 2009)	New Hope Corporation Limited
Mr R C Neale	Director and Chief Executive Officer	New Hope Corporation Limited
Mr C J Photakis (Deceased 7 August 2009)	Managing Director	Pitt Capital Partners Limited

c) Key management personnel (KMP) compensation

	Paid to KMP of the Consolidated entity		Paid to KMP of the Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Short-term employee benefits	**9,939**	5,700	**2,760**	2,532
Post-employment benefits	**571**	78	**228**	250
Share-based payments	**854**	404	**-**	-
	11,364	6,885	**2,988**	2,782

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2009

NOTE 40. KEY MANAGEMENT PERSONNEL (CONTINUED)

d) Equity instrument disclosures relating to key management personnel

i. Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration can be found in the Remuneration Report section of the Directors' Report. Terms and conditions of options are detailed in note 44.

ii. Share holdings

The numbers of shares in the company held during the financial year by each Director of Washington H. Soul Pattinson and Company Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2009	Balance at start of year	Acquired during year	Received on exercise of options	Sold during year	Balance at end of year
Directors of Washington H. Soul Pattinson and Company Limited (shares in Washington H. Soul Pattinson and Company Limited)					
R D Millner	**18,856,496**	**248,500**	**-**	**-**	**19,104,996**
M J Millner	**18,491,476**	**248,500**	**-**	**-**	**18,739,976**
P R Robinson	**74,210**	**-**	**-**	**-**	**74,210**
D J Fairfull	**60,000**	**-**	**-**	**-**	**60,000**
R G Westphal	**5,000**	**-**	**-**	**-**	**5,000**
D E Wills	**113,866**	**-**	**-**	**-**	**113,866**
Other key management personnel of the Group					
C C Hopkins	**850**	**-**	**-**	**-**	**850**
P K Mantell (to 16 March 2009)	**200**	**-**	**-**	**-**	**N/A**
R C Neale	**4,000**	**-**	**-**	**-**	**4,000**
2008					
Directors of Washington H. Soul Pattinson and Company Limited (shares in Washington H. Soul Pattinson and Company Limited)					
R D Millner	16,339,025	2,517,471	-	-	18,856,496
M J Millner	15,974,005	2,517,471	-	-	18,491,476
P R Robinson	74,210	-	-	-	74,210
D J Fairfull	60,000	-	-	-	60,000
R G Westphal	5,000	-	-	-	5,000
D E Wills	113,866	-	-	-	113,866
Other key management personnel of the Group					
R C Neale	4,000	-	-	-	4,000
P K Mantell	200	-	-	-	200
M Simmons (to 7 April 2008)	4,400	-	-	-	N/A

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2009

NOTE 40. KEY MANAGEMENT PERSONNEL (CONTINUED)

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

2009	**Balance at start of year**	**Acquired during year**	**Received on exercise of options**	**Sold during year**	**Balance at end of year**
Directors of New Hope Corporation Limited (shares in New Hope Corporation Limited)					
R D Millner	**3,190,573**	**380,000**	**-**	**-**	**3,570,573**
R C Neale	**1,005,500**	**-**	**-**	**-**	**1,005,500**
D J Fairfull	**10,000**	**-**	**1,000**	**-**	**11,000**
W H Grant	**20,000**	**-**	**-**	**-**	**20,000**
P R Robinson	**57,357**	**10,090**	**-**	**-**	**67,447**
D C Williamson	**20,000**	**-**	**-**	**-**	**20,000**
Other key management personnel of the Group					
P K Mantell (to 16 March 2009)	**927,500**	**-**	**1,500,000**	**-**	**N/A**
2008					
Directors of New Hope Corporation Limited (shares in New Hope Corporation Limited)					
R D Millner	2,540,573	650,000	-	-	3,190,573
P R Robinson	57,357	-	-	-	57,357
D J Fairfull	10,000	-	-	-	10,000
D C Williamson	20,000	-	-	-	20,000
W H Grant	-	20,000	-	-	20,000
Other key management personnel of the Group					
P K Mantell	1,103,000	-	-	175,500	927,500
R C Neale	1,205,500	-	-	200,000	1,005,500

2008	**Balance at start of year**	**Acquired during year**	**Received on exercise of options**	**Sold during year**	**Balance at end of year**
Directors of SP Telemedia Limited (shares in SP Telemedia Limited)					
R D Millner	2,695,784	500,000	-	-	3,195,784
M J Millner (to 7 April 2008)	2,059,399	500,000	-	-	N/A
P R Robinson (to 7 April 2008)	123,556	-	-	-	N/A
D J Fairfull (to 7 April 2008)	144,445	-	-	-	N/A
D J Ledbury	178,223	-	-	-	178,223
W P Cleaves (to 7 April 2008)	49,889	-	-	-	N/A
Other key management personnel of the Group					
M Simmons (to 7 April 2008)	45,393	-	-	-	N/A

2009	**Balance at start of year**	**Acquired during year**	**Received on exercise of options**	**Sold during year**	**Balance at end of year**
Directors of Souls Private Equity Limited (shares in Souls Private Equity Limited)					
R D Millner	**1,225,193**	**-**	**-**	**-**	**1,225,193**
D J Fairfull	**8,700,001**	**-**	**-**	**-**	**8,700,001**
R G Westphal	**370,000**	**-**	**-**	**-**	**370,000**
D E Wills	**423,277**	**-**	**-**	**-**	**423,277**
Other key management personnel of the Group					
C J Photakis (Deceased 7 August 2009)	**50,000**	**-**	**-**	**-**	**50,000**
2008					
Directors of Souls Private Equity Limited (shares in Souls Private Equity Limited)					
R D Millner	1,225,193	-	-	-	1,225,193
D J Fairfull	8,700,001	-	-	-	8,700,001
D E Wills	423,277	-	-	-	423,277
R G Westphal	370,000	-	-	-	370,000
G G Hill (alternate for D J Fairfull) (resigned 29 February 2008)	8,150,000	-	-	-	N/A
Other key management personnel of the Group					
C J Photakis (Deceased 7 August 2009)	50,000	-	-	-	50,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2009

NOTE 40. KEY MANAGEMENT PERSONNEL (CONTINUED)

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

2008	Balance at start of year	Acquired during year	Received on exercise of options	Sold during year	Balance at end of year
Directors of KH Foods Limited (shares in KH Foods Limited)					
P T Blizzard (to 11 February 2008)	6,818,374	-	-	-	N/A
Other key management personnel of the Group					
No key personnel held shares during the financial year					

iii. Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each Director of Washington H. Soul Pattinson and Company Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2009	Balance at start of year	Acquired during year	Received on exercise of options	Sold during year	Balance at end of year
Directors of New Hope Corporation Limited (New Hope Corporation Limited options)					
D J Fairfull	**1,000**	**-**	**1,000**	**-**	**-**
R C Neale	**2,000,000**	**-**	**-**	**-**	**2,000,000**
The above options were vested and exercisable at the end of the year.					
Other key management personnel of the Group					
M L Bailey	**1,500,000**	**-**	**-**	**-**	**1,500,000**
B J Garland	**1,000,000**	**-**	**-**	**-**	**1,000,000**
The above options were not vested at the end of the year.					
C C Hopkins	**1,250,000**	**-**	**-**	**-**	**1,250,000**
P K Mantell (to 16 March 2009)	**1,500,000**	**-**	**1,500,000**	**-**	**N/A**
The above options were vested at the end of the year.					
2008					
Directors of New Hope Corporation Limited (New Hope Corporation Limited options)					
D J Fairfull	1,000	-	-	-	1,000
The above options were vested and exercisable at the end of the year.					
Other key management personnel of the Group					
R C Neale	2,000,000	-	-	-	2,000,000
P K Mantell	1,500,000	-	-	-	1,500,000
The above options were not vested at the end of the year.					

NOTE 40. KEY MANAGEMENT PERSONNEL (CONTINUED)

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

iii. Option holdings (continued)

2009	**Balance at start of year**	**Acquired during year**	**Received on exercise of options**	**Sold during year**	**Balance at end of year**
Directors of Souls Private Equity Limited (Souls Private Equity Limited options)					
R D Millner	**87,524**	**-**	**-**	**-**	**87,524**
D J Fairfull	**1,037,500**	**-**	**-**	**-**	**1,037,500**
R G Westphal	**10,000**	**-**	**-**	**-**	**10,000**
D E Wills	**27,909**	**-**	**-**	**-**	**27,909**
The above options were not vested at the end of the year.					
2008					
Directors of Souls Private Equity Limited (Souls Private Equity Limited options)					
R D Millner	87,524	-	-	-	87,524
D J Fairfull	1,037,500	-	-	-	1,037,500
R G Westphal	10,000	-	-	-	10,000
D E Wills	27,909	-	-	-	27,909
G G Hill (alternate to D J Fairfull) (resigned 29 February 2008)	1,290,314	-	-	-	N/A
The above options were vested and exercisable at the end of the year.					
G G Hill (alternate to D J Fairfull) (resigned 29 February 2008) - management options (unlisted)	1,250,000	-	-	-	N/A
The above options were not vested at the end of the year.					

e) Loans to key management personnel

No loans have been made to the Directors of Washington H. Soul Pattinson and Company Limited (WHSP) or other key management personnel of the Group.

f) Other transactions with key management personnel

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

Unsecured deposits are accepted from Directors and their related entities and interest is paid at normal commercial rates. Interest paid during the current financial year amounted to $1,372,183 (2008: $1,566,655). The balance of deposits at 31 July 2009 was $33,826,959 (2008: $28,622,954).

Deposits were received from Mr R D Millner, Mr M J Millner, Mr D J Fairfull and Mr R G Westphal and/or their related entities.

Mr R D Millner and Mr P R Robinson are Directors of Pitt Capital Partners Limited (PCP) which is a 78.3% (2008: 78.1%) controlled entity of Washington H. Soul Pattinson and Company Limited.

Mr R G Westphal received consultancy fees from PCP of $81,162 during the year (2008: $174,800). Richvale Pty Ltd, an associated company of Mr Fairfull, received consultancy fees from PCP of $320,833 during the year (2008: $nil).

During the current financial year PCP provided services to companies in the Group:-

1. Clover Corporation Limited $147,969 (2008: $172,969).
2. KH Foods Limited (in liquidation) $12,750 (2008: $nil)
3. New Hope Corporation Limited $29,000,000 (2008: $552,170);
4. Souls Financial Solutions Pty Limited $12,000 (2008: $nil);
5. Souls Private Equity Limited $2,272,324 (2008: $3,231,175); and
6. SP Telemedia Limited – ceased to be a Group company of 7 April 2008 (2008: $2,681,500).

WHSP charged PCP $140,688 for rental of office space in its own premises during the year (2008: $134,000).

Souls Funds Management Limited received $121,599 from PCP for management fees (2008: $184,478).

Mr R D Millner, Mr P R Robinson and Mr R G Westphal are directors of Souls Funds Management Limited which did not pay directors fees in the current or prior year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2009

NOTE 41. RELATED PARTIES

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

b) Subsidiaries and associates
Interests in subsidiaries and associates are set out in notes 38 and note 39 respectively.

c) Key management personnel
Disclosures relating to key management personnel are set out in note 40.

d) Related parties transactions and balances

i. Subsidiaries

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

ii. Associates

Transactions with associates are at normal commercial terms and conditions.

Transactions consist of the supply of pharmaceutical products to the Parent entity, consulting, management and advisory fees received from associates, handling and commission revenue and expenses for the coal mining operations, loans advanced and repaid, interest and dividend payments.

	Consolidated		**Parent entity**	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Summary of transactions				
Advisory, consulting, underwriting and management fees received:				
- by Parent entity from subsidiaries	**-**	-	**276**	85
- by subsidiaries from Parent entity	**-**	-	**65**	65
- by subsidiaries from associates	**941**	2,854	**-**	-
Purchases of pharmaceutical products from:				
- Associates	**5,917**	5,475	**5,917**	5,475
Dividend revenue from:				
- Subsidiaries	**-**	-	**81,720**	43,339
- Associates	**-**	-	**31,380**	30,473
Interest income from:				
- Subsidiaries	**-**	-	**267**	561
- Associates	**7**	7	**7**	7

Pitt Capital Partners Limited (PCP) provides advisory services to Group companies from time to time for fees determined on an arms length basis. During the year PCP received fees of $29 million from New Hope Corporation Limited in respect of the sale of its New Saraji coal project.

Loans to subsidiaries
During the year, the parent entity received $1,000,000 from KH Foods Limited (in liquidation) as part repayment of the $6,500,000 loan receivable. At 31 July 2009 the balance owing to the parent entity is $5,500,000 which has been fully impaired (2008: $6,500,000 fully impaired). Interest was charged at BBSY plus a margin with the total incurred for the year being $234,993 (2008: $561,309). This loan is unsecured.

During the year, the parent entity also received $2,800,000 from KH Foods Limited (in liquidation) (KHF) in respect of the parent's right of indemnity arising from the financial guarantee provided to KHF in prior years. The parent has now formally forgiven its right to recover $16,990,276 under this indemnity.

During the year, the parent entity advanced $150,000 (2008: $200,000) to Souls Financial Solutions Limited. Interest is charged at market rates. At 31 July 2009, the balance due was $432,000 (2008: $250,000). This loan was fully impaired as at 31 July 2009.

The parent entity has a loan agreement with Pitt Capital Partners Limited to provide a loan facility of up to $1 million. No amount has been advanced to date.

During prior years Souls Private Equity Limited advanced loans to its controlled entity Food and Beverage Company (FBC). The total loans to FBC to date are $30,358,737 of which $27,101,266 is considered non-recoverable and has been fully impaired. No interest has been charged on the loan since 1 December, 2006.

NOTE 41. RELATED PARTIES (CONTINUED)

Loans to subsidiaries (continued)

In prior years, advances to FBC were made to associates and related entities of FBC. The total amount advanced to those entities through FBC, at 31 July 2008 was $11,357,000 of which $11,257,000 was considered non recoverable and was impaired at 31 July 2008. The recoverable amount of the loans at 31 July, 2009 is considered to be $100,000 (2008: $100,000).

During the year Souls Private Equity Limited advanced several loans to its controlled entity Cromford Pty Limited totalling $11,436,741. The outstanding loan balance at 31 July 2009 was $25,609,807 (2008: $14,173,066) with no fixed repayment date. Interest accrued on the loan amount during the year was $1,485,700 (2008: $838,320). No repayments were made in 2009 (2008: $nil).

During the prior year Soda Brands Limited (SODA) advanced funds totalling $600,000 to Souls Private Equity Limited (SPEL). The outstanding loan balance as at 31 July, 2008 of $150,000 was repaid in August 2008. Since August 2008, SPEL have provided loans to SODA totalling $395,441. Interest of $16,274 has been charged on these loans during the year. The loan has been fully impaired in 2009.

Loans to associates

During the prior year, the parent entity converted into equity a loan of $80,464 advanced to Keith Harris and Company (Far East) Private Limited during 2007. As at 31 July 2009 the amount owed was $156,818 which has been fully impaired (2008: $152,594). Interest was charged at market rates.

During the year, the parent entity advanced $214,000 (2008: converted into equity fully impaired loan funds of $250,000) to Windsor Farm Foods Group Limited. Prior to the sale of Windsor Farm Foods Group Limited in June 2009, the loan balance of $214,000 was fully impaired and formally forgiven.

NOTE 42. REMUNERATION OF AUDITORS

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
During the year the following fees were paid or payable for services provided by the auditor.				
a) Audit Services				
Moore Stephens Sydney for audit and review of financial reports and other audit work under the Corporations Act 2001	**193**	163	193	163
Other audit firms for the audit or review of financial reports of any entity in the Group	**561**	1,482	**-**	-
Total remuneration for audit services	**754**	1,645	**193**	163
b) Other Services				
Moore Stephens Sydney	**7**	24	**7**	24
Other auditors				
Transaction advisory services	**880**	290	**-**	-
Tax compliance services	**311**	239	**-**	-
Other services	**358**	312	**53**	-
Total remuneration for other services	**1,556**	865	**60**	24

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2009

NOTE 43. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Profit after tax for the year	**1,851,309**	99,800	**11,058**	91,811
Adjustments for non-cash items:				
Depreciation and amortisation	**30,894**	62,924	**621**	909
Impairment losses	**147,705**	14,254	**132,806**	9,983
Bad and doubtful debts/(reversals)	**507**	14,811	**(170)**	-
Loss / (gain) on disposal of discontinuing operations	**352**	(17)	**-**	-
Dividends received (non-cash)	**(1,875)**	(938)	**(1,934)**	(905)
Net losses/(gains) on financial assets	**10,700**	8,720	**(10,205)**	(2,285)
Net (profit)/loss on sale of non-current assets	**(2,440,119)**	(521)	**-**	415
Share based payments	**1,613**	2,733	**-**	-
Share of profits of associates not received as dividends or distributions	**37,208**	373	**-**	-
Net exchange losses	**3,885**	927	**-**	-
Loss of control of subsidiary	**-**	14,181	**-**	-
Gain on issue of shares in associate	**(344)**	-	**-**	-
Mining exploration and evaluation costs	**7,693**	1,376	**-**	-
Changes in operating assets and liabilities, net of effects from purchase and sales of business				
(Increase)/decrease in trade debtors, other debtors and prepayments	**(129,558)**	(49,335)	**(160)**	(676)
(Increase)/decrease in inventory	**(11,562)**	(10,565)	**(350)**	155
(Increase)/decrease in intangible assets	**(184)**	(5,742)	**-**	-
Increase/(decrease) in trade creditors and accruals	**15,784**	(7,171)	**5**	(328)
Increase/(decrease) in employee entitlements, other liabilities and provisions	**7,765**	(2,732)	**1,141**	5,631
Increase/(decrease) in current tax payable	**728,399**	(14,934)	**(2,121)**	131
Increase/(decrease) in deferred tax liability	**29,537**	1,939	**16**	(375)
(Increase)/decrease in deferred tax asset	**(24,090)**	(3,656)	**1,350**	(5,130)
Net cash inflow from operating activities	**265,619**	126,427	**132,057**	99,336

NOTE 44. SHARE-BASED PAYMENTS

Entities within the Group grant options and shares to employees through entity specific agreements. Details of these transactions are set out below for each entity.

New Hope Corporation Limited

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

Options are granted for no consideration. Options are granted for a 5 year period, and vest after the third anniversary of the date of the grant. Total expense arising from options issued under the employee share option plan during the financial year was $2,722,449 (2007: $2,142,558).

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

Consolidated entity 2009 Grant date	Expiry date	Exercise price	Balance at beginning of the year	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
31 Aug 2005	30 Aug 2010	$1.198*	800,000	-	(800,000)	-	-	-
3 Jan 2006	1 Jan 2011	$1.235	15,500,000	-	(6,282,000)	-	9,218,000	9,218,000
8 May 2006	7 May 2011	$1.288	500,000	-	-	-	500,000	500,000
2 Jan 2007	1 Jan 2012	$1.413	1,000,000	-	-	-	1,000,000	-
19 Jan 2007	18 Jan 2012	$1.360	500,000	-	-	-	500,000	-
13 Aug 2007	12 Aug 2012	$2.104	2,500,000	-	-	-	2,500,000	-
Total			**20,800,000**	**-**	**(7,082,000)**	**-**	**13,718,000**	**9,718,000**
Weighted average exercise price			1.3509		1.2308		1.4128	1.2377

The weighted average share price at the date of exercise of options exercised during the 2009 year was $4.01 (2008: nil).

Consolidated entity 2008 Grant date	Expiry date	Exercise price	Balance at beginning of the year	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
31 Aug 2005	30 Aug 2010	$1.198*	800,000	-	-	-	800,000	-
3 Jan 2006	2 Jan 2011	$1.235	15,500,000	-	-	-	15,500,000	-
8 May 2006	7 May 2011	$1.288	500,000	-	-	-	500,000	-
2 Jan 2007	1 Jan 2012	$1.413	1,000,000	-	-	-	1,000,000	-
19 Jan 2007	18 Jan 2012	$1.360	500,000	-	-	-	500,000	-
13 Aug 2007	12 Aug 2012	$2.104	-	2,500,000	-	-	2,500,000	-
Total			**18,300,000**	**2,500,000**	**-**	**-**	**20,800,000**	**-**
Weighted average exercise price			1.2480	2.1040			1.3509	-

*In accordance with ASX guidelines, the option exercise price was reduced by 10 cents following the return of capital paid to shareholders on 16 December 2005. These prices are current exercise prices.

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.8 years (2008: 0.7 years).

The fair value of options granted under the New Hope Corporation Limited Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the options. Options are exercisable by current employees during the nominated vesting period or by Directors' consent. Detailed vesting conditions are set out in the Directors' report.

The fair value at grant date is independently determined using a Monte Carlo option pricing model that takes into account the exercise price, the term of the option, the vesting criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2009

NOTE 44. SHARE-BASED PAYMENTS (CONTINUED)

The inputs and assumptions for each grant made during the year are as follows:

Grant date	Expiry date	Exercise price	Share price at grant date	Expected volatility	Expected dividend yield	Risk free interest rate	Assessed fair value at grant date
31 Aug 2005	30 Aug 2010	$1.198	$1.350	38.7%	4.6%	4.9%	$0.372
3 Jan 2006	2 Jan 2011	$1.235	$1.230	41.3%	4.6%	5.1%	$0.346
8 May 2006	7 May 2011	$1.288	$1.280	40.5%	3.8%	5.6%	$0.384
02 Jan 2007	01 Jan 2012	$1.413	$1.430	38.0%	6.2%	5.9%	$0.338
19 Jan 2007	18 Jan 2012	$1.360	$1.370	38.0%	6.4%	5.9%	$0.318
13 Aug 2007	12 Aug 2012	$2.104	$2.220	44.0%	4.0%	6.0%	$0.745

Expected volatility was estimated using the weekly (continuously-compounded) returns to New Hope Corporation Limited since its listing in 2003. There are no market related vesting conditions.

Souls Private Equity Limited

Souls Private Equity Limited has established an Employee Share Option Plan ("ESOP") under which Directors and eligible employees of the Company, its controlled and associated entities may be granted management options.

At balance date, a total of 4,880,000 management options were granted under four classes, which have identical terms except for the exercise prices, which is as follows:

Consolidated entity

2009

Class of options	Expiry and exercise date	Exercise price	Balance at beginning of the year	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
Class 1	16 Dec 2009	$0.30	2,185,000	-	-	(965,000)	1,220,000	1,220,000
Class 2	16 Dec 2009	$0.32	2,185,000	-	-	(965,000)	1,220,000	1,220,000
Class 3	16 Dec 2009	$0.35	2,185,000	-	-	(965,000)	1,220,000	1,220,000
Class 4	16 Dec 2009	$0.38	2,185,000	-	-	(965,000)	1,220,000	1,220,000
Total			**8,740,000**	**-**	**-**	**(3,860,000)**	**4,880,000**	**4,880,000**

Consolidated entity

2008

Class of options	Expiry and exercise date	Exercise price	Balance at beginning of the year	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
Class 1	16 Dec 2009	$0.30	2,500,000	-	-	(315,000)	2,185,000	2,185,000
Class 2	16 Dec 2009	$0.32	2,500,000	-	-	(315,000)	2,185,000	2,185,000
Class 3	16 Dec 2009	$0.35	2,500,000	-	-	(315,000)	2,185,000	2,185,000
Class 4	16 Dec 2009	$0.38	2,500,000	-	-	(315,000)	2,185,000	2,185,000
Total			**10,000,000**	**-**	**-**	**(1,260,000)**	**8,740,000**	**8,740,000**

All options were granted 16 December 2004 and may only be exercised after 3 years from the grant date and expire after five years from the date of the grant.

Souls Funds Management Limited

Employee Share Transactions

Souls Funds Management Limited (SFM) provides equity-related benefits to employees of the Company under the following arrangement:

a) An equity incentive scheme available to the chief investment officer whereby he is issued with new shares in the Company in three tranches provided he achieves certain investment performance hurdles ("equity-settled transactions"). The costs of these equity-settled transactions are measured by reference to the fair value at the date at which they are granted. The fair value formula having been determined by an external valuer.

In July 2008, the Board resolved to dissolve the Long Term Incentive Plan ("LTIP") by buying back the shares at the value of the outstanding loans totalling $1,854,188. Shareholder approval for the selective buy-back was obtained on 27 August 2008. In prior years, the plan provided an interest-free loan to employees for the express purpose of purchasing new shares in the Company. The purchase price of these shares was measured by reference to the fair value at the date at which they were issued. The fair value formula having been determined by an external valuer.

NOTE 45. EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the financial year the following matters or circumstances not referred to elsewhere in this report have arisen that have or will significantly affect the operations of the Group, the results of those operations or the state of affairs or the Group in subsequent financial years:

Listed investment fluctuations

There has been substantial increase in the Australian share market since balance date, 31 July 2009. The movement in the share market has not been reflected in the financial results or financial position of the Group or parent entity. The balance of available for sale financial instruments as held at balance date was $924,907,000 for the Group and $396,256,000 for the company. Note 2 provides an indication as to impacts on the financial positions and results, under various scenarios.

Australian Pharmaceutical Industries Limited (API)

On releasing their full year results API Limited announced a fully underwritten $150 million equity raising, the proceeds of which will be used to reduce that company's debt level. The institutional component of the raising was completed on 23 October 2009 with the retail entitlement offer due for completion on 17 November 2009. WHSP participated to the extent of $36.9 million in the institutional component of the offer allowing it to maintain its shareholding of 24.6%

Other than the above, there has been no event which the directors are aware that which has had a material effect on the consolidated entity or its financial position.

WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

DIRECTORS' DECLARATION

The Directors' of the Company declare that:

(1) the financial statements and notes, as set out on pages 21 to 81 are in accordance with the Corporations Act 2001 and:

a) complying with Accounting Standards and the Corporations Regulations 2001 and;

b) giving a true and fair view of the financial position as at 31 July 2009 and the performance for the year ended on that date of the Company's and consolidated group;

(2) the Chief Executive Officer and Chief Financial Officer have each declared that:

a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

b) the financial statements and notes for the financial year comply with Accounting Standards; and

c) the financial statements and notes for the financial year give a true and fair view;

(3) in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

Dated this 28th day of October 2009.

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial reports of Washington H. Soul Pattinson and Company Limited (the company) and Washington H. Soul Pattinson and Company Limited and Controlled Entities (the consolidated entity), which comprises the balance sheets as at 31 July 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: "Presentation of Financial Statements", that compliance with the Australian equivalents to International Financial reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with the International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Moore Stephens Sydney ABN 90 773 984 843
Level 7, 20 Hunter Street, Sydney NSW 2000
GPO Box 473, Sydney NSW 2001
Telephone: +61 2 8236 7700 Facsimile: +61 2 9233 4636
Email: sydney@moorestephens.com.au Web: www.moorestephens.com.au

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Washington H. Soul Pattinson and Company Limited on 26 October 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion the financial reports of Washington H. Soul Pattinson and Company Limited and Washington H. Soul Pattinson and Company Limited and Controlled Entities are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company and consolidated entity's financial position as at 31 July 2009 and of their performance for the year ended on that date; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 13 of the directors' report for the year ended 31 July 2009. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Washington H. Soul Pattinson and Company Limited for the year ended 31 July 2009, complies with section 300A of the Corporations Act 2001.

Moore Stephens Sydney
Chartered Accountants

Martin J. (Joe) Shannon
Partner

Dated in Sydney this 28th day of October 2009

ASX ADDITIONAL INFORMATION

SHARE REGISTER INFORMATION

As at 12 October 2009 there were 8,178 holders of ordinary shares in the Company.

Votes of Members – Article 24.4 of the Company's Constitution provides:

Subject to any rights or restrictions attached to any share or class of shares in respect of voting, and subject to these Articles, on a show of hands every member has the right to vote and every member present in person or by proxy or attorney, and each authorised representative of a corporation, at a general meeting shall have one vote and in the case of a poll every member present in person or by proxy or attorney and every authorised representative shall have:

a) one vote for each fully paid share held by that member; and
b) for each contributing share held by that member a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price of the share.

DISTRIBUTION OF SHAREHOLDERS as at 12 October 2008

Size of Shareholding	Number of Shareholders	Number of Shares
1 – 1,000	2,748	1,637,051
1,001 – 5,000	3,653	9,610,687
5,001 – 10,000	907	7,059,804
10,001 – 100,000	785	20,366,914
100,001 – and over	85	199,966,124
TOTAL	**8,178**	**238,640,580**
Holding less than a marketable parcel	**62**	**496**

SUBSTANTIAL SHAREHOLDERS as at 12 October 2009

As disclosed by notices received by the Company.

	No. of Shares	%
Brickworks Limited	102,257,830	42.85
Perpetual Limited	23,741,921	9.95
Commonwealth Bank Australia Limited	12,444,120	5.21

LIST OF TOP 20 SHAREHOLDERS as at 12 October 2009

Name	No. of Shares	%
Brickworks Limited	102,257,830	42.85
RBC Dexia Investor Services Australia Nominees Pty Limited (Pipooled A/C)	13,765,826	5.77
Dixson Trust Pty. Limited	8,438,190	3.54
J.P. Morgan Nominees Australia Limited	7,498,059	3.14
J.S. Millner Holdings Pty. Limited	7,360,960	3.08
Milton Corporation Limited	4,843,150	2.03
Choiseul Investments Limited	4,251,690	1.78
National Nominees Limited	4,098,055	1.72
T.G. Millner Holdings Pty. Limited	3,131,051	1.31
Perpetual Trustee Company Limited	2,891,688	1.21
Hexham Holdings Pty. Limited	2,753,127	1.15
RBC Dexia Investor Services Australia Nominees Pty. Limited (PIIC A/C)	2,557,304	1.07
Australian Reward Investment Alliance	2,536,321	1.06
Mr Robert Dobson Millner & Mr Michael John Millner (Est James S Millner A/C)	2,489,477	1.04
Citicorp Nominees Pty. Limited (CFS WSLE 452 Aust Share A/C)	2,484,980	1.04
Cogent Nominees Pty. Limited	2,343,597	0.98
Citicorp Nominees Pty. Limited (CFSIL Cwlth Aust SHS 4 A/C)	2,110,724	0.88
Argo Investments Limited	1,532,507	0.64
Dixson Trust Pty. Limited (A/C No 1)	1,237,040	0.52
HSBC Custody Nominees (Australia) Limited	1,173,489	0.49

AUSTRALIAN SECURITIES EXCHANGE LISTING

Washington H. Soul Pattinson and Company Limited shares are listed on the Australian Securities Exchange under the ASX Code SOL.

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WASHINGTON H SOUL PATTINSON

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