

**WASHINGTON H. SOUL PATTINSON  
AND COMPANY LIMITED**

A.B.N. 49 000 002 728

**DIRECTORS' ANNUAL REPORT  
and  
FINANCIAL STATEMENTS**

**2003**

**WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED  
AND CONTROLLED ENTITIES**

A.B.N. 49 000 002 728

**FINANCIAL SUMMARY**

|   | <b>1999</b>  | <b>2000</b>  | <b>2001</b>  | <b>2002</b>  | <b>2003</b>  |
|---|--------------|--------------|--------------|--------------|--------------|
|   | <b>\$000</b> | <b>\$000</b> | <b>\$000</b> | <b>\$000</b> | <b>\$000</b> |
| <b>Before non regular and extraordinary items</b>   |              |              |              |              |              |
| Total sales revenue   | 843,340      | 851,303      | 906,448      | 334,307      | 340,624      |
| Operating profit after taxation and<br>excluding outside equity. ....                                       | 44,594       | 49,675       | 45,756       | 65,987       | 78,706       |
| Total assets employed. ....   | 1,106,063    | 1,206,086    | 1,381,008    | 1,092,348    | 1,115,282    |
| Shareholders' funds. ....   | 491,674      | 570,592      | 643,017      | 668,436      | 729,926      |
| Operating profit after taxation and excluding<br>outside equity as a percentage of shareholders' funds. . . | 9.1%         | 8.7%         | 7.1%         | 9.9%         | 10.8%        |
| Earnings per share on adjusted issued capital (cents). . . .  | 18.69        | 20.82        | 19.17        | 27.65        | 32.98        |
| Dividends per share (cents). ....   | 9.0          | 10.5         | 11.5         | 14.0         | 17.0         |

|   |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|
| <b>After non regular items and before extraordinary items</b>         |        |        |        |        |        |
| Operating profit after taxation and<br>excluding outside equity. .... | 53,037 | 54,381 | 56,751 | 72,741 | 88,307 |
| Earnings per share on adjusted issued capital (cents). . . .          | 22.22  | 22.79  | 23.78  | 30.48  | 37.00  |

# WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

A.B.N. 49 000 002 728

## **DIRECTORS:**

**ROBERT D. MILLNER**

Chairman of Directors  
Director since 1984

**MICHAEL J. MILLNER**

Non-Executive Director – Deputy Chairman  
Director since 1997

**PETER R. ROBINSON**

B.Com.  
Executive Director  
Joined the company 1978  
Director since 1984

**GRAEME L. ROBERTSON**

B.A., M.A.I.E., F.A.I.C.D.  
Non-Executive Director  
Director since 1997

**DAVID J. FAIRFULL**

B.Com., A.C.I.S., C.P.A., A.S.I.A.  
Non-Executive Director  
Director since 1997

## **SECRETARY:**

**ROBERT A. O'BRIEN**

## **AUDITORS:**

**MOORE STEPHENS W1**

Chartered Accountants

## **REGISTERED OFFICE:**

FIRST FLOOR

160 PITT STREET MALL, SYDNEY, N.S.W. 2000

Telephone: (02) 9232 7166

Facsimile: (02) 9235 1747

Internet Website Address: [www.whsp.com.au](http://www.whsp.com.au)

## **SHARE REGISTER:**

Computershare Investor Services Pty. Limited  
Level 3, 60 Carrington Street, Sydney, N.S.W. 2000

Telephone: 1300 855 080 (within Australia)

Telephone: +61 3 9611 5711 (outside Australia)

Facsimile: +61 2 8234 5050

# WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

A.B.N. 49 000 002 728

## DIRECTORS' REPORT

The Directors of Washington H. Soul Pattinson and Company Limited present their report and the financial statements of the parent entity and its controlled entities for the financial year ended 31st July, 2003.

### DIRECTORS

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

**Robert Dobson Millner**

Chairman (Non Executive Director since 1984)

**Michael John Millner**

Deputy Chairman (Non Executive Director since 1997)

**Peter Raymond Robinson B. Com.**

Executive Director

Joined the Company 1978, appointed Director 1984

**Graeme Lance Robertson B.A., M.A.I.E., F.A.I.C.D.**

Non Executive Director since 1997

**David John Fairfull B.Com., A.C.I.S., C.P.A., A.S.I.A.**

Non Executive Director since 1997

### 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:

|                                | <u>Board of<br/>Directors</u> | <u>Audit<br/>Committee</u> | <u>Remuneration<br/>Committee</u> | <u>Nomination<br/>Committee</u> |
|--------------------------------|-------------------------------|----------------------------|-----------------------------------|---------------------------------|
| Total number of meetings held: | <u>15</u>                     | 4                          | <u>1</u>                          | <u>1</u>                        |
| Director:                      |                               |                            |                                   |                                 |
| Mr. R.D. Millner *             | 14                            | 4                          | 1                                 | 1                               |
| Mr. P.R. Robinson              | 15                            |                            |                                   |                                 |
| Mr. M.J. Millner *             | 15                            | 4                          | 1                                 | 1                               |
| Mr. G.L. Robertson *           | 15                            | 4                          | 1                                 | 1                               |
| Mr. D.J. Fairfull *            | 15                            | 4                          | 1                                 | 1                               |

\* Denotes member of the Audit, Remuneration and Nomination Committees of Directors.  
Effective 1 August, 2003 Mr R.D. Millner is no longer a member of the Audit Committee in accordance with Principles of Good Corporate Governance and Best Practice Recommendations.

### CONSOLIDATED FINANCIAL PERFORMANCE

The Profit of the Group, after tax and before non regular items, attributable to shareholders for the year ended 31 July 2003 was \$78.7 million, an increase of 19.3% over the previous year. The increase in profit is due to increased dividends from the investment portfolio, a strong performance from coal operations and telecommunications and in equity accounted associates Brickworks Limited and Clover Corporation Limited

The Profit of the Group, after tax and non-regular items, was \$88.3 million, an increase of 21.4% over the previous year. During the year the Company sold properties and shares and received a demerger dividend, realising an after tax profit of \$9.6 million on those non-regular items.

## DIRECTORS' REPORT (Cont.)

### CONSOLIDATED FINANCIAL PERFORMANCE continued

Comparisons with last year are as follows:-

|   | 2003<br>\$000 | 2002<br>\$000 | %<br>Change |
|---|---------------|---------------|-------------|
| Sales.....                                    | 340,624       | 334,307       | + 1.9%      |
| Profit after tax before non regular items.... | 78,706        | 65,987        | + 19.3%     |
| Profit after tax and non regular items .....  | 88,307        | 72,741        | + 21.4%     |
| Earnings per share .....                      | 37.0c         | 30.5c         | + 21.4%     |
| Final Dividend .....                          | 10.0c         | 8.0c          | + 25.0%     |
| Interim Dividend .....                        | 7.0c          | 6.0c          | + 16.7%     |
| Total Dividends (excluding Special Dividends) | 17.0c         | 14.0c         | + 21.4%     |

### DIVIDENDS

Directors recommend the payment of a final dividend of 10.0 cents per share in respect of the year ended 31st July, 2003 (2002 – 8.0 cents). The final dividend will be fully franked at the tax rate of 30%. Following shareholder approval of the final dividend at the Annual General Meeting, the total dividend distribution in respect of the year ended 31 July, 2003 will be 17 cents per share (2002 – 14 cents).

The amounts paid or declared by the Company by way of dividend since the commencement of the financial year to the date of this report are:

- (i) as proposed in last year's report, a fully franked final dividend of 8.0 cents per share in respect of the year ended 31 July, 2002 was paid on 25 November, 2002 totalling \$19,091,246.
- (ii) a fully franked interim dividend of 7.0 cents per share in respect of the year ended 31st July, 2003 was paid on 8 May, 2003 totalling \$14,318,435.
- (iii) a fully franked special dividend of 5.0 cents per share was paid on 14 August, 2003 to facilitate the compliance listing of the Group's controlled entity New Hope Corporation Limited on the Australian Stock Exchange.

### REVIEW OF OPERATIONS

#### INVESTMENTS – Share Portfolio

The Company's investment portfolio return for the year, including unrealised gains, was 24.1% compared to the Benchmark S&P/ASX 300 Accumulation Index of 5.9% for the same period.

During the year \$14.2 million was invested in the equity market. The main purchases were Milton Corporation, API, Challenger International and Huntley Investment Co. Ltd. Sales of equities amounted to \$13.6 million and included the sale of shares in Watty Ltd, Patrick Corporation and, due to the acceptance of take-over offers, Challenger International/CPH, Bristile and OPSM Group.

Dividend income from investments, excluding Associates and Controlled Entities, increased 51% from \$8.6 million to \$13.0 million.

The consolidated market value of the listed investment portfolio as at 31 July, 2003 was \$1.15 billion compared with \$948 million last year, an increase of 16%.

#### INVESTMENTS –Associated Entities

##### Australian Pharmaceutical Industries Limited (API) (Group Shareholding 22.9%)

Despite posting a 29.6% increase in revenues to \$2.5 billion API's net profit for the year ended 30 April, 2003 declined 32.0% to \$23.6 million. The profit was affected by a number of one-off significant expenses totalling \$9.9 million. These expenses relate to costs associated with the proposed merger between API and Sigma, a further provision for stock obsolescence, provisions for the closure of the Northmead warehouse and the PAN product recall, a write-off of goodwill in Hospital Supplies of Australia and the development of a loyalty club programme for API's pharmacy banner groups.

The Group's equity accounted profit from API amounted to \$5.6 million compared with last year's result of \$8.8 million.

Despite a reduction in earnings per share API maintained its full year dividend of 13.0 cents per share.

## **DIRECTORS' REPORT (Cont.)**

### ***Brickworks Limited (Brickworks) (Group shareholding 49.8%)***

Clay products and investment company, Brickworks Limited, lifted net profit after tax for the year ended 30 June, 2003 to \$72.7 million, up 40.0% compared with a profit of \$51.9 million in 2002. Underlying the Brickworks result was a 29.1% increase in profit before abnormal items to \$34.2 million from clay products, driven by a 20.8% growth in revenue to \$180.8 million.

Directors increased the final dividend to 13 cents per share (2002 9 cents per share) taking dividends for the year to 20 cents per share fully franked (2002 15.5 cents per share fully franked).

Brickworks continued its strategy of focusing on improving returns from its core clay products business, supported by redeployment of funds from surplus assets into strategic investments and acquisitions. The strategy has contributed to profit and revenue growth by developing new products, seeking increased efficiencies in production and the development of new related businesses such as waste management and property development, which complement Brickwork's traditional clay products business.

In the period under review the clay products business was able to maintain stable production costs, while experiencing increased volumes and prices, leading to growth in margins. During the year a series of new products were released into the domestic market as well as into the growing export markets.

The new areas of property development and waste management are now making positive contributions to profit as the company continues to assess opportunities for expansion in these and other related areas.

The strong profit result provides Brickworks with a stable platform for consolidating the acquisition of Bristle Limited and strengthening the company's market position.

Brickworks launched a takeover bid for Bristle Limited on 4 March, 2003 and currently holds over 97% of Bristle shares, having moved to compulsory acquisition. Leading the way in rationalising the Australian brick industry, the combination of Brickworks and Bristle will form Australia's largest and most profitable clay brick producer with market presence in all Australian states.

Following a record first half result, the continuation of low interest rates combined with high consumer confidence and increased immigration has supported building commencements resulting in demand exceeding Austral Brick's supply. In addition, export markets experienced strong growth.

Return from Brickworks' total investment portfolio was 3.8% compared with a negative 1.6% from the ASX Accumulation Index over the same period.

Value of the total investment portfolio was steady at \$871.8 million, compared with \$880.3 million as at 30 June, 2002, with investment income, including dividends and realised gains, increasing 45.3% to \$35.1 million.

Over the past 15 years, an investment in Brickworks has delivered a compound return of 14.7% compared with the All Ords Accumulation Index of 8.9% over the same period, demonstrating consistent out performance and good returns for shareholders.

The Group's equity accounted profit from Brickworks amounted to \$22.3 million compared with last year's result of \$13.4 million.

### ***Clover Corporation Limited (Clover) (Group Shareholding 28.9%)***

Clover posted its maiden profit for the year ended 30 June, 2003. The result compares to a loss last year of \$5.6 million and reflects the benefits of the structural reorganisation undertaken in the latter half of 2002 as well as the significant increased market penetration of Omega<sup>3</sup> DHA sales during the period under review.

Clover's profit was assisted by a positive contribution from its subsidiary Nu-Mega Ingredients Pty. Ltd. (Nu-Mega). Nu-Mega is a joint venture company formed in November, 2002 and is currently 70% owned by Clover with the remaining 30% owned by Nutra-Spec Pty. Ltd.

During the year Nu-Mega continued the development of Omega<sup>3</sup> DHA enriched foods with both major local and international food and infant nutrition companies. The most significant being the continued success of George Weston's Omega<sup>3</sup> DHA enriched Tip Top-Up™ bread range in Australia and New Zealand, infant formulas throughout Australia, New Zealand and Asia, Omega<sup>3</sup> DHA enhanced smallgoods and fish products in Australia as well as an Omega<sup>3</sup> DHA bread launch in the United Kingdom. The major infant nutrition development during the year was the \$4.0 million per annum contract awarded to Nu-Mega by INC in March, 2003 for inclusion of Omega<sup>3</sup> DHA in their infant product for the South East Asian market.

Clover's net cash position improved by \$1.9 million during the year resulting in total cash held at 30 June, 2003 of \$13.9 million.

The Group's equity accounted loss (after amortisation of goodwill on acquisition) from Clover amounted to \$105,000 this year compared with last year's loss of \$1.8 million.

## **DIRECTORS' REPORT (Cont.)**

### ***CONTROLLED ENTITIES***

#### ***COAL (New Hope Corporation Limited Group)***

The Group's share of profit after tax and outside equity interests of its 69.3% controlled entity New Hope Corporation Limited amounted to \$25.4 million, an increase of 15.6% over the previous year. The profit result was due to both increased coal production and sales and operating efficiencies offsetting lower coal prices and a strengthening Australian Dollar. The majority of coal produced was sold under contract thereby overcoming the adverse impact of low spot market thermal coal prices.

Combined coal production of New Hope Australia and its associate P.T. Adaro Indonesia totalled 24.2 million tonnes for the year compared with 21.8 million tonnes in the previous year, an increase of 11.1%. Coal sales increased to 25.3 million tonnes representing an 11.5% improvement on sales last year of 22.7 million tonnes.

Bulk handling operations of New Hope's associates, Queensland Bulk Handling Pty. Ltd. and P.T. Indonesia Bulk Terminal increased combined throughput to 10.7 million tonnes compared with 10.1 million tonnes in the previous year and both contributed positively to the result.

#### ***Australian Operations***

New Hope Australia's after tax profit was \$15.5 million compared with \$7.3 million in the previous year. Commencement of operations at the New Acland mine resulted in increased production and sales volumes and lower costs of production for the group. Although world coal prices fell and the Australian Dollar strengthened during the year, export sale prices received by New Hope after the benefit of hedging were similar to last year. Coal production and sales both increased to 2.8 million tonnes from 2.0 and 2.3 million tonnes respectively in 2002. Coal sales revenue increased to \$112.9 million from \$102.5 million in the preceding period with a sales split of approximately 36% domestic and 64% export.

As indicated above production commenced on 10 October, 2002 at the New Acland mine located 50 km west of Toowoomba in South-east Queensland. Designed to produce 2.0 million tonnes per year by 2004, New Acland has already exceeded expectations by producing 1.3 million tonnes in its first ten months of operation. This increased production at a rate greater than the design capacity, provided impetus to an anticipated total New Hope Australian production for calendar year 2003 of 3 million tonnes. This will be achieved despite the closure of the Swanbank mine on 25 July, 2003 and reduced production from the higher cost Jeebropilly mine.

Associated companies, Queensland Bulk Handling Pty. Ltd (QBH) (50% owned by New Hope) reported improved profits from increased exports through its Port of Brisbane coal loader, however, Queensland Commodity Exports Pty. Ltd. (QCE) (33% owned by New Hope) contributed significantly reduced profits due to low woodchip prices on the world market.

#### ***Overseas Operations***

New Hope owns 40.8% of P.T. Adaro Indonesia (Adaro) and during the year has increased ownership to 50% of P.T. Indonesia Bulk Terminal (IBT) a 10.0 million tonne per year capacity deepwater coal terminal. Both Adaro and IBT are located in South Kalimantan. A New Hope associate, Vindoor Investments (Mauritius) Ltd. owns Coaltrade Services International Pte Ltd. (Coaltrade) in Singapore which specialises in general coal marketing and trading. The overseas operations contributed an after tax profit of \$21.2 million to New Hope compared with \$24.4 million in the previous year. The decline in overseas profit is attributable to the appreciating Australian Dollar during 2003 and the inclusion last year of the abnormal profit on the sell down of the shareholding in Adaro from 50.0% to 40.8%.

During the period under review Adaro produced 21.4 million tonnes of saleable coal, an increase from 20.2 million tonnes in the previous period. Sales reached 22.4 million tonnes compared with 20.6 million tonnes previously. Approximately 40% of the coal was sold domestically and 60% exported to 17 overseas countries. The majority of export sales were to Asian markets, however, significant shipments were undertaken to Europe and the east coast USA. Total revenue achieved on sales reached US\$506.0 million (2002 US\$454.0 million).

Producing the ultra clean 'envirocoal' Adaro has captured niche coal markets and has developed an excellent reputation for reliability and produces the equivalent of one Panamax shipment (60,000 tonnes) of coal every day of the year.

IBT continued to produce satisfactory results handling some 7.2 million tonnes of coal from Adaro and other sources during the period. Debt has been reduced by US\$13.0 million during the year and at year end was US\$52.0 million. Coaltrade produced a solid contribution to profits, trading 3.4 million tonnes of coal supplemented by agency fees from coal producers.

## **DIRECTORS' REPORT (Cont.)**

Critical to its success in Indonesia has been Adaro's continued support of local community development, its latest initiative being a mobile cataract clinic to restore sight to the poor in its area of operations.

### ***MEDIA - NBN Television Limited (NBN)***

Due to a decline in its share of market revenue and an increased cost base, NBN's profit after tax decreased to \$5.8 million compared with \$7.5 million in the previous year.

A new Affiliation Agreement for a period of 5 years was agreed with the Nine Network during the year under review. The new Agreement contained an increase in fees which has already impacted results. However, offsetting this is the fact that the Nine Network remains Australia's leading television Network and our affiliation carries many positive benefits.

The new television audience measurement system with ATR Australia (previously A.C. Nielsen) commenced during the year resulting in a short term drop in ratings which translated into a decline in the share of market revenue. The longer term view is that the new audience measurement system, being the same as that used in capital city markets, puts all regional stations on an equal footing with such information readily available to advertising agencies.

In the last quarter of the financial year ratings increased and NBN reclaimed its position as the highest rating television station in Australia with market revenue improving accordingly.

A significant one-off cost during the year was the production and telecast of six local Telethons throughout NBN's regional markets – a first for any Australian television station. The Telethons raised in excess of \$3.5 million for distribution to charities supporting disadvantaged youth organisations in northern NSW. These events are central in defining the unique aspect of NBN's "localism" which results in our share of local market revenue being in excess of 50%.

### ***TELECOMMUNICATIONS - SP Telecommunications Limited (SPT)***

SPT is listed on the Australian Stock Exchange (ASX Code SOT) and the Group has a 56.6% shareholding. SPT reported a net profit after tax of \$5.8 million for the year an increase of 161% over last year's profit of \$2.2 million. Basic earnings per share for 2003 were 3.2 cents (2002 1.2 cents). The profit growth resulted from the management and operation of the SPT Telecommunications Pty. Limited (SPT Joint Venture) and Kooee Pty. Limited (Kooee) Joint Ventures.

Despite only three years of operations, the strong growth in both profitability and cash flow has enabled SPT to declare a maiden final dividend of 0.5 cents per share in respect of the year ended 31 July, 2003 payable on 19 November, 2003.

Network expansion through the SPT Joint Venture has resulted in a broadband network that runs from Melbourne to Cairns, with over 180 "points of presence" (POP's) or interconnect. This now makes SPT one of the largest Regional Access Networks in Australia. These POP's have been built to satisfy customer contracts and, once established, provide an opportunity to connect new customers with little or no additional capital expenditure thereby increasing overall margins.

Significant contract wins during the year included the NSW Department of Education and Training, with an additional 383 sites in addition to the 786 sites awarded by tender last year. This project represents the largest Private Network ever constructed in Australia, and at present some 55% of the sites are "on-line" with the balance to be completed by December, 2003.

SPT's retail telephony arm, Kooee, entered into a joint venture agreement with WIN Television in May, 2003 creating the opportunity to expand the Kooee business throughout regional areas on the eastern seaboard of Australia, with a population potential of 7 million people.

Kooee has also entered into a new 3 year "reseller" contract with Primus Telecom which has the potential to significantly increase future revenue.

### ***Cromford Pty. Limited***

Cromford is a manufacturer and distributor of polyethylene film used in the building industry.

The profit after income tax was \$843,079 for the year, a decline of 16.3% over the previous corresponding period. Profit was affected by the high Australian Dollar which favoured imported products whilst sales revenue was 3.8% less than last year due to the ongoing drought conditions resulting in no sales of agricultural film.



## DIRECTORS' REPORT (Cont.)

### *Keith Harris & Co. Ltd.*

Keith Harris & Co. Ltd. is listed on the Australian Stock Exchange (ASX Code HAK) and the Group has a 84.2% shareholding.

Keith Harris reported a profit after income tax of \$2.7 million for the year ended 31 July, 2003. This compares with a profit after income tax of \$3.2 million last year, a decline of 15.0%.

The Food Division's result was affected by a downturn in profits from its subsidiary Keith Harris Far East Pte. Ltd. based in Singapore. This downturn was due to increased costs associated with the building of a new manufacturing facility in Indonesia. The Food Division's result was also affected by foreign exchange losses due to the devaluation of the Singapore dollar and the Indonesian Rupiah against the Australian dollar.

The profit from the Juice Division, which markets the Orchy brand in N.S.W. and Queensland, declined by 9.0% due to increased costs associated with the relocation of its manufacturing plant from Sydney to Brisbane. The consolidation of manufacturing plants is expected to provide medium to long term benefits relating to increased efficiencies and lower costs.

The Group's share of profit from Keith Harris amounted to \$2.3 million this year compared with \$2.7 million last year.

Despite a decline in earnings Keith Harris maintained its full year dividend of 19.5 cents per share.

### PRINCIPAL ACTIVITIES

The principal activities of the corporations in the Economic Entity in the course of the financial year were ownership of shares and properties, coal mining, bulk handling, commercial television licensee and operator, program and commercial television production, telecommunications carrier, retailing of pharmaceutical products, manufacture, processing and marketing of seasonings, essences, food colours, perfumes and aromatic chemicals, fruit juices, and reconstitution and extrusion of polyethylene film.

There were no significant changes in the nature of the economic 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 Economic Entity that occurred during the financial year under review not otherwise disclosed in this report or the Economic Entity's Financial Statements.

### EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of the report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Parent Entity, to affect substantially the operations of the Economic Entity, the results of those operations or the state of affairs of the Economic Entity in subsequent financial years.

### LIKELY DEVELOPMENTS

The Economic Entity will continue to pursue its policy of increasing its strength in its major business sectors in subsequent financial years.

### DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the Company, as notified to the Australian Stock 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   | 15,807,355      |
| Mr. M. J. Millner   | 15,442,335      |
| Mr. P. R. Robinson  | 74,210          |
| Mr. G. L. Robertson | 140,000         |
| Mr. D. J. Fairfull  | 40,000          |

## **DIRECTORS' REPORT (Cont.)**

### **DIRECTORS' AND OFFICERS BENEFITS**

The remuneration of non-executive directors is determined by the Board within the maximum amount approved by shareholders, from time to time, at Annual General Meetings. In determining the level of fees, the Board has regard to the number of meetings to be attended and the preparation and travelling time involved, including overseas travel. The members of the Parent Board also sit on the Boards of the controlled entities and attend regular board meetings of these companies.

The remuneration of non executive directors and senior executives is reviewed annually by the Board after receiving recommendations from the Remuneration Committee. The policy of the Remuneration Committee in setting remuneration levels includes, whilst not exclusively, reference to individual performance, the trading performance of the economic entity, either in part or in whole, and annual movements in the Consumer Price Index.

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the five named officers of the Company and the consolidated entity are disclosed in Note 29 of the Financial Statements.

### **INDEMNIFICATION OF DIRECTORS AND OFFICERS**

#### **Indemnification**

The 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, Washington H. Soul Pattinson and Company Limited 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.

### **ENVIRONMENTAL COMPLIANCE**

New Hope Corporation Limited's (NHC) operations are subject to regulation under the Environmental Protection Act 1994 administered by the Environmental Protection Agency. NHC is operating under a combination of transitional authorities and environmental authorities. Transitional authorities are required to comply with an approved Environmental Management Overview Strategy and Plan of Operations, while environmental authorities are required to comply with the conditions of that authority and its Plan of Operations. Audits are conducted from time to time and NHC has complied in all material respects with these regulations.

There were no fines or prosecutions incurred by NHC under environmental laws and regulations during the year. Through its own environmental monitoring, NHC has identified a limited number of minor breaches in relation to statutory noise and dust deposition limits. These issues are being addressed by NHC to the satisfaction of the regulatory authority. NHC is committed to continually improving its environmental management processes to eliminate the possibility of further non-compliance and to minimize the risk of adverse environmental impact.

#### **ROUNDING OFF**

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 98/0100.

Dated at Sydney this 8th day of October, 2003.

Signed in accordance with a resolution of the Directors:

R.D. MILLNER

M.J. MILLNER

**WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED  
AND ITS CONTROLLED ENTITIES**

**STATEMENTS OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 31st JULY, 2003**

|  | Note | Consolidated   |                    | Company        |             |
|--|------|----------------|--------------------|----------------|-------------|
|  |      | 2003           | 2002               | 2003           | 2002        |
|  |      | \$000          | \$000              | \$000          | \$000       |
| Operating Profit after Income Tax before<br>Non Regular Items .....                              |      | <b>78,706</b>  | 65,987             | <b>45,936</b>  | 39,372      |
| Non Regular Items after Income Tax   | 2d   | <b>9,601</b>   | 6,754              | <b>12,690</b>  | 4,762       |
| <b>Revenues</b> .....  | 2a   | <b>386,230</b> | 391,515            | <b>115,373</b> | 99,730      |
| <b>Less Expenses excluding Borrowing Costs</b> .....   | 2b   | <b>294,181</b> | 306,596            | <b>52,273</b>  | 53,061      |
| <b>Less Borrowing Costs</b> .....  | 2b   | <b>8,559</b>   | 8,911              | <b>283</b>     | 130         |
| <b>Share of Net Profits of Associates</b> .....  | 10   | <b>41,620</b>  | 34,936             | -              | -           |
| <b>Share of Partnership Profits</b> .....  |      | <b>3,672</b>   | 3,123              | -              | -           |
| <b>Operating Profit before Income Tax</b> .....  |      | <b>128,782</b> | 114,067            | <b>62,817</b>  | 46,539      |
| <b>Less Income Tax Expense</b> .....   | 3    | <b>21,546</b>  | 25,824             | <b>4,191</b>   | 2,405       |
| <b>Net Profit Before Extraordinary Item</b> .....  |      | <b>107,236</b> | 88,243             | <b>58,626</b>  | 44,134      |
| <b>Profit from Extraordinary Item after Income Tax</b>   |      | -              | -                  | -              | -           |
| <b>Net Profit Before Outside Equity</b> .....  |      | <b>107,236</b> | 88,243             | <b>58,626</b>  | 44,134      |
| <b>Less Net Profit attributable to Outside<br/>Equity Interests</b> .....                        |      | <b>18,929</b>  | 15,502             | -              | -           |
| <b>Net Profit attributable to Soul Pattinson<br/>Shareholders</b> .....                          |      | <b>88,307</b>  | 72,741             | <b>58,626</b>  | 44,134      |
| <b>Net exchange difference on translation of<br/>controlled entities</b> .....                   | 23   | <b>(8,565)</b> | (8,352)            | -              | -           |
| <b>Total attributable to Soul Pattinson Shareholders<br/>recognised directly in equity</b> ..... |      | <b>(8,565)</b> | (8,352)            | -              | -           |
| <b>Total Net Profit and Items Recognised Directly<br/>in Equity</b> .....                        |      | <b>79,742</b>  | 64,389             | <b>58,626</b>  | 44,134      |
| <br><b>EARNINGS PER SHARE:</b>   |      |                |                    |                |             |
|  |      |                | <b>2003</b>        |                | 2002        |
| Basic and Diluted earnings per share (cents per share)   |      |                | <b>37.0</b>        |                | 30.5        |
| Weighted average number of shares on issue   |      |                | <b>238,640,580</b> |                | 238,640,580 |

The Directors have enlarged the Statement of Financial Performance to highlight the Operating Profit after Income 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 accompanying notes form part of these financial statements.

**WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED  
AND ITS CONTROLLED ENTITIES**

**STATEMENTS OF FINANCIAL POSITION AS AT 31st JULY, 2003**

|  | Note  | Consolidated     |               | Company        |               |
|--|-------|------------------|---------------|----------------|---------------|
|  |       | 2003<br>\$000    | 2002<br>\$000 | 2003<br>\$000  | 2002<br>\$000 |
| <b>CURRENT ASSETS</b>                                |       |                  |               |                |               |
| Cash .....   | 1q    | <b>38,503</b>    | 20,021        | <b>8,399</b>   | 219           |
| Receivables .....                                    | 5     | <b>92,847</b>    | 99,588        | <b>23,999</b>  | 21,575        |
| Inventories .....                                    | 12    | <b>25,576</b>    | 23,981        | <b>5,780</b>   | 7,162         |
| Other .....  | 16    | <b>6,294</b>     | 3,685         | <b>158</b>     | 162           |
| <b>TOTAL CURRENT ASSETS</b> .....                    |       | <b>163,220</b>   | 147,275       | <b>38,336</b>  | 29,118        |
| <b>NON-CURRENT ASSETS</b>                            |       |                  |               |                |               |
| Receivables .....                                    | 5     | <b>20,437</b>    | 8,024         | <b>24,893</b>  | 23,221        |
| Investments - Associates .....                       | 6,10  | <b>349,237</b>   | 324,819       | <b>199,414</b> | 192,992       |
| - Other .....  | 7,8,9 | <b>153,315</b>   | 159,796       | <b>224,888</b> | 224,810       |
| Property, plant and equipment .....                  | 13    | <b>334,689</b>   | 358,633       | <b>7,175</b>   | 7,453         |
| Intangibles .....                                    | 14    | <b>78,369</b>    | 78,926        | <b>2,931</b>   | 3,488         |
| Tax .....  | 15    | <b>15,302</b>    | 14,085        | <b>4,763</b>   | 7,099         |
| Other .....  | 16    | <b>713</b>       | 790           | <b>-</b>       | -             |
| <b>TOTAL NON-CURRENT ASSETS</b> .....                |       | <b>952,062</b>   | 945,073       | <b>464,064</b> | 459,063       |
| <b>TOTAL ASSETS</b> .....                            |       | <b>1,115,282</b> | 1,092,348     | <b>502,400</b> | 488,181       |
| <b>CURRENT LIABILITIES</b>                           |       |                  |               |                |               |
| Accounts Payable .....                               | 17    | <b>33,113</b>    | 34,643        | <b>9,931</b>   | 9,929         |
| Interest Bearing .....                               | 18    | <b>53,064</b>    | 38,939        | <b>8,159</b>   | 3,510         |
| Provisions .....                                     | 19    | <b>20,829</b>    | 40,219        | <b>12,674</b>  | 32,092        |
| Tax .....  | 20    | <b>6,256</b>     | 12,499        | <b>-</b>       | 1,467         |
| Other .....  | 21    | <b>575</b>       | 714           | <b>-</b>       | -             |
| <b>TOTAL CURRENT LIABILITIES</b> .....               |       | <b>113,837</b>   | 127,014       | <b>30,764</b>  | 46,998        |
| <b>NON-CURRENT LIABILITIES</b>                       |       |                  |               |                |               |
| Accounts Payable .....                               | 17    | <b>14,359</b>    | 213           | <b>-</b>       | -             |
| Interest Bearing .....                               | 18    | <b>122,124</b>   | 169,508       | <b>-</b>       | -             |
| Provisions .....                                     | 19    | <b>8,289</b>     | 8,655         | <b>1,264</b>   | 800           |
| Tax .....  | 20    | <b>13,138</b>    | 14,204        | <b>-</b>       | -             |
| Other .....  | 21    | <b>6,070</b>     | 5,255         | <b>-</b>       | -             |
| <b>TOTAL NON-CURRENT LIABILITIES</b> .....           |       | <b>163,980</b>   | 197,835       | <b>1,264</b>   | 800           |
| <b>TOTAL LIABILITIES</b> .....                       |       | <b>277,817</b>   | 324,849       | <b>32,028</b>  | 47,798        |
| <b>NET ASSETS</b> .....                              |       | <b>837,465</b>   | 767,499       | <b>470,372</b> | 440,383       |
| <b>EQUITY</b>  |       |                  |               |                |               |
| Contributed Equity .....                             | 22    | <b>32,900</b>    | 32,900        | <b>32,900</b>  | 32,900        |
| Reserves .....                                       | 23    | <b>430,866</b>   | 439,239       | <b>402,494</b> | 402,494       |
| Retained Profits .....                               | 24    | <b>266,160</b>   | 196,297       | <b>34,978</b>  | 4,989         |
| Equity attributable to Soul Pattinson                |       |                  |               |                |               |
| Shareholders .....                                   |       | <b>729,926</b>   | 668,436       | <b>470,372</b> | 440,383       |
| Outside equity interest in controlled entities ..... | 26    | <b>107,539</b>   | 99,063        | <b>-</b>       | -             |
| <b>TOTAL EQUITY</b> .....                            |       | <b>837,465</b>   | 767,499       | <b>470,372</b> | 440,383       |
| Commitments and Contingent Liabilities               | 28    |                  |               |                |               |

The accompanying notes form part of these financial statements.

**WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED  
AND ITS CONTROLLED ENTITIES**

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31st JULY, 2003**

|   | <b>Consolidated</b> |              | <b>Company</b>    |              |
|---|---------------------|--------------|-------------------|--------------|
|   | <b>2003</b>         | 2002         | <b>2003</b>       | 2002         |
|   | <b>\$000</b>        | \$000        | <b>\$000</b>      | \$000        |
| <b>Cash Flows From Operating Activities</b>               |                     |              |                   |              |
| Receipts from customers .....                             | <b>375,852</b>      | 350,284      | <b>51,114</b>     | 51,199       |
| Payments to suppliers and employees.....                  | <b>(279,901)</b>    | (264,113)    | <b>(45,564)</b>   | (45,528)     |
|   | <b>95,951</b>       | 86,171       | <b>5,550</b>      | 5,671        |
| Dividends Received .....                                  | <b>45,812</b>       | 35,407       | <b>40,666</b>     | 35,654       |
| Interest Received .....                                   | <b>2,807</b>        | 3,984        | <b>2,360</b>      | 3,333        |
| Borrowing costs paid .....                                | <b>(10,172)</b>     | (9,728)      | <b>(269)</b>      | (136)        |
| Income Tax paid .....                                     | <b>(27,287)</b>     | (15,216)     | <b>(3,515)</b>    | (3,510)      |
| Net Cash Inflow from Operating Activities .....           | <b>107,111</b>      | 100,618      | <b>44,792</b>     | 41,012       |
| <br><b>Cash Flows From Investing Activities</b>           |                     |              |                   |              |
| Payments for property, plant and equipment .....          | <b>(44,700)</b>     | (60,516)     | <b>(685)</b>      | (1,377)      |
| Proceeds from sale of property, plant & equipment .....   | <b>3,898</b>        | 5,828        | <b>3,215</b>      | 3,469        |
| Payments for investments.....                             | <b>(10,953)</b>     | (73,605)     | <b>(10,235)</b>   | (52,407)     |
| Proceeds from sale of investments .....                   | <b>17,691</b>       | 12,241       | <b>14,369</b>     | 12,241       |
| Loans advanced.....                                       | <b>(780)</b>        | (1,831)      | -                 | (1,600)      |
| Repayment of loans advanced.....                          | <b>6,485</b>        | 3,041        | <b>3,803</b>      | 5,028        |
| Sale of businesses .....                                  | -                   | 25           | -                 | -            |
| Sale of controlled entities.....                          | -                   | (32,521)     | -                 | 45           |
| Acquisition of controlled entities.....                   | -                   | (132)        | -                 | (132)        |
| Net Cash Inflow (Outflow) from Investment Activities..... | <b>(28,359)</b>     | (147,470)    | <b>10,467</b>     | (34,733)     |
| <br><b>Cash Flows From Financing Activities</b>           |                     |              |                   |              |
| Proceeds from Issue of Shares.....                        | <b>47</b>           | 47           | -                 | -            |
| Proceeds from borrowings .....                            | <b>22,354</b>       | 55,865       | <b>4,649</b>      | -            |
| Repayment of borrowings .....                             | <b>(34,744)</b>     | (49,180)     | -                 | (1,417)      |
| Repayment of lease liabilities .....                      | -                   | (55)         | -                 | -            |
| Dividends paid.....                                       | <b>(50,117)</b>     | (31,450)     | <b>(47,728)</b>   | (29,830)     |
| Net Cash Inflow (Outflow) from Financing Activities ..... | <b>(62,460)</b>     | (24,773)     | <b>(43,079)</b>   | (31,247)     |
| <br>Net Increase (Decrease) in Cash Held.....             | <br><b>16,292</b>   | <br>(71,625) | <br><b>12,180</b> | <br>(24,968) |
| Cash at the beginning of the financial year .....         | <b>67,287</b>       | 140,714      | <b>15,219</b>     | 40,187       |
| Effect of exchange rate changes on cash.....              | <b>(2,646)</b>      | (1,802)      | -                 | -            |
| Cash at the end of the financial year .....               | <b>80,933</b>       | 67,287       | <b>27,399</b>     | 15,219       |

WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED  
AND ITS CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 31st JULY, 2003

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are a general purpose financial report and have been prepared in accordance with the Corporations Act 2001 and applicable accounting standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

They have been prepared in accordance with the historical cost convention except for certain assets which are at valuation. The assumption is made that the economic entity will continue as a going concern.

Additional information has been provided to present what the directors believe to be the true and fair position of the Company's performance.

The consolidated accounts include those of the parent entity and all of its controlled entities as listed in Note 8. Where controlled entities are acquired during a financial year their results are included only from the date of acquisition and where controlled entities are disposed of during a financial year their results are included to the date of disposal. All intercompany transactions and unrealised profits have been eliminated.

The parent entity holds 49.84% of the issued capital of Brickworks Limited which in turn holds 42.85% of the issued capital of the parent entity. The directors believe its interest in Brickworks Limited should be reported as an associated entity together with other entities in which it has a significant influence.

Set out below is a summary of the significant accounting policies adopted by the economic entity, and in particular the accounting policy adopted where there exists a choice between two or more acceptable methods.

**(a) Non Current Assets** - Where the carrying amount of a non-current asset is materially greater than its recoverable amount the asset is revalued to its recoverable amount. The decrement is recognised as an expense in the statement of financial performance.

The expected net cash flows included in determining recoverable amounts of non-current assets have not been discounted to their present values.

**(b) Depreciation** - Depreciation is calculated so as to write off the value of each non-current asset excluding freehold land over its estimated useful life. Components of major assets that have materially different useful lives, are separately depreciated.

**(c) Inventories** - Raw materials are valued at the lower of cost and net realisable value. Work in progress, finished goods and trading shares are valued at the lower of cost or net realisable value. Cost consists of direct material, labour and includes an appropriate allocation of production overheads. Costs are assigned based on normal operating capacity.

**(d) Taxation** - The economic entity adopts the principles of tax effect accounting. Income tax on net cumulative timing differences is set aside to deferred income tax and future tax benefit accounts at declared rates prevailing when those timing differences are expected to reverse.

The group provisions of the Income Tax Assessment Act have been utilised so that tax losses in some entities are to be recouped against tax payable in the current year by other entities.

**(e) Investments**

**Partnership** - Andrew Wright Holdings Pty. Ltd. holds a 50% interest in a partnership named Bulk Terminal Services Partnership. Contribution to consolidated operating profit was a profit of \$2,546,143 (2002 - \$2,162,627). The partnership year end is 30th June.

**Associated Entities** - An associate is an entity, other than a partnership, over which the consolidated entity exercises significant influence and includes joint venture entities.

Investments in associates are accounted for using equity accounting principles. The consolidated entity's share of the associates net profit or loss after tax is recognised in the consolidated financial performance statement. The carrying amount is reduced to the recoverable amount if lower.

**Joint Venture Operation** - The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings. Details are set out in Note 11.

**Other Companies** - Investments in listed and unlisted corporations are carried at cost with provision made where appropriate when it is considered amounts will not be recovered. Dividends are brought to account when declared.

**(f) Restoration, Rehabilitation and Environmental Expenditure** - Restoration, Rehabilitation and Environmental expenditure to be incurred during the production phase of operations is expensed as part of the cost of production of the mine property concerned.

An entity may also have obligations for restoration and rehabilitation of mining areas and decommissioning of plant following the completion of production. Such obligations are being accrued in proportion to production and the accrual will be adequate to meet those obligations once production from the mineral resource is completed. These obligations include profiling, stabilisation and revegetation of the completed area.

Costs are estimated on the basis of current undiscounted costs, current statutory requirements and current technology. Changes in estimates of costs relating to producing areas are dealt with prospectively over the remaining mine life. Where there is virtual certainty that the liability will be extinguished by the sale or development of the property, the liability is reduced by the amount of the positive cash flows expected to be generated.

**(g) Mine Properties, Mine Development Costs, Mining Reserves and Mining Leases** - Mining Reserves, Leases and Mine Development costs are amortised over the estimated productive life of each applicable mine on the unit of production basis or years of operation basis as appropriate. Amortisation commences when a mine commences commercial production.

Development expenditure incurred by the economic entity 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. Revenue earned while the mine is being developed is offset.

Interest and foreign exchange differences are classified as part of Mine Development costs where they relate to funds borrowed specifically for developing those projects. Interest earned on the temporary investment of such funds prior to commencement of mining is deducted from the amounts so capitalised.

Capitalised interest is amortised over the same period as the asset to which it relates is depreciated.

**(h) Exploration and Evaluation Expenditure** - Exploration, Evaluation and relevant acquisition 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:-

- i) Such costs are expected to be recouped through successful development and exploitation or from sale of the area; and
- ii) Exploration and Evaluation activities in the area at balance date have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

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

**(i) Maintenance and Repairs** - Maintenance, repair costs and minor renewals are charged as expenses as incurred except where they relate to the replacement of a component of an asset, in which case they are capitalised.

**(j) Acquisitions** - On acquisition of controlled entities or assets of another entity the excess of the purchase consideration plus incidental expenses over the fair value of the identifiable net assets acquired, *goodwill*, is amortised on a straight line basis over a period of up to twenty years, during which the benefits are expected to arise. *Discount* on acquisition is written off against non-monetary assets at date of acquisition.

**(k) Goodwill** - Goodwill acquired is amortised over a period of between 10 and 20 years unless it is immediately expensed.

**(l) Foreign Currency** - Foreign currencies are converted into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable or receivable by the economic entity in foreign currencies have been translated to Australian currency at rates of exchange ruling at year end. Gains and losses are charged against operating profit.

**Specific Commitment** - Hedging is undertaken in order to avoid or minimise possible adverse effects of movements in exchange rates. Gains or losses arising upon entry into a hedging transaction, together with subsequent gains or losses resulting from those transactions are deferred and included in the measurement of the purchase or sale. When anticipated sale transactions have been hedged, actual sales which occur during the hedged period are accounted for as having been hedged until the amounts of those transactions are fully allocated against the hedged amounts.

**General Commitment** - Exchange gains and losses on other hedge transactions are brought to account in the statement of financial performance in the financial year in which the exchange rates change. Gains or losses arising on entry into hedges of general commitments are brought to account at the time of entry into the hedges and are amortised over the period of the hedge.

**Foreign Controlled Entities** - Assets and liabilities of overseas controlled entities which are self sustaining have been translated at the rate of exchange ruling at balance date.

Revenue and Expenses are translated at the weighted average of rates during the year. Exchange differences arising on translation are taken directly to foreign currency exchange reserve.

**Change in Accounting Policy for Deferred Foreign Exchange Gains and Losses** - In accordance with AASB1033, deferred amounts receivable or payable under hedging transactions have been recorded in the Statement of Financial Position for the current financial year. Comparatives have been amended accordingly.

**(m) Employee Benefits** - Provision is made for employees' entitlements to annual, sick, and long service leave, potential retirement benefits and redundancy entitlements at current rates of pay and include applicable oncosts. The contributions made to superannuation funds by entities within the economic entity are charges against profits

**(n) Leased Non-Current Assets** - Distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of the leased property, and operating leases under which the lessor effectively retains all such risks and benefits. Where non-current assets are acquired by means of finance leases, the present value of minimum lease payments is established as a non-current asset at the beginning of the lease term and amortised on a straight line basis over its expected useful life. A corresponding liability is also established and each lease payment is allocated between such liability and interest expense. Operating lease payments are charged to the statement of financial performance in the period in which they are incurred.

**(o) Benching and Forward Overburden Removal** - The costs of overburden removed in advance and establishment of work benches have been deferred and will be absorbed in subsequent years on the basis of saleable tonnes produced.

**(p) Television Licence** - The commercial Television Licence held by a controlled entity is not amortised as the directors believe it will exist in perpetuity and its value will not diminish over time. Notwithstanding this, the depreciable amount of the television licence has been determined based on directors' assessments of the residual value of the licence at the end of years 10, 20 and 40,



in current dollar terms. At each of these time periods, the residual value approximates the current carrying amount of the licence giving rise to an immaterial depreciable amount. As a result there is no amortisation charge to be recognised.

An assessment of the recoverable amount of the licence is made each reporting period to ensure this is not less than the carrying amount. The recoverable amount is determined based on the net amount expected to be recovered through the net cash inflows arising from the continued use of the licence and subsequent disposal where applicable, discounted to their present values using a risk adjusted discount rate.

**(q) Cash Flows** - In the preparation of cash flows, cash is defined to include cash on hand and at bank and short term deposits, net of bank overdrafts. These items are all readily convertible to cash and are used in the day to day cash management.

**(r) Right of Use Assets** - P.T. Adaro Indonesia under the terms of its Coal Co-operation Agreement is required to provide plant and equipment for use in its Indonesian mining operations. Ownership of these assets is vested in the Indonesian state owned coal company P.T. Tambang Batubara Bukit Asam as soon as they are acquired in or imported into Indonesia. However, Adaro retains the exclusive right to use the assets in its mining operations. The amount classified as Right of Use Assets, being the historical cost of these assets, is being amortised on the basis of the estimated useful lives to the economic entity, of the underlying assets.

**(s) Port Development Costs** - Development expenditure incurred in respect of a Port Loading Facility is accumulated. Direct development expenditure, pre-operating start-up costs and an appropriate portion of related overhead expenditure are capitalised until the facility is in commercial operation. Amortisation and depreciation commences when the facility is in commercial operation.

**(t) Development Costs** - Costs incurred in the development of the enlarged service area on aggregation of television services and other significant items of expenditure related to establishment of this market, having a benefit or relationship to more than one accounting period, have been deferred and amortised over the period of that expected benefit, but not exceeding twenty years.

**(u) Debtors** - Debtors are recognised at the amount receivable as they are generally due for settlement 30 days from the end of month in which the invoice is raised. Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is maintained to cover the estimate of the amount of those debts which may be uncollectable.

**(v) Trade and other Creditors** - These amounts represent liabilities for goods and services provided to the economic entity to the end of the financial year and which are unpaid.

**(w) Revenue** - Comprises revenue earned (net of returns and allowances) from the provision of products to entities outside the consolidated entity. It is recognised when the control passes to the customer.

A controlled entity has a service provider agreement under which the service provider undertakes billing and collection for its customers on its behalf. In addition the service provider has assumed credit risk for bad debts. As the controlled entity acts as principal in its relationship with its customers, revenues and cash flows associated with billings and collections are brought to account in the Statements of Financial Performance and Cash Flows on a gross basis.

**(x) Goods and Services Tax** - The net amount of GST recoverable from or payable to the ATO is shown as a current asset or liability.

The amounts in the financial performance statement are net of GST unless non recoverable. In the statement of cash flow, the GST component has been classified as operating cash flow.

**(y) Dividends** - Provision is made for the amount of any dividend declared, determined or publicly recommended by Directors on or before the end of the financial year but not distributed. With the change in accounting standard, from this financial year onwards no provision is made for dividends recommended after year end.

**(z) Comparative Amounts** - Last year's figures have been reclassified where necessary to facilitate proper comparison.



2. In arriving at profit for the year the following items of revenue and expense from ordinary activities have been taken into account.

|   | Consolidated   |                | Company        |               |
|---|----------------|----------------|----------------|---------------|
|   | 2003<br>\$000  | 2002<br>\$000  | 2003<br>\$000  | 2002<br>\$000 |
| <b>(a) Revenue</b>                            |                |                |                |               |
| Sales from Operations .....                   | 340,624        | 334,307        | 42,468         | 42,784        |
| Sale of Investments.....                      | 14,891         | 30,876         | 19,369         | 12,286        |
| Sale of Businesses.....                       | 300            | –              | –              | –             |
| Sale of Land and Buildings.....               | 3,215          | 3,782          | 3,215          | 2,893         |
| Sale of Plant and Equipment .....             | 743            | 2,048          | 60             | 575           |
| Other Revenue –                               |                |                |                |               |
| Dividend Income –                             |                |                |                |               |
| Associates .....                              | –              | –              | 17,336         | 16,144        |
| Related Entities .....                        | –              | –              | 15,315         | 10,561        |
| Other Persons .....                           | 12,973         | 8,625          | 12,340         | 8,060         |
| Interest Received –                           |                |                |                |               |
| Related Entities .....                        | –              | –              | 1,093          | 1,178         |
| Other Persons .....                           | 3,713          | 5,012          | 1,186          | 2,128         |
| Rental Income.....                            | 1,910          | 1,934          | 1,153          | 1,334         |
| Sundry Income .....                           | 7,861          | 4,931          | 1,838          | 1,787         |
| Total Revenue.....                            | <u>386,230</u> | <u>391,515</u> | <u>115,373</u> | <u>99,730</u> |
| Profit on Sale of Plant and Equipment.....    | 108            | 241            | 9              | 12            |
| <b>(b) Expenses</b>                           |                |                |                |               |
| Cost of Sales .....                           | 213,534        | 238,704        | 38,881         | 40,122        |
| Selling and Distribution.....                 | 61,125         | 51,182         | 9,622          | 9,048         |
| Administration.....                           | 18,895         | 16,127         | 3,143          | 3,308         |
| Property Rental .....                         | 627            | 583            | 627            | 583           |
| Borrowing Costs –                             |                |                |                |               |
| Directors and Director Related Entities....   | 253            | 104            | 253            | 104           |
| Other Related Parties.....                    | 14             | 11             | 14             | 11            |
| Other Persons .....                           | 8,292          | 8,796          | 16             | 15            |
| Total Expenses Including Borrowing Costs .... | <u>302,740</u> | <u>315,507</u> | <u>52,556</u>  | <u>53,191</u> |
| Depreciation – Property.....                  | 280            | 403            | 18             | 18            |
| – Plant and fixtures.....                     | 24,310         | 22,149         | 697            | 820           |
| Amortisation –                                |                |                |                |               |
| Goodwill.....                                 | 557            | 557            | 557            | 557           |
| Leasehold Equipment .....                     | –              | 20             | –              | –             |
| Mining Reserves and Mine Development ..       | 3,401          | 2,375          | –              | –             |
| Development Costs.....                        | 88             | 88             | 11             | 11            |
| Port Development Costs.....                   | 1,438          | 1,438          | –              | –             |
| Provisions for–                               |                |                |                |               |
| Employee Entitlements.....                    | 4,206          | 4,035          | 144            | 189           |
| Doubtful Debts – Trade Debtors .....          | (31)           | 157            | –              | –             |
| Unearned Revenue .....                        | 139            | (215)          | –              | –             |
| Net Foreign Exchange Losses (Gains) .....     | (1,527)        | 10,364         | –              | –             |
| Loss on Sale of Plant & Equipment .....       | 105            | 221            | 20             | 1             |
| Bad Debts Written Off (Net) – Trade Debtors   | 123            | 123            | –              | –             |
| Rental Expense on Operating Leases .....      | 3,184          | 2,994          | 1,820          | 1,683         |
| Finance Charges – Finance Leases.....         | –              | 4              | –              | –             |
| Write Down – Inventory.....                   | 68             | 202            | –              | 234           |
| – Plant and Fixtures .....                    | 276            | 1,133          | –              | –             |

| 2. (cont.) | Consolidated |       | Company |       |
|------------|--------------|-------|---------|-------|
|            | 2003         | 2002  | 2003    | 2002  |
|            | \$000        | \$000 | \$000   | \$000 |

**(c) Remuneration of Auditors –**

Auditing Services –

|                                 |            |     |           |    |
|---------------------------------|------------|-----|-----------|----|
| Auditors of Parent Entity ..... | <b>81</b>  | 87  | <b>69</b> | 75 |
| Other Auditors. ....            | <b>442</b> | 313 | –         | –  |

Other Services –

|                                 |            |     |          |   |
|---------------------------------|------------|-----|----------|---|
| Auditors of Parent Entity ..... | <b>1</b>   | 2   | <b>1</b> | 2 |
| Other Auditors. ....            | <b>680</b> | 450 | –        | – |

(The Auditors received no other benefits)

**(d) In arriving at the profit for the year the following non regular items have been taken into account.**

|  |              |       |               |       |
|--|--------------|-------|---------------|-------|
| Profit on Disposal of Land and Buildings . | <b>2,990</b> | 3,086 | <b>2,990</b>  | 2,701 |
| Income Tax applicable .....                | <b>344</b>   | 274   | <b>344</b>    | 158   |
|  | <b>2,646</b> | 2,812 | <b>2,646</b>  | 2,543 |
| <br>                                       |              |       |               |       |
| Profit on Disposal of Investments.....     | <b>5,970</b> | 7,073 | <b>10,636</b> | 2,427 |
| Income Tax applicable .....                | <b>1,103</b> | 3,128 | <b>2,503</b>  | 205   |
|  | <b>4,867</b> | 3,945 | <b>8,133</b>  | 2,222 |
| <br>                                       |              |       |               |       |
| Profit on Disposal of Business .....       | <b>253</b>   | (4)   | –             | (4)   |
| Income Tax applicable .....                | <b>76</b>    | (1)   | –             | (1)   |
|  | <b>177</b>   | (3)   | –             | (3)   |
| <br>                                       |              |       |               |       |
| Dermerger Dividend .....                   | <b>1,911</b> | –     | <b>1,911</b>  | –     |
| Total .....                                | <b>9,601</b> | 6,754 | <b>12,690</b> | 4,762 |

**3. INCOME TAX EXPENSE:**

The aggregate amount of income tax attributable to the financial year differs by more than 15% from the amount of prima facie tax payable on the operating profit. The difference is reconciled as follows:-

|   |                 |          |                 |          |
|---|-----------------|----------|-----------------|----------|
| Operating profit before Income Tax.....         | <b>128,782</b>  | 114,067  | <b>62,817</b>   | 46,539   |
| Prima facie tax payable at 30%.....             | <b>38,635</b>   | 34,220   | <b>18,845</b>   | 13,961   |
| Non Taxable Dividends .....                     | <b>(3,768)</b>  | (2,461)  | <b>(13,384)</b> | (10,306) |
| Capital Gains not assessable .....              | <b>(1,241)</b>  | 1,050    | <b>(1,241)</b>  | (1,177)  |
| Overseas Tax Rate Differential.....             | <b>14</b>       | (12)     | –               | –        |
| Sundry Items.....                               | <b>(55)</b>     | 732      | <b>(10)</b>     | (49)     |
| Profit of Associates .....                      | <b>(12,486)</b> | (10,481) | –               | –        |
| Prior Year Adjustments.....                     | <b>447</b>      | 2,776    | <b>(19)</b>     | (24)     |
| Income Tax attributable to operating profit ... | <b>21,546</b>   | 25,824   | <b>4,191</b>    | 2,405    |

#### 4. SEGMENT OPERATIONS:

|  | 2003           | 2002           | 2003                    | 2002          | 2003                | 2002             | 2003                     | 2002           |
|--|----------------|----------------|-------------------------|---------------|---------------------|------------------|--------------------------|----------------|
|  | \$000          | \$000          | \$000                   | \$000         | \$000               | \$000            | \$000                    | \$000          |
| <b>Primary Reporting Industry Segments</b> |                |                |                         |               |                     |                  |                          |                |
|  | <b>Revenue</b> |                | <b>Profit After Tax</b> |               | <b>Total Assets</b> |                  | <b>Total Liabilities</b> |                |
| Coal Mining                                | 178,195        | 189,543        | 28,917                  | 21,227        | 376,376             | 390,210          | 219,884                  | 264,448        |
| Investment                                 | 33,548         | 26,180         | 19,501                  | 13,219        | 205,230             | 189,752          | 8,159                    | 3,512          |
| Media                                      | 70,560         | 68,899         | 5,809                   | 7,538         | 124,051             | 122,668          | 45,136                   | 45,850         |
| Telecommunications                         | 30,484         | 25,178         | 4,864                   | 2,852         | 39,710              | 34,522           | 7,626                    | 7,060          |
| Fruit Products                             | 12,846         | 14,293         | 774                     | 1,391         | 8,057               | 7,811            | 1,386                    | 1,232          |
| Flavours and Fragrances                    | 11,747         | 12,551         | 602                     | 970           | 10,571              | 11,058           | 3,532                    | 3,556          |
| Pharmaceutical                             | 40,855         | 41,131         | 427                     | 940           | 11,707              | 16,123           | 5,498                    | 5,352          |
| Property                                   | 3,215          | 4,227          | 4,147                   | 4,088         | 7,176               | 7,452            | –                        | –              |
| Unallocated                                | 11,238         | 12,164         | 575                     | 1,082         | 8,956               | 10,465           | 13,177                   | 34,371         |
| Associates (Note a)                        | –              | –              | 41,620                  | 34,936        | 350,029             | 324,819          | –                        | –              |
| Intersegment (Note b)                      | (6,458)        | (2,651)        | –                       | –             | (26,581)            | (22,532)         | (26,581)                 | (22,532)       |
| Group Totals                               | <u>386,230</u> | <u>391,515</u> | <u>107,236</u>          | <u>88,243</u> | <u>1,115,282</u>    | <u>1,092,348</u> | <u>277,817</u>           | <u>342,849</u> |

|                         | <b>Acquisition Non Current Assets (Note e)</b> |               | <b>Depreciation/ Amortisation</b> |               | <b>Other Non Cash Expenditure</b> |              |
|-------------------------|--|---------------|-----------------------------------|---------------|-----------------------------------|--------------|
| Coal Mining             | 31,282   | 41,261        | 21,865                            | 20,174        | 4,727                             | 1,360        |
| Media                   | 4,060  | 9,565         | 3,609                             | 2,958         | 188                               | (118)        |
| Telecommunications      | 6,461  | 6,095         | 2,461                             | 1,184         | 102                               | (6)          |
| Fruit Products          | 497  | 864           | 434                               | 437           | –                                 | 24           |
| Flavours and Fragrances | 654  | 569           | 463                               | 475           | 313                               | 27           |
| Pharmaceutical          | –  | –             | 568                               | 568           | 144                               | 189          |
| Property                | 729  | 844           | 715                               | 838           | –                                 | –            |
| Unallocated             | 80   | 216           | 443                               | 396           | (63)                              | 67           |
| Group Totals            | <u>43,763</u>                                  | <u>59,414</u> | <u>30,558</u>                     | <u>27,030</u> | <u>5,411</u>                      | <u>1,543</u> |

#### Secondary Reporting Geographical Segments

|                 | <b>Revenue</b> |                | <b>Acquisition Non Current Assets (Note e)</b> |               | <b>Total Assets</b> |                  |
|-----------------|----------------|----------------|--|---------------|---------------------|------------------|
| Australia       | 334,194        | 305,727        | 42,893   | 54,708        | 881,393             | 800,328          |
| South East Asia | 52,036         | 85,788         | 870  | 4,706         | 233,889             | 292,020          |
| Group Totals    | <u>386,230</u> | <u>391,515</u> | <u>43,763</u>                                  | <u>59,414</u> | <u>1,115,282</u>    | <u>1,092,348</u> |

#### Products and Services

|                         |   |
|-------------------------|---|
| Coal Mining             | Coal operations in Australia and South East Asia.                         |
| Investment              | Investment in shares and short-term deposits.                             |
| Media                   | Television advertising and commercial and program production.             |
| Telecommunications      | Licensed carrier and retailer of telecommunication services and products. |
| Fruit Products          | Fruit product processing, sales and distribution.                         |
| Flavours and Fragrances | Flavours, fragrances, aromatic chemicals and essential oil manufacture.   |
| Pharmaceutical          | Pharmaceutical retailing.   |
| Property                | Sale and rental of properties.  |

4. SEGMENT OPERATIONS (Cont):

|  | <b>Consolidated</b>  |               |
|--|----------------------|---------------|
|  | <b>2003</b>          | 2002          |
|  | <b>\$000</b>         | \$000         |
| (a) Associates (Refer note 10)   |                      |               |
| Revenue from associates is not included in total Revenue.  |                      |               |
| Total assets includes the company's share of associates increase in post acquisition profits and reserves. |                      |               |
| Profit after Tax is split as follows:  |                      |               |
| Coal Mining  | <b>13,107</b>        | 14,672        |
| Clay Products  | <b>14,638</b>        | 10,253        |
| Pharmaceuticals  | <b>5,494</b>         | 6,949         |
| Investment   | <b>4,796</b>         | 2,584         |
| Property   | <b>2,720</b>         | 561           |
| Telecommunications   | <b>808</b>           | (83)          |
| Other  | <b>57</b>            | –             |
|  | <u><b>41,620</b></u> | <u>34,936</u> |

(b) Split of Intersegment revenue is as follows:

|                    |                     |              |
|--------------------|---------------------|--------------|
| Investment         | <b>1,995</b>        | 2,335        |
| Property           | <b>343</b>          | 316          |
| Telecommunications | <b>2,464</b>        | –            |
| Media              | <b>1,656</b>        | –            |
|                    | <u><b>6,458</b></u> | <u>2,651</u> |

All Intersegment revenue is based on commercial rates

(c) Split of outside equity interest is as follows:

|                         |                      |               |
|-------------------------|----------------------|---------------|
| Coal Mining             | <b>16,579</b>        | 13,895        |
| Telecommunications      | <b>1,902</b>         | 1,027         |
| Flavours and Fragrances | <b>110</b>           | 219           |
| Fruit Products          | <b>123</b>           | 220           |
| Investment              | <b>215</b>           | 141           |
|                         | <u><b>18,929</b></u> | <u>15,502</u> |

(d) Split of non regular items is as follows:

|                |                     |              |
|----------------|---------------------|--------------|
| Investment     | <b>6,721</b>        | 2,252        |
| Property       | <b>2,646</b>        | 2,543        |
| Coal Mining    | –                   | 1,692        |
| Fruit Products | <b>234</b>          | 270          |
| Pharmaceutical | –                   | (3)          |
|                | <u><b>9,601</b></u> | <u>6,754</u> |

(e) Acquisition non-current assets excludes investments.

5. RECEIVABLES:

|   | <b>Consolidated</b>  |               | <b>Company</b>       |               |
|---|----------------------|---------------|----------------------|---------------|
|   | <b>2003</b>          | 2002          | <b>2003</b>          | 2002          |
|   | <b>\$000</b>         | \$000         | <b>\$000</b>         | \$000         |
| Current:  |                      |               |                      |               |
| Trade Debtors.....  | <b>46,497</b>        | 48,118        | <b>4,474</b>         | 4,556         |
| Less Provision for Doubtful Debts .....   | <b>3,011</b>         | 3,298         | <b>25</b>            | 25            |
|   | <u><b>43,486</b></u> | 44,820        | <u><b>4,449</b></u>  | 4,531         |
| Short Term Deposits.....  | <b>42,430</b>        | 47,266        | <b>19,000</b>        | 15,000        |
| Loans Receivable Secured by Mortgages<br>over Real Estate and other Contracts ..... | <b>200</b>           | 237           | <b>200</b>           | 237           |
| Loans Receivable – Unsecured .....  | –                    | 1,623         | –                    | 1,623         |
| Amounts Owing by Controlled Entities.....   | –                    | –             | <b>123</b>           | 123           |
| Hedge Receivable.....   | <b>4,180</b>         | 1,960         | –                    | –             |
| Other Amounts Receivable .....  | <b>2,551</b>         | 3,682         | <b>227</b>           | 61            |
|   | <u><b>92,847</b></u> | <u>99,588</u> | <u><b>23,999</b></u> | <u>21,575</u> |

## 5. RECEIVABLES (Cont.):

|   | Consolidated  |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2003<br>\$000 | 2002<br>\$000 | 2003<br>\$000 | 2002<br>\$000 |
| Non-Current:  |               |               |               |               |
| Loans Receivable Secured by Mortgages<br>over Real Estate and other Contracts . . . . . | 654           | 824           | 654           | 824           |
| Loans Receivable – Unsecured . . . . .  | 605           | 364           | –             | –             |
| Amounts Owing by Controlled Entities . . . . .  | –             | –             | 24,239        | 22,397        |
| Deferred Hedge Receivable . . . . .   | 14,038        | 213           | –             | –             |
| Other Amounts Receivable . . . . .  | 5,140         | 6,623         | –             | –             |
|   | <u>20,437</u> | <u>8,024</u>  | <u>24,893</u> | <u>23,221</u> |

Trade Deposits of \$3,000,000 (2002 \$3,000,000) in the New Hope group have been pledged as security for a loan to a third party.

Short Term Deposits of \$2,850,000 in the SP Telecommunications Group have been pledged as security over bank loans.

## 6. INVESTMENTS - ASSOCIATES:

Non - Current:

|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| Equity Accounted -                           |                |                |                |                |
| Listed . . . . .                             | 293,874        | 269,460        | –              | –              |
| Unlisted . . . . .                           | 55,363         | 55,359         | –              | –              |
| At Cost -                                    |                |                |                |                |
| Listed . . . . .                             | –              | –              | 196,118        | 192,992        |
| Unlisted . . . . .                           | –              | –              | 3,296          | –              |
|  | <u>349,237</u> | <u>324,819</u> | <u>199,414</u> | <u>192,992</u> |
| Market Value of Listed Investments . . . . . | 700,263        | 575,621        | 699,028        | 574,685        |

## 7. INVESTMENTS - OTHER:

Non - Current:

|                                       |                |                |                |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Shares in Other Companies at Cost     |                |                |                |                |
| Listed . . . . .                      | 135,583        | 132,059        | 127,268        | 123,928        |
| Unlisted . . . . .                    | 16,732         | 26,237         | 5,374          | 8,134          |
|                                       | <u>152,315</u> | <u>158,296</u> | <u>132,642</u> | <u>132,062</u> |
| Shares in Controlled Entities at Cost |                |                |                |                |
| Listed . . . . .                      | –              | –              | 20,949         | 20,949         |
| Unlisted . . . . .                    | –              | –              | 71,297         | 71,799         |
|                                       | –              | –              | 92,246         | 92,748         |
| Interest in Partnership . . . . .     | 1,000          | 1,500          | –              | –              |
| Total Non - Current . . . . .         | <u>153,315</u> | <u>159,796</u> | <u>224,888</u> | <u>224,810</u> |
| Market Value of Listed Investments    |                |                |                |                |
| Other Corporations . . . . .          | 286,324        | 290,097        | 270,512        | 274,777        |
| Controlled Entities . . . . .         | –              | –              | 164,236        | 105,421        |

Unlisted Investment of \$11,308,342 (2002 \$17,994,789) has been pledged as security for a loan to a third party.

Estimated capital gains tax liability of the company's total listed investments . . . . .

**178,625**

8. PARTICULARS RELATING TO CONTROLLED ENTITIES:

| Name of Entity   | Country of Incorporation | Parent Entity's Interest |           |
|--|--------------------------|--------------------------|-----------|
|  |                          | 2003<br>%                | 2002<br>% |
| <b>(a) Parent Entity</b>                                 |                          |                          |           |
| Washington H. Soul Pattinson and Company Limited         | Australia                |                          |           |
| <b>(b) Controlled Entities</b>                           |                          |                          |           |
| <b>Pitt Capital Partners Limited</b>                     |                          |                          |           |
| (formerly SP Finance Pty. Limited) . . . . .             | Australia                | –                        | 100       |
| SP Laboratories Pty. Limited . . . . .                   | Australia                | 100                      | 100       |
| SP Runaway Bay Pty. Limited . . . . .                    | Australia                | 100                      | 100       |
| Cromford Pty. Limited . . . . .                          | Australia                | 100                      | 100       |
| <b>SP Telecommunications Limited . . . . .</b>           |                          |                          |           |
| Australia  |                          | 56.6                     | 56.6      |
| and its 100% owned controlled entities                   |                          |                          |           |
| Kooee Communications Pty. Limited . . . . .              | Australia                | 56.6                     | 56.6      |
| Soul Pattinson Telecommunications Pty. Limited . . . . . | Australia                | 56.6                     | 56.6      |
| <b>New Hope Corporation Limited . . . . .</b>            |                          |                          |           |
| Australia  |                          | 69.3                     | 69.3      |
| Spring Mt. Collieries Pty. Limited . . . . .             | Australia                | –                        | 69.3      |
| Jeebropilly Collieries Pty. Limited . . . . .            | Australia                | 69.3                     | 69.3      |
| Fowlers Engineering Pty. Limited . . . . .               | Australia                | 69.3                     | 69.3      |
| Tivoli Coal (Hawaii) Pty. Limited . . . . .              | Australia                | 69.3                     | 69.3      |
| New Hope Collieries Pty. Limited . . . . .               | Australia                | 69.3                     | 69.3      |
| Tivoli Collieries Pty. Limited . . . . .                 | Australia                | 69.3                     | 69.3      |
| Andrew Wright Holdings Pty. Limited . . . . .            | Australia                | 69.3                     | 69.3      |
| Tetard Holdings Pty. Limited . . . . .                   | Australia                | 69.3                     | 69.3      |
| Berralink Pty. Limited . . . . .                         | Australia                | –                        | 69.3      |
| Consolidated Bulk Handling Pty. Limited . . . . .        | Australia                | 69.3                     | 69.3      |
| P.T. Indonesia Bulk Terminal . . . . .                   | Indonesia                | 34.7                     | 19.8      |
| Indonesia Coal Pty. Limited . . . . .                    | Australia                | 69.3                     | 69.3      |
| New Hope Finance Pty. Limited . . . . .                  | Australia                | 69.3                     | 69.3      |
| Thor Earthmovers Pty. Limited . . . . .                  | Australia                | 69.3                     | 69.3      |
| New Hope Energy Pty. Ltd. . . . .                        | Australia                | 69.3                     | 69.3      |
| CBH Design Services Pty. Ltd. . . . .                    | Australia                | –                        | 69.3      |
| New Oakleigh Coal Pty. Ltd. . . . .                      | Australia                | 69.3                     | 69.3      |
| New Haenke Coal Pty. Ltd. . . . .                        | Australia                | –                        | 69.3      |
| New Hill Coal Pty. Ltd. . . . .                          | Australia                | –                        | 69.3      |
| New Hope Exploration Pty. Ltd. . . . .                   | Australia                | 69.3                     | 69.3      |
| Minerva Coal Pty. Ltd. . . . .                           | Australia                | 48.5                     | 48.5      |
| Seven Mile Coal Pty. Ltd. . . . .                        | Australia                | 69.3                     | 69.3      |
| New Acland Coal Pty. Ltd. . . . .                        | Australia                | 69.3                     | 69.3      |
| <b>Keith Harris &amp; Co. Limited . . . . .</b>          |                          |                          |           |
| Australia  |                          | 84.2                     | 84.2      |
| Jusfrute Limited . . . . .                               | Australia                | 84.2                     | 84.2      |
| United Beverages Pty. Limited . . . . .                  | Australia                | 84.2                     | 84.2      |
| Redland Industries Pty. Limited . . . . .                | Australia                | 84.2                     | 84.2      |
| Keith Harris Extracts Pty. Limited . . . . .             | Australia                | 84.2                     | 84.2      |
| Quotidian No. 115 Pty. Limited . . . . .                 | Australia                | 84.2                     | 84.2      |
| Keith Harris & Co. (Far East) Pte. Ltd. . . . .          | Singapore                | 50.5                     | 50.5      |
| <b>NBN Enterprises Pty. Limited . . . . .</b>            |                          |                          |           |
| Australia  |                          | 100                      | 100       |
| NBN Limited . . . . .                                    | Australia                | 100                      | 100       |
| NBN Investments Pty. Limited . . . . .                   | Australia                | 100                      | 100       |
| Kooee Pty. Limited                                       |                          |                          |           |
| (formerly NBN Staff Investments Pty. Limited) . . . . .  | Australia                | –                        | 100       |
| NBN Productions Pty. Limited . . . . .                   | Australia                | 100                      | 100       |
| NBN Holdings Pty. Limited . . . . .                      | Australia                | 100                      | 100       |

Pitt Capital Partners Limited became an associated entity during the year following the sale of 50% of the company. Spring Mt. Collieries Pty. Ltd., CBH Design Services Pty. Ltd., New Haenke Coal Pty. Ltd. and New Hill Coal Pty. Ltd. went into voluntary liquidation and were deregistered during the year ended 31 July, 2003. Kooee Pty. Limited became an associated entity during the year following the sale of 50% of the company.

9. ACQUISITION OF CONTROLLED ENTITIES:

**Consolidated**  
**2003**                      2002  
**\$000**                      \$000

The group increased its holding in SP Telecommunications Limited to 56.6% in the previous financial year.

|                                     |   |      |
|-------------------------------------|---|------|
| Purchase Price paid in cash .....   | – | 132  |
| Outside Equity value acquired ..... | – | 103  |
| Discount on Consolidation .....     | – | (29) |

10. INVESTMENT IN ASSOCIATES:

|  |               |        |
|--|---------------|--------|
| Share of Associates Retained Profits at beginning of year  | <b>66,913</b> | 48,082 |
| Share of Associates Retained Profits at the end of year .. | <b>92,381</b> | 66,913 |

Share of Associates Reserves:

|                         |                |         |
|-------------------------|----------------|---------|
| Asset Revaluation ..... | <b>11,752</b>  | 11,752  |
| Capital Profit .....    | <b>6,191</b>   | 6,191   |
| Foreign Currency .....  | <b>(9,143)</b> | (2,603) |
|                         | <b>8,800</b>   | 15,340  |

Schedule of Movements in Carrying Amount

|  |                 |          |
|--|-----------------|----------|
| Balance at beginning of the financial year .....                                       | <b>324,819</b>  | 252,485  |
| Adjustment from the disposal of the controlling interest in an equity investment ..... | –               | 47,543   |
| Investments - Acquired .....   | <b>6,918</b>    | 8,563    |
| Share of Associates profit before tax .....  | <b>52,315</b>   | 49,454   |
| Share of Associates income tax expense .....   | <b>(10,695)</b> | (14,518) |
| Share of dividends from associates .....   | <b>(27,773)</b> | (22,476) |
| Share of dividends received by associate .....   | <b>10,193</b>   | 6,371    |
| Share of movements in reserves .....   | <b>(6,540)</b>  | (2,603)  |
| Balance at end of financial year .....   | <b>349,237</b>  | 324,819  |

Contingent Liabilities:

Share of associates contingent liabilities-

|   |               |        |
|---|---------------|--------|
| Bank Guarantees .....                               | <b>35,206</b> | 36,746 |
| Bank Performance Bonds .....                        | <b>10,620</b> | 7,269  |
|   | <b>45,826</b> | 44,015 |
| Share of Associates capital expenditure commitments | <b>5,564</b>  | –      |
| Share of Associates operating lease commitments ... | <b>565</b>    | 459    |
| Share of Associates finance lease commitments ..... | <b>17</b>     | –      |

Joint Venture Entities

SPT Telecommunications Pty. Ltd. and Kooee Pty. Ltd. are joint venture entities.

Share of Results:

|                               |              |      |
|-------------------------------|--------------|------|
| Revenue .....                 | <b>4,357</b> | 48   |
| Less Expenses .....           | <b>3,237</b> | 131  |
| Less Income Tax Expense ..... | <b>312</b>   | –    |
| Profit / (Loss) .....         | <b>808</b>   | (83) |

Share of Assets and Liabilities:

|                                    |              |     |
|------------------------------------|--------------|-----|
| Current Assets .....               | <b>1,856</b> | 326 |
| Non-Current Assets .....           | <b>2,983</b> | 8   |
| Total Assets .....                 | <b>4,839</b> | 334 |
| Less Current Liabilities .....     | <b>1,792</b> | 134 |
| Less Non-Current Liabilities ..... | <b>2,038</b> | –   |
| Net Assets .....                   | <b>1,009</b> | 200 |

10. INVESTMENT IN ASSOCIATES (cont.)

Details of Investments in Associates

| Name and Principal Activity  | Balance Date | Ownership Interest |      |              |       | Share of Associates |               | Dividends Received |               | Carrying Amount |                |
|--|--------------|--------------------|------|--------------|-------|---------------------|---------------|--------------------|---------------|-----------------|----------------|
|  |              | Balance Date       |      | Balance Date |       | Net Profit          |               | from Associates    |               |                 |                |
|  |              | Company            |      | Associate    |       |                     |               |                    |               |                 |                |
|  |              | 2003               | 2002 | 2003         | 2002  | 2003                | 2002          | 2003               | 2002          | 2003            | 2002           |
|  | %            | %                  | %    | %            | \$000 | \$000               | \$000         | \$000              | \$000         | \$000           |                |
| Australian Pharmaceutical Industries Limited - Pharmaceutical wholesaler             | 30th April   | 22.9               | 25.5 | 22.8         | 25.7  | 5,599               | 8,775         | 6,649              | 6,572         | 106,138         | 103,514        |
| Queensland Bulk Handling Pty Ltd - Coal mining                                       | 30th June    | 34.7               | 34.7 | 34.7         | 34.7  | 310                 | 153           | -                  | -             | 2,064           | 1,758          |
| Queensland Commodity Exports Pty Ltd - Wood chip handling                            | 30th June    | 23.1               | 23.1 | 23.1         | 23.1  | 29                  | 476           | -                  | -             | 508             | 476            |
| Clover Corporation Limited - Manufacture and distribution of nutritional supplements | 30th June    | 28.9               | 28.4 | 28.9         | 28.4  | (105)               | (1,826)       | -                  | -             | 7,930           | 7,892          |
| Brickworks Limited - Manufacture of clay products                                    | 30th June    | 49.8               | 49.8 | 49.8         | 49.8  | 22,254              | 13,369        | 10,503             | 9,519         | 175,815         | 153,871        |
| Pacific Strategic Investments Limited - Investor                                     | 30th June    | 24.9               | 24.9 | 24.9         | 24.9  | (100)               | 29            | 92                 | 72            | 3,991           | 4,182          |
| SP Telecommunications Pty Ltd - Telecommunications Carrier                           | 30th June    | 28.3               | 28.2 | 28.3         | 28.2  | 798                 | (83)          | -                  | -             | 1,215           | 417            |
| Kooee Pty Limited - Reseller of Telecommunication Products                           | 31st July    | 28.3               | -    | 28.3         | -     | 10                  | -             | -                  | -             | 10              | -              |
| P.T. Adaro Indonesia - Coal mining   | 31st July    | 28.3               | 28.3 | 28.3         | 28.3  | 5,724               | 8,063         | 2,617              | 5,140         | 44,958          | 47,876         |
| Vindoor Investments (Mauritius) Ltd - Investor                                       | 31st July    | 28.3               | 28.3 | 28.3         | 28.3  | 7,044               | 5,980         | 7,800              | 1,173         | 3,368           | 4,833          |
| Windsor Farm Foods Limited - Food Processing & Distribution                          | 30th June    | 20.0               | 20.0 | 20.0         | 20.0  | (97)                | -             | 112                | -             | 2,086           | -              |
| Pitt Capital Partners Limited - Investment Advisor                                   | 31st July    | 50.0               |      | 50.0         |       | 154                 | -             | -                  | -             | 1,154           | -              |
|  |              |                    |      |              |       | <u>41,620</u>       | <u>34,936</u> | <u>27,773</u>      | <u>22,476</u> | <u>349,237</u>  | <u>324,819</u> |

Indonesian Government Regulation No. 144/2000, which is effective from 1 January, 2001, stipulates that coal is no longer VAT-able and as a result PT Adaro is unable to seek registration for VAT inputs incurred from this date onwards. Management of PT Adaro had agreed with the Indonesian Department of Mines that the VAT credit could be offset against production sharing payments due by PT Adaro to the Department of Mines. The Department of Finance has not yet agreed in writing to the offsetting arrangement with the Indonesian Department of Mines.

Recent correspondence received from the Director of Directorate of Coal disagrees with PT Adaro's right to offset the claiming of VAT credits against the royalty payable and is seeking payment of all amounts offset since 1 January, 2001, being US\$52.1 million (A\$80.1 million) - Group share A\$22.7 million.

This is contrary to previous written advice from the Department of Mines and recent verbal assurances received. The directors of both PT Adaro and New Hope Corporation Limited acknowledge that there is significant uncertainty as to whether the position will be resolved in favour of either the Indonesian Department of Mines or Department of Finance.

There is risk that some or all of the VAT credits recognised by PT Adaro prior to 1 January, 2002 will need to be repaid to the government. Settlement of any resulting amounts would most likely be by way of instalments over a number of years. In the event that the position is resolved in favour of the Indonesian Department of Finance, the maximum exposure would be limited to the share of the net VAT credits recognised in PT Adaro's operating profit between 1 January, 2001 and 31 July, 2003. At balance date this amounts to US\$25.0 million (A\$38.3 million) - Group share A\$10.8 million. However, the directors remain confident that no VAT credits prior to January, 2002 will need to be refunded by PT Adaro.



#### 11. JOINT VENTURE OPERATION:

A controlled entity has entered into a joint venture operation called Reorganic Energy Swanbank to develop a landfill gas project. The controlled entity has a 33.33% participating interest in the joint venture and is entitled to 33.33% of its output. The group interest in the assets employed in the joint venture is included in the Statement of Financial Position under the following classifications.

|                                       | <b>Consolidated</b>      |                   |
|---------------------------------------|--------------------------|-------------------|
|                                       | <b>2003</b>              | 2002              |
|                                       | <b>\$000</b>             | \$000             |
| <b>Current Assets:</b>                |                          |                   |
| Cash .....                            | <b>49</b>                | 67                |
| Other .....                           | <b>158</b>               | 175               |
| <b>Total Current Assets .....</b>     | <b><u>207</u></b>        | <u>242</u>        |
| <b>Non-Current Assets:</b>            |                          |                   |
| Plant and Fixtures at cost .....      | <b>509</b>               | 376               |
| Less Accumulated Depreciation .....   | <b>51</b>                | 6                 |
| <b>Total Non-Current Assets .....</b> | <b><u>458</u></b>        | <u>370</u>        |
| <b>Total Assets .....</b>             | <b><u><u>665</u></u></b> | <u><u>612</u></u> |

#### 12. INVENTORIES:

|  | <b>Consolidated</b>         |                      | <b>Company</b>             |                     |
|--|-----------------------------|----------------------|----------------------------|---------------------|
|  | <b>2003</b>                 | 2002                 | <b>2003</b>                | 2002                |
|  | <b>\$000</b>                | \$000                | <b>\$000</b>               | \$000               |
| <b>Current:</b>  |                             |                      |                            |                     |
| Trading shares at lower of cost and market value                   | <b>1,837</b>                | 2,970                | <b>1,837</b>               | 2,970               |
| Raw Materials .....  | <b>7,758</b>                | 7,637                | -                          | -                   |
| Work in Progress .....   | <b>125</b>                  | 135                  | -                          | -                   |
| Finished Goods .....   | <b>16,026</b>               | 13,409               | <b>4,113</b>               | 4,362               |
|  | <b><u>25,746</u></b>        | <u>24,151</u>        | <b><u>5,950</u></b>        | <u>7,332</u>        |
| Less Provision for Fluctuation in value of<br>Finished Goods ..... | <b>170</b>                  | 170                  | <b>170</b>                 | 170                 |
|  | <b><u><u>25,576</u></u></b> | <u><u>23,981</u></u> | <b><u><u>5,780</u></u></b> | <u><u>7,162</u></u> |

#### 13. PROPERTY, PLANT AND EQUIPMENT:

|   |                              |                       |                            |                     |
|---|------------------------------|-----------------------|----------------------------|---------------------|
| <b>Land:</b>  |                              |                       |                            |                     |
| At Cost .....   | <b>35,766</b>                | <b>33,483</b>         | <b>2,295</b>               | <b>2,516</b>        |
| <b>Buildings:</b>                                       |                              |                       |                            |                     |
| At Cost .....   | <b>18,800</b>                | 17,527                | <b>2,587</b>               | 2,181               |
| Less Provision for Depreciation .....                   | <b>4,488</b>                 | 4,168                 | <b>401</b>                 | 433                 |
|   | <b><u>14,312</u></b>         | <u>13,359</u>         | <b><u>2,186</u></b>        | <u>1,748</u>        |
| <b>Total Land and Buildings .....</b>                   | <b><u>50,078</u></b>         | <u>46,842</u>         | <b><u>4,481</u></b>        | <u>4,264</u>        |
| <b>Plant, Fixtures &amp; Motor Vehicles:</b>            |                              |                       |                            |                     |
| At Cost .....   | <b>376,961</b>               | 392,088               | <b>7,068</b>               | 7,046               |
| Less Provision for Depreciation .....                   | <b>153,677</b>               | 140,840               | <b>4,374</b>               | 3,857               |
| <b>Total Plant, Fixtures &amp; Motor Vehicles .....</b> | <b><u>223,284</u></b>        | <u>251,248</u>        | <b><u>2,694</u></b>        | <u>3,189</u>        |
| <b>Mining Reserves &amp; Leases:</b>                    |                              |                       |                            |                     |
| At Cost .....   | <b>9,813</b>                 | 9,813                 | -                          | -                   |
| Less Amortisation .....                                 | <b>749</b>                   | 150                   | -                          | -                   |
| <b>Total Mining Reserves &amp; Leases .....</b>         | <b><u>9,064</u></b>          | <u>9,663</u>          | <u>-</u>                   | <u>-</u>            |
| <b>Mine Development</b>                                 |                              |                       |                            |                     |
| At Cost .....   | <b>40,149</b>                | 24,594                | -                          | -                   |
| Less Amortisation .....                                 | <b>15,525</b>                | 19,497                | -                          | -                   |
| <b>Total Mine Development .....</b>                     | <b><u>24,624</u></b>         | <u>5,097</u>          | <u>-</u>                   | <u>-</u>            |
| <b>Port Development - At Cost .....</b>                 | <b><u>7,585</u></b>          | <u>16,473</u>         | <u>-</u>                   | <u>-</u>            |
| <b>Port Infrastructure - At Cost .....</b>              | <b><u>33,635</u></b>         | <u>41,445</u>         | <u>-</u>                   | <u>-</u>            |
|   | <b><u>41,220</u></b>         | <u>57,918</u>         | <u>-</u>                   | <u>-</u>            |
| Less Amortisation .....                                 | <b>13,581</b>                | 12,135                | -                          | -                   |
| <b>Total Port Development .....</b>                     | <b><u>27,639</u></b>         | <u>45,783</u>         | <u>-</u>                   | <u>-</u>            |
| <b>Total Property, Plant &amp; Equipment .....</b>      | <b><u><u>334,689</u></u></b> | <u><u>358,633</u></u> | <b><u><u>7,175</u></u></b> | <u><u>7,453</u></u> |

**Valuation of Land and Buildings:** The Market Value of land and buildings excluding land and buildings held for mining (book value) based on latest independent valuations and movements since at cost was:-

Consolidated – \$51,962,500  
Company – \$28,535,000

## 13. PROPERTY, PLANT AND EQUIPMENT (Cont.):

|  | Consolidated   |                | Company       |               |
|--|----------------|----------------|---------------|---------------|
|  | 2003<br>\$000  | 2002<br>\$000  | 2003<br>\$000 | 2002<br>\$000 |
| <b>Reconciliations</b>                       |                |                |               |               |
| <b>Land:</b>                                 |                |                |               |               |
| Carrying amount at beginning of year.....    | 33,483         | 28,938         | 2,516         | 2,708         |
| Additions .....                              | 2,504          | 4,801          | –             | –             |
| Disposals .....                              | (221)          | (256)          | (221)         | (192)         |
| Carrying amount at end of year .....         | <u>35,766</u>  | <u>33,483</u>  | <u>2,295</u>  | <u>2,516</u>  |
| <b>Buildings:</b>                            |                |                |               |               |
| Carrying amount at beginning of year.....    | 13,359         | 13,668         | 1,748         | 1,570         |
| Additions .....                              | 1,648          | 528            | 456           | 196           |
| Disposals .....                              | (415)          | (434)          | –             | –             |
| Depreciation .....                           | (280)          | (403)          | (18)          | (18)          |
| Carrying amount at end of year .....         | <u>14,312</u>  | <u>13,359</u>  | <u>2,186</u>  | <u>1,748</u>  |
| <b>Plant, Fixtures &amp; Motor Vehicles:</b> |                |                |               |               |
| Carrying amount at beginning of year.....    | 251,248        | 232,907        | 3,189         | 3,444         |
| Additions .....                              | 40,503         | 54,311         | 273           | 648           |
| Transfers .....                              | (21,488)       | –              | –             | –             |
| Disposals .....                              | (372)          | (3,333)        | (71)          | (71)          |
| Depreciation .....                           | (24,310)       | (21,528)       | (697)         | (832)         |
| Foreign Exchange Differences .....           | (22,021)       | (9,975)        | –             | –             |
| Writedown.....                               | (276)          | (1,134)        | –             | –             |
| Carrying amount at end of year .....         | <u>223,284</u> | <u>251,248</u> | <u>2,694</u>  | <u>3,189</u>  |
| <b>Leasehold Equipment:</b>                  |                |                |               |               |
| Carrying amount at beginning of year.....    | –              | 4,472          | –             | –             |
| Disposals .....                              | –              | (4,452)        | –             | –             |
| Amortisation .....                           | –              | (20)           | –             | –             |
| Carrying amount at end of year .....         | <u>–</u>       | <u>–</u>       | <u>–</u>      | <u>–</u>      |
| <b>Right of Use Assets:</b>                  |                |                |               |               |
| Carrying amount at beginning of year.....    | –              | 206,839        | –             | –             |
| Disposals / equity entity .....              | –              | (206,839)      | –             | –             |
| Carrying amount at end of year .....         | <u>–</u>       | <u>–</u>       | <u>–</u>      | <u>–</u>      |
| <b>Mining Reserves &amp; Leases:</b>         |                |                |               |               |
| Carrying amount at beginning of year.....    | 9,663          | 9,663          | –             | –             |
| Amortisation .....                           | (599)          | –              | –             | –             |
| Carrying amount at end of year .....         | <u>9,064</u>   | <u>9,663</u>   | <u>–</u>      | <u>–</u>      |
| <b>Mine Development:</b>                     |                |                |               |               |
| Carrying amount at beginning of year.....    | 5,097          | 9,120          | –             | –             |
| Additions .....                              | –              | 20             | –             | –             |
| Transfers .....                              | 22,328         | –              | –             | –             |
| Disposals .....                              | –              | (1,668)        | –             | –             |
| Depreciation .....                           | (2,801)        | (2,375)        | –             | –             |
| Carrying amount at end of year .....         | <u>24,624</u>  | <u>5,097</u>   | <u>–</u>      | <u>–</u>      |
| <b>Port Development and Infrastructure:</b>  |                |                |               |               |
| Carrying amount at beginning of year.....    | 45,783         | 46,766         | –             | –             |
| Additions .....                              | –              | 4,181          | –             | –             |
| Transfers .....                              | (839)          | –              | –             | –             |
| Discount on exercise of option .....         | (8,879)        | –              | –             | –             |
| Amortisation .....                           | (2,582)        | (2,724)        | –             | –             |
| Foreign Exchange Differences .....           | (5,844)        | (2,440)        | –             | –             |
| Carrying amount at end of year .....         | <u>27,639</u>  | <u>45,783</u>  | <u>–</u>      | <u>–</u>      |

| 14. INTANGIBLES:                           | Consolidated   |                | Company       |               |
|--|----------------|----------------|---------------|---------------|
|  | 2003<br>\$000  | 2002<br>\$000  | 2003<br>\$000 | 2002<br>\$000 |
| Television Licence .....                   | 75,438         | 75,438         | –             | –             |
| Goodwill .....                             | 6,402          | 6,402          | 5,566         | 5,566         |
| Less Amortisation .....                    | 3,471          | 2,914          | 2,635         | 2,078         |
|  | <u>2,931</u>   | <u>3,488</u>   | <u>2,931</u>  | <u>3,488</u>  |
|  | <u>78,369</u>  | <u>78,926</u>  | <u>2,931</u>  | <u>3,488</u>  |
| 15. TAX ASSETS:                            |                |                |               |               |
| Non-Current:                               |                |                |               |               |
| Future Income Tax Benefit .....            | 15,302         | 14,085         | 4,763         | 7,099         |
| 16. OTHER ASSETS:                          |                |                |               |               |
| Current:                                   |                |                |               |               |
| Prepayments .....                          | 6,294          | 3,685          | 158           | 162           |
| Non-Current:                               |                |                |               |               |
| Development Costs .....                    | 1,603          | 1,603          | –             | –             |
| Less Amortisation .....                    | 890            | 813            | –             | –             |
|  | <u>713</u>     | <u>790</u>     | <u>–</u>      | <u>–</u>      |
| 17. ACCOUNTS PAYABLE:                      |                |                |               |               |
| Current:                                   |                |                |               |               |
| Trade Creditors and Accrued Expenses ..... | 20,394         | 21,731         | 3,492         | 3,486         |
| Amounts owing to controlled entities ..... | –              | –              | 6,439         | 6,443         |
| Hedge Payable .....                        | 4,180          | 1,960          | –             | –             |
| Other Amounts Payable .....                | 8,539          | 10,952         | –             | –             |
|  | <u>33,113</u>  | <u>34,643</u>  | <u>9,931</u>  | <u>9,929</u>  |
| Non-Current:                               |                |                |               |               |
| Deferred Hedge Payable .....               | 14,038         | 213            | –             | –             |
| Other Amounts Payable .....                | 321            | –              | –             | –             |
|  | <u>14,359</u>  | <u>213</u>     | <u>–</u>      | <u>–</u>      |
| 18. INTEREST BEARING LIABILITIES:          |                |                |               |               |
| Current:                                   |                |                |               |               |
| Bank Loans – Secured .....                 | 35,872         | 29,037         | –             | –             |
| Other Loans – Secured .....                | 6,916          | 6,392          | –             | –             |
| – Unsecured                                |                |                |               |               |
| – directors .....                          | 7,739          | 3,096          | 7,739         | 3,096         |
| – other related parties .....              | 2,278          | 205            | 161           | 205           |
| – other .....                              | 259            | 209            | 259           | 209           |
|  | <u>53,064</u>  | <u>38,939</u>  | <u>8,159</u>  | <u>3,510</u>  |
| Non-Current:                               |                |                |               |               |
| Bank Loans – Secured .....                 | 81,681         | 123,750        | –             | –             |
| Other Loans – Secured .....                | 20,331         | 21,044         | –             | –             |
| – Unsecured .....                          | 20,112         | 24,714         | –             | –             |
|  | <u>122,124</u> | <u>169,508</u> | <u>–</u>      | <u>–</u>      |

Loans are secured by a fixed and floating charge over the assets, uncalled capital and undertakings of various entities in the economic entity.

The Company accepts deposits from Directors and Director related entities under normal commercial arrangements and consistent with deposits received from other persons.

| 19. PROVISIONS:   | Consolidated  |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2003<br>\$000 | 2002<br>\$000 | 2003<br>\$000 | 2002<br>\$000 |
| Current:  |               |               |               |               |
| Proposed Dividends (Note 1y) .....  | 11,932        | 31,023        | 11,932        | 31,023        |
| Employee Entitlements .....   | 8,454         | 8,892         | 742           | 1,069         |
| Unearned Revenue .....  | 443           | 304           | -             | -             |
|   | <u>20,829</u> | <u>40,219</u> | <u>12,674</u> | <u>32,092</u> |
| Non-Current:  |               |               |               |               |
| Employee Entitlements .....   | 7,269         | 7,619         | 1,264         | 800           |
| Television License Fee .....  | 1,020         | 1,036         | -             | -             |
|   | <u>8,289</u>  | <u>8,655</u>  | <u>1,264</u>  | <u>800</u>    |
| Aggregate Employee Entitlement Liability .....                                    | <u>15,723</u> | <u>16,511</u> | <u>2,006</u>  | <u>1,869</u>  |
| Number of Employees at year end .....   | 775           | 781           | 216           | 202           |
| <br>20. TAX LIABILITIES:  |               |               |               |               |
| Current:  |               |               |               |               |
| Income Tax .....  | <u>6,256</u>  | <u>12,499</u> | <u>-</u>      | <u>1,467</u>  |
| Non-Current:  |               |               |               |               |
| Deferred Income Tax .....   | <u>13,138</u> | <u>14,204</u> | <u>-</u>      | <u>-</u>      |
| <br>21. OTHER LIABILITIES:  |               |               |               |               |
| Current:  |               |               |               |               |
| Restoration Costs accrued (Note 1f) .....   | <u>575</u>    | <u>714</u>    | <u>-</u>      | <u>-</u>      |
| Non-Current:  |               |               |               |               |
| Restoration Costs accrued (Note 1f) .....   | <u>6,070</u>  | <u>5,255</u>  | <u>-</u>      | <u>-</u>      |
| <br>22. CONTRIBUTED EQUITY:   |               |               |               |               |
| Share Capital:  |               |               |               |               |
| 238,640,580 – (2002 – 238,640,580) Ordinary<br>Shares Issued and Fully Paid ..... | <u>32,900</u> | <u>32,900</u> | <u>32,900</u> | <u>32,900</u> |

In June 2002 a share split of 10 for 1 was approved.

The number of shares held by associates - 102,257,830. (2002 - 102,257,830)

## 23. RESERVES:

|  | Consolidated   |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2003<br>\$000  | 2002<br>\$000  | 2003<br>\$000  | 2002<br>\$000  |
| General .....  | 403,994        | 403,994        | 400,426        | 400,426        |
| Capital.....   | 15,730         | 15,730         | -              | -              |
| Asset Revaluation.....   | 13,345         | 13,345         | 2,068          | 2,068          |
| Foreign Currency .....   | (2,203)        | 6,170          | -              | -              |
|  | <u>430,866</u> | <u>439,239</u> | <u>402,494</u> | <u>402,494</u> |
| Material Movements to:   |                |                |                |                |
| General Reserve:   |                |                |                |                |
| From Asset Revaluation Reserve.....                                    | -              | 12             | -              | 12             |
| Foreign Currency Reserve:  |                |                |                |                |
| Net exchange difference on translation of<br>controlled entities ..... | (8,565)        | (8,352)        | -              | -              |
| Net exchange difference on translation of<br>associates.....           | 192            | -              | -              | -              |
| Capital Reserve:   |                |                |                |                |
| From Retained Profits .....  | -              | 27             | -              | -              |

## Nature and Purpose of Reserves

## General Reserve

Amounts allocated from Retained Profits as reserved for the future general needs of the operations of the entity.

## Capital Reserve

This reserve represents amounts allocated from Retained Profits that were profits of a capital nature. Where appropriate it is intended to transfer the balance to General Reserve.

## Asset Revaluation Reserve

This Reserve includes net revaluation increments and decrements arising from the revaluation of non-current assets. Upon the disposal of revalued assets, any related revaluation increment standing to the credit of the asset revaluation reserve is transferred to capital/general reserve. The reserve relates to asset previously revalued now deemed to be at cost in adopting accounting standard AASB1041.

## Foreign Currency Reserve

The foreign currency reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations.

## 24. RETAINED PROFITS:

|   |                |                |               |              |
|---|----------------|----------------|---------------|--------------|
| Retained Profits at Beginning of the Financial Year   | 196,297        | 162,554        | 4,989         | 6,197        |
| Current Year Profit .....                             | 88,307         | 72,741         | 58,626        | 44,134       |
| Transfers to Reserves (Note 23).....                  | -              | (27)           | -             | -            |
| Dividends paid or provided for (Note 25a) .....       | (18,444)       | (38,971)       | (28,637)      | (45,342)     |
| Retained Profits at the end of the Financial Year ... | <u>266,160</u> | <u>196,297</u> | <u>34,978</u> | <u>4,989</u> |

## 25. DIVIDENDS

## a) Paid or Provided for:

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| Interim dividend 7 cents (2002 - 6 cents) fully franked<br>at tax rate of 30%..... | 16,705        | 14,319        | 16,705        | 14,319        |
| Proposed final dividend (2002 - 8 cents) fully franked<br>at tax rate of 30%.....  | -             | 19,091        | -             | 19,091        |
| Proposed special dividend 5 cents fully franked<br>at tax rate of 30%.....         | 11,932        | 11,932        | 11,932        | 11,932        |
| Share of Dividends Received by Associate.....                                      | (10,193)      | (6,371)       | -             | -             |
|  | <u>18,444</u> | <u>38,971</u> | <u>28,637</u> | <u>45,342</u> |

## b) Recommended (Note 1y)

|   |                |                |               |               |
|---|----------------|----------------|---------------|---------------|
| Recommended final dividend 10 cents fully franked<br>at tax rate of 30%.....  | 23,864         | -              | 23,864        | -             |
| Balance of franking accounts at year end adjusted for<br>franking credits arising from payment of income tax<br>and dividend provisions ..... | <u>137,536</u> | <u>130,249</u> | <u>84,168</u> | <u>79,590</u> |

26. OUTSIDE EQUITY INTERESTS:

|                          | <b>Consolidated</b> |        |
|--------------------------|---------------------|--------|
|                          | <b>2003</b>         | 2002   |
|                          | <b>\$000</b>        | \$000  |
| Contributed Equity ..... | <b>27,325</b>       | 27,919 |
| Reserves .....           | <b>9,716</b>        | 11,046 |
| Retained Profits.....    | <b>70,489</b>       | 60,098 |
|                          | <b>107,539</b>      | 99,063 |

27. FINANCIAL INSTRUMENTS:

**(a) Credit Risk Exposure**

The credit risk on financial assets of the economic entity which has been recognised in the Statement of Financial Position, other than investments in shares, is generally the carrying amount net of any provision for doubtful debts.

For financial instruments not included in the Statement of Financial Position, including derivatives which are deliverable, credit risk also 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 economic entity is exposed to loss in the event that the counterparties fail to deliver the contracted amount. At 31st July, 2003 an amount of \$99,555,828 (Australian dollar equivalents) (2002 - \$117,842,108) is receivable.

The economic entity transacts across a range of industries and operates predominately in Australian and South East Asia. It is not materially exposed to an individual customer apart from that disclosed in Note 32.

**(b) Foreign Exchange Risk**

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

The sales revenue of the New Hope Corporation Limited economic entity is predominately denominated in United States Dollars. In order to protect against adverse rate movements, a proportion of the anticipated revenue of future financial periods has been sold under foreign exchange contracts. The contracts are timed to mature to match expected US\$ revenue streams. At 31st July, 2003 details of outstanding contracts in Australia were:

| Sell US Dollars | Buy Australian Dollars |            | Average Exchange Rate |         |
|-----------------|------------------------|------------|-----------------------|---------|
|                 | 2003                   | 2002       | 2003                  | 2002    |
| Maturity        |                        |            |                       |         |
| 0 to 6 Months   | <b>16,180,489</b>      | 15,043,382 | <b>0.58713</b>        | 0.59827 |
| 6 to 12 Months  | <b>20,163,333</b>      | 23,504,706 | <b>0.57034</b>        | 0.55308 |
| 1 to 2 Years    | <b>32,251,465</b>      | 22,947,873 | <b>0.55811</b>        | 0.56650 |
| 2 to 5 Years    | <b>49,178,043</b>      | 54,599,343 | <b>0.52869</b>        | 0.53114 |

As these contracts are hedging anticipated future sales, any unrealised gains and losses on these contracts, together with the costs of contracts, are deferred and will be recognised in the measure of underlying transactions. Included in the amounts deferred are any gains and losses on hedging contracts terminated prior to maturity where the related hedge transaction is still expected to occur.

The net unrecognised gain relating to these contracts at 31st July, 2003 is \$18,217,503 (2002 loss of \$1,746,815)

**(c) Interest Rate Exposure**

Exposure arises predominately from assets and liabilities bearing variable interest rates as the economic entity intends to hold fixed interest rate assets and liabilities to maturity.

Financial assets consist of cash, receivables and investments as shown in the Statement of Financial Position. Investments are principally of a non interest bearing nature, short-term deposits have maturities between 11am and 180 days. Interest rates on cash at bank and short term deposits range from 0.5% and 5.0%. Debtors are generally non interest bearing. Loans receivable have a maximum period of 10 years and are based on bank bill or bank loan base rates.

Financial liabilities consist of creditors, bank overdraft and loans as shown in the Statement of Financial Performance. Creditors are non interest bearing. Bank overdraft is the cashbook balance and as such is non interest bearing.

27. FINANCIAL INSTRUMENTS (Cont.):

**Other Loans**

|                              | 2003<br>\$000  | 2002<br>\$000  | 2003<br>Weighted average %<br>Interest Rate | 2002<br>Weighted average %<br>Interest Rate |
|------------------------------|----------------|----------------|---|---|
| Floating Interest rate ..... | 12,488         | 8,828          | 3.6   | 4.1   |
| Fixed Interest Maturities    |                |                |   |   |
| Less than 1 year .....       | 106,502        | 143,187        | 2.5   | 3.1   |
| 1 to 5 years .....           | 54,081         | 10,920         | 6.2   | 6.9   |
| More than 5 years .....      | -              | 45,190         | -   | 8.0   |
| Non Interest Bearing .....   | 10,977         | 11,274         | -   | -   |
|                              | <u>184,048</u> | <u>219,399</u> |   |   |

|  |              |         | 2003<br>\$000  | 2002<br>\$000  |
|--|--------------|---------|----------------|----------------|
| <b>Reconciliation to Statement of Financial Position</b> |              |         |                |                |
| Other Loans  | -Current     | Note 18 | 17,192         | 9,902          |
|  | -Non Current | Note 18 | 40,443         | 45,758         |
| Bank Loans   | -Current     | Note 18 | 35,872         | 29,037         |
|  | -Non Current | Note 18 | 81,681         | 123,750        |
| Other Amounts Payable                                    | -Current     | Note 17 | 8,539          | 10,952         |
|  | -Non Current | Note 17 | 321            | -              |
|  |              |         | <u>184,048</u> | <u>219,399</u> |

(d) **Net Fair value of financial assets and liabilities**

The net fair value of cash and cash equivalents and non interest bearing monetary financial assets and financial liabilities for the economic entity approximate their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based on a review of the current carrying value of assets and liabilities and the assessment of the value reported by the economic entity. Listed investments are valued at cost and the market value is disclosed in Notes 6 and 7.

28. COMMITMENTS AND CONTINGENT LIABILITIES:

**A. Superannuation Commitments**

The Economic Entity participates in a number of superannuation funds, most of which were established and are sponsored by the Economic Entity. The funds provide benefits either on a defined benefit or cash accumulation basis for employees or their dependents on retirement, resignation, disablement or death. The funds provide benefits in the form of lump sum payments.

The Economic Entity and employee members make contributions as specified in the rules of the respective funds. Although the Economic Entity is committed to make contributions to the various funds these obligations are not legally enforceable except in respect of the provision of defined benefits. An independent actuarial assessment of the level of contributions to the Economic Entity's sponsored defined benefit fund is performed annually by the AMP Life Limited.

|  | Estimate of Maximum Amount |               |               |               |
|--|----------------------------|---------------|---------------|---------------|
|  | Consolidated               |               | Company       |               |
|  | 2003<br>\$000              | 2002<br>\$000 | 2003<br>\$000 | 2002<br>\$000 |
| <b>B. Capital Expenditure Commitments</b>  |                            |               |               |               |
| Estimated capital expenditure contracted for at balance date but not provided for, payable |                            |               |               |               |
| - Not later than one year .....  | 7,040                      | 30,531        | 4,500         | 4,250         |
| - One year or later and no later than five years .....                                     | 1,507                      | 1,795         | -             | -             |
|  | <u>8,547</u>               | <u>32,326</u> | <u>4,500</u>  | <u>4,250</u>  |

## 28. COMMITMENTS AND CONTINGENT LIABILITIES (Cont.):

|  | Estimate of Maximum Amount |               |               |               |
|--|----------------------------|---------------|---------------|---------------|
|  | Consolidated               |               | Company       |               |
|  | 2003<br>\$000              | 2002<br>\$000 | 2003<br>\$000 | 2002<br>\$000 |
| <b>C. Lease Commitments</b>                                    |                            |               |               |               |
| (i) Operating Leases:  |                            |               |               |               |
| Amount due within one year.....                                | 2,772                      | 2,781         | 1,661         | 1,959         |
| Amount due later than one year, not later than five years..... | 7,090                      | 6,859         | 4,040         | 4,573         |
| Amount due later than five years.....                          | 2,821                      | 3,389         | 578           | 1,210         |
|  | <u>12,683</u>              | <u>13,029</u> | <u>6,279</u>  | <u>7,742</u>  |

The consolidated entity leases property under operating leases expiring from one to ten years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are negotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

**D. Contingent Liabilities:****(a) Secured by a charge on the Economic Entity's Assets.**

(i) The Parent Entity has provided a guarantee and indemnity to National Australia Trustees Limited, secured by an Equitable Mortgage over certain Investments, for the provision of finance amounting to US\$100 million by National Australia Bank Limited and Banque Nationale de Paris to P.T. Indonesia Bulk Terminal for the construction of the coal loading facility at Pulau Laut. Outstanding principal and interest accrued as at 31st July, 2003. ....

|   |   |        |         |
|---|---|--------|---------|
| - | - | 79,779 | 120,188 |
|---|---|--------|---------|

(ii) Undertakings and guarantees issued by a Controlled Entity's bankers to Department of Minerals & Energy, Statutory Power Authorities and various other entities .....

|       |       |   |   |
|-------|-------|---|---|
| 4,879 | 5,662 | - | - |
|-------|-------|---|---|

(iii) A controlled entity has given security in respect of a loan to a third party .....

|        |        |   |   |
|--------|--------|---|---|
| 14,308 | 19,495 | - | - |
|--------|--------|---|---|

**(b) Not secured by a charge on the Economic Entity's Assets.**

(i) Bank guarantees issued in the normal course of business

|   |   |   |   |
|---|---|---|---|
| 2 | 2 | 2 | 2 |
|---|---|---|---|

(ii) Multiple drawdown revolving loan facility to an associated entity - Nil balance as at 31st July, 2003 .

|       |   |       |   |
|-------|---|-------|---|
| 1,000 | - | 1,000 | - |
|-------|---|-------|---|

(iii) In addition to the above, legal actions against members of the Economic Entity are outstanding which are not provided for in the Financial Statements. They are being defended, liability denied and no loss is expected .....

|               |               |               |                |
|---------------|---------------|---------------|----------------|
| -             | -             | -             | -              |
| <u>20,189</u> | <u>25,159</u> | <u>80,781</u> | <u>120,190</u> |

NO LOSSES ARE ANTICIPATED IN RESPECT OF ANY OF THE ABOVE CONTINGENT LIABILITIES.

**E. Contingent Asset**

In February, 2003 PT Indonesia Bulk Terminal (PT IBT) reached a settlement with a customer, PT Paiton Energy, whereby PT IBT would receive approximately US\$28.57 million (A\$43.67 million). This arrangement relates to the breaches of a coal supply agreement between PT Paiton Energy and PT Batu Hitam Perkasa, and a coal terminal services agreement between PT Batu Hitam Perkasa and PT IBT. The settlement is to be paid in three instalments commencing October, 2003 and continuing into 2004. However, directors regard the financial position of PT Paiton Energy to be such that the receivable has not met the requirements for recognition in the consolidated financial statements.



29. DIRECTORS' AND EXECUTIVES REMUNERATION:

|  | Consolidated  |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2003<br>\$000 | 2002<br>\$000 | 2003<br>\$000 | 2002<br>\$000 |
| <b>Remuneration of Directors</b>   |               |               |               |               |
| The number of Directors of the Parent Entity whose income from the Parent Entity and related corporations falls within the following bands are as follows: |               |               |               |               |
| \$50,000 – \$59,999  |               |               | 1             | 1             |
| \$130,000 – \$139,999  |               |               | 1             | 1             |
| \$160,000 – \$169,999  |               |               | 1             | 1             |
| \$250,000 – \$259,999  |               |               | –             | 1             |
| \$260,000 – \$269,999  |               |               | 1             | –             |
| \$470,000 – \$479,999  |               |               | 1             | 1             |
| Total income paid or payable, or otherwise made available to Directors by entities in the economic entity and related parties .....                        | <u>1,568</u>  | <u>1,502</u>  | <u>1,099</u>  | <u>1,008</u>  |

| <b>Remuneration of Executives</b>  |              |              |              |            |
|--|--------------|--------------|--------------|------------|
| The number of Executive Officers whose remuneration from entities in the economic entity and related parties falls within the following bands are as follows:          |              |              |              |            |
| \$100,000–\$109,999  | 2            | 1            | 1            | 1          |
| \$110,000–\$119,999  | 2            | 1            | 1            | –          |
| \$120,000–\$129,999  | 1            | 2            | –            | –          |
| \$130,000–\$139,999  | 1            | 1            | –            | –          |
| \$140,000–\$149,999  | 4            | 2            | –            | –          |
| \$150,000–\$159,999  | 2            | 1            | 1            | 1          |
| \$160,000–\$169,999  | 1            | –            | –            | –          |
| \$170,000–\$179,999  | –            | 1            | –            | –          |
| \$180,000–\$189,999  | 1            | 2            | –            | 1          |
| \$190,000–\$199,999  | 1            | 2            | –            | –          |
| \$200,000–\$209,999  | 3            | –            | 1            | –          |
| \$230,000–\$239,999  | 1            | –            | –            | –          |
| \$250,000–\$259,999  | –            | 1            | –            | –          |
| \$280,000–\$289,999  | 1            | 1            | –            | –          |
| \$290,000–\$299,999  | 1            | –            | –            | –          |
| \$300,000–\$309,999  | 1            | 1            | –            | –          |
| \$340,000–\$349,999  | –            | 1            | –            | –          |
| \$400,000–\$409,999  | –            | 1            | –            | 1          |
| \$450,000–\$459,999  | 1            | –            | –            | –          |
| \$470,000–\$479,999  | 1            | –            | 1            | –          |
| \$480,000–\$489,999  | –            | 1            | –            | –          |
| \$670,000–\$679,999  | 1            | –            | –            | –          |
| Total remuneration received, or due and receivable, from entities in the economic entity and related parties by Executive Officers whose income exceeds \$100,000..... | <u>5,481</u> | <u>4,044</u> | <u>1,055</u> | <u>845</u> |

Details of the nature and amount of each major element of the remuneration of each Director of the Company and each of the five named officers of the Company and the consolidated entity receiving the highest remuneration are:-

|   | Base<br>Remuneration<br>\$000 | Super-<br>annuation<br>\$000 | Non Cash<br>Benefits<br>\$000 | Total<br>\$000 |
|---|-------------------------------|------------------------------|-------------------------------|----------------|
| <b>Directors' Benefits</b>                          |                               |                              |                               |                |
| R.D. Millner  | 219                           | 20                           | 30                            | 269            |
| M.J. Millner  | 151                           | 13                           | –                             | 164            |
| P.R. Robinson                                       | 383                           | 52                           | 41                            | 476            |
| D.J. Fairfull                                       | 128                           | 7                            | –                             | 135            |
| G.L. Robertson                                      | 55                            | –                            | –                             | 55             |
| <b>Officers' Benefits - The Company</b>             |                               |                              |                               |                |
| N.L. Smallbone                                      | 158                           | 27                           | 22                            | 207            |
| R.A. O'Brien  | 120                           | 12                           | 21                            | 153            |
| J.G. Riley  | 95                            | 11                           | 10                            | 116            |
| <b>Officers' Benefits - The Consolidated Entity</b> |                               |                              |                               |                |
| R.G. Barker   | 637 *                         | 13                           | 23                            | 673            |
| D. Ledbury  | 381 **                        | 52                           | 25                            | 458            |
| R.C. Neale  | 200                           | 72                           | 31                            | 303            |
| M. Simmons  | 247 **                        | 34                           | 17                            | 298            |
| J. Eather   | 237 **                        | 33                           | 18                            | 288            |

\* Includes Termination Payment      \*\* Includes Bonus Payments

## 30. NOTES TO THE STATEMENTS OF CASH FLOWS:

|   | Consolidated                           |  | Company                                |  |
|---|--|--|--|--|
|   | 2003<br>Inflows<br>(Outflows)<br>\$000 | 2002<br>Inflows<br>(Outflows)<br>\$000 | 2003<br>Inflows<br>(Outflows)<br>\$000 | 2002<br>Inflows<br>(Outflows)<br>\$000 |
| <b>Reconciliation of Net Cash Inflow from Operating Activities to Operating Profit After Income Tax</b> |  |  |  |  |
| Operating profit after income tax.....  | 107,236                                | 88,243                                 | 58,626                                 | 44,134                                 |
| Gains on non-current assets .....   | (9,323)                                | (11,814)                               | (13,626)                               | (5,128)                                |
| (Profit)/Loss on Sale of Plant and Equipment..  | 17                                     | 636                                    | 11                                     | (11)                                   |
| Income tax in accounts.....   | 21,546                                 | 25,824                                 | 4,191                                  | 2,405                                  |
| Income tax paid .....   | (27,287)                               | (15,216)                               | (3,515)                                | (3,510)                                |
| Depreciation and amortisation .....   | 30,074                                 | 27,047                                 | 1,282                                  | 1,385                                  |
| Net foreign exchange gain/(loss).....   | 1,101                                  | (892)                                  | -                                      | -                                      |
| Partnership income .....  | (3,672)                                | (3,123)                                | -                                      | -                                      |
| Amounts set aside to provisions.....  | 334                                    | 1,025                                  | 144                                    | 423                                    |
| Amounts paid direct from provision.....   | (7)                                    | (569)                                  | (7)                                    | (33)                                   |
| Share of profit of associates not received as<br>dividends.....   | (9,238)                                | (9,671)                                | -                                      | -                                      |
| Changes in operating assets and liabilities.....  |  |  |  |  |
| (Increase)/Decrease in debtors.....   | 3,202                                  | (3,578)                                | (3,704)                                | 1,903                                  |
| (Increase)/Decrease in inventories .....  | (1,595)                                | (128)                                  | 1,382                                  | 39                                     |
| (Increase)/Decrease in prepayments.....   | (3,811)                                | (625)                                  | 4                                      | (8)                                    |
| Increase/(Decrease) in creditors .....  | (1,466)                                | 3,459                                  | 4                                      | (587)                                  |
| Net Cash Provided by Operating Activities .....   | <u>107,111</u>                         | <u>100,618</u>                         | <u>44,792</u>                          | <u>41,012</u>                          |

**Reconciliation of Cash**

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position as follows:

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| Cash.....                                    | 38,503        | 20,021        | 8,399         | 219           |
| Short term deposits (Note 5).....            | <u>42,430</u> | <u>47,266</u> | <u>19,000</u> | <u>15,000</u> |
| Balance as per Statement of Cash Flows ..... | <u>80,933</u> | <u>67,287</u> | <u>27,399</u> | <u>15,219</u> |

**Financing Facilities**

The economic entity has access to facilities as follows:

|                            |         |         |       |       |
|----------------------------|---------|---------|-------|-------|
| Bank overdraft.....        | 1,000   | 1,000   | 1,000 | 1,000 |
| Loan facilities .....      | 59,372  | 69,313  | -     | -     |
| Bank loan facilities ..... | 134,711 | 180,518 | -     | -     |

Unused at balance date:

|                            |        |        |       |       |
|----------------------------|--------|--------|-------|-------|
| Bank overdraft.....        | 1,000  | 1,000  | 1,000 | 1,000 |
| Loan facilities .....      | 11,969 | 50,996 | -     | -     |
| Bank loan facilities ..... | 11,960 | 23,116 | -     | -     |

Facilities may be drawn at any time in either Australian or United States currency and may be payable on demand. They are subject to review on a regular basis. Interest rates on facilities are both fixed and variable.

### 31. RELATED PARTIES:

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

#### (a) **Controlled Entities.**

Information related to controlled entities is set out in Note 8. Transactions between the parent entity and its wholly owned and partly owned controlled entities and between related entities are at normal commercial rates except that there may be no fixed terms for repayment of loans. Transactions consist of the transfer of funds for day to day financing, the sale of goods and services, loans advanced and repaid, interest and dividend payments, rent and management fees.

#### (b) **Directors and Director Related Entities.**

The names of persons who were directors of Washington H. Soul Pattinson and Company Limited during the financial year are:–

R.D. MILLNER, P.R. ROBINSON, M.J. MILLNER, G.L. ROBERTSON, D.J. FAIRFULL.

The following information is provided to the best of their knowledge with regard to directors and their related entities:  
Aggregate number of fully paid ordinary shares and options in:

|   | Acquired | Sold | Held<br>31.07.03 |
|---|----------|------|------------------|
| Shares:                                 |          |      |                  |
| Washington H. Soul Pattinson & Co. Ltd. | 122,055  | –    | 16,099,545       |
| Keith Harris & Co. Ltd.                 | –        | –    | 8,000            |
| New Hope Corporation Ltd.               | –        | –    | 45,985,710       |
| SP Telecommunications Ltd.              | –        | –    | 380,000          |
| Options:                                |          |      |                  |
| SP Telecommunications Ltd.              | –        | –    | 34,000           |

#### *Other Transactions*

The Directors and their related entities received dividends during the year in respect of their shareholdings in the group consistent with other shareholders. Unsecured deposits are accepted from Directors and their related entities and interest is paid at normal commercial rates. The aggregate amounts of interest paid for the year and the balance of deposits on hand at the end of the year are disclosed in Notes 2 and 18 respectively.

Deposits were received from: R.D. Millner, M.J. Millner, P.R. Robinson, D.J. Fairfull and/or their related entities.

Loans made to Directors of a controlled entity by a controlled entity at balance date amount to \$120,174. The total amount of loan repayments during the financial year were \$7,800. The secured loan is repayable by weekly instalments and interest is charged at 5% per annum.

Mr. G.L. Robertson is a Director. His father is governing Director of Farjoy Pty. Ltd. New Hope Corporation Limited and some of its controlled entities have transactions with Farjoy Pty. Ltd. which include payment of dividends and repayment of loans.

Messrs G.L. Robertson, and A.C. Buckler have an interest in an entity which has had transactions with a controlled entity. These transactions are for the supply of management services.

Mr. K.P. Standish is a Director of a controlled entity. He is a partner in the firm Standish Partners Solicitors which has provided legal services to New Hope Corporation Limited and certain of its controlled entities for several years.

SP Telecommunications Limited granted options over 4 million unissued shares under the Employee Share Option Plan. Of those options 1,100,000 were granted to Mr D. Ledbury and expire on 10th May 2006.

31. RELATED PARTIES (Cont.):

Aggregate amounts of transactions are as follows:

|                            | <b>Consolidated</b> |       |
|----------------------------|---------------------|-------|
|                            | <b>2003</b>         | 2002  |
|                            | <b>\$000</b>        | \$000 |
| Management Fees .....      | <b>122</b>          | 98    |
| Legal Fees .....           | <b>253</b>          | 169   |
| Loan Repayments .....      | <b>352</b>          | 358   |
| Loans advanced .....       | <b>879</b>          | –     |
| Consulting Fees paid ..... | <b>225</b>          | –     |

All transactions are based on normal commercial terms and conditions and at market rates.

(c) **Associates**

Australian Pharmaceutical Industries is the major supplier of products to the Company's pharmacies.

During the current financial year the company invested \$1 million in Pitt Capital Partners Limited (formerly SP Finance Pty. Limited) and reduced its shareholding to 50%. At the same time an entity controlled by Mr. D.J. Fairfull acquired a 25% shareholding at a cost of \$250,000. Pitt Capital Partners Limited provides advisory services to various sections of the economic entity. The aggregate amount of services for the financial year was \$383,750. Management fees received from Pitt Capital Partners Limited totalled \$200,000.

Goodwill on acquisition is amortised over three years.

|  | <b>Consolidated</b> |        |
|--|---------------------|--------|
|  | <b>2003</b>         | 2002   |
|  | <b>\$000</b>        | \$000  |
| Aggregated amounts included in the determination of operating profit before income tax from associated companies:– |                     |        |
| Dividend revenue .....   | <b>27,773</b>       | 22,476 |
| Handling and Commission Expense .....  | <b>6,478</b>        | 4,737  |
| Handling and Commission Revenue .....  | <b>47,738</b>       | 53,251 |
| Management fees received .....   | <b>1,246</b>        | 1,876  |
| Partnership income received .....  | <b>3,672</b>        | 3,119  |
| Aggregated amounts brought to account in relation to other transactions with associated companies:–                |                     |        |
| Loan advanced .....  | <b>4,172</b>        | 3,119  |
| Repayment of loans advanced .....  | <b>4,251</b>        | 3,675  |

All transactions are based on normal commercial terms and conditions and at market rates.

All loans are expected to be repaid within 12 months of advance

32. ECONOMIC DEPENDENCY:

NBN Limited acquires the majority of the television programs it broadcasts from the NINE Network pursuant to a program supply agreement. The agreement expires in June 2007.

Koovee Communications Pty. Limited is dependent upon telecommunication services rendered by Primus Telecommunications Pty. Limited pursuant to a virtual service provider agreement which is due to expire on 31st July 2003. Under the agreement there is an option to extend this arrangement by 2 years at Koovee's discretion. This is currently being evaluated.

33. SUBSEQUENT EVENTS

New Hope Corporation Limited was listed on the Australian Stock Exchange on 16 September, 2003 and the Company's Shareholding has reduced to 63.52%

Since the end of the financial year the Company has sold 8 pharmacies and 3 properties. The total sale price was in excess of carrying values.

# WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

A.B.N. 49 000 002 728

## DIRECTORS' DECLARATION

In the opinion of the Directors of Washington H. Soul Pattinson and Company Limited:

- (a) the financial statements and notes, set out on pages 9 to 34 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 31st July, 2003 and of their performance as represented by the results of their operations and their cash flows, for the year ended on that date, and
  - (ii) complying with Accounting Standards in Australia and the Corporations Act 2001, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors, for and on behalf of the Board by:

R.D. Millner  
Director

M.J. Millner  
Director

Dated at Sydney this 8th day of October, 2003.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED**

**Scope**

We have audited the financial report of Washington H. Soul Pattinson and Company Limited for the financial year ended 31 July 2003 consisting of the Statements of Financial Performance, Statements of Financial Position, Statements of Cash Flows, Notes to the Financial Statements, and the Directors' Declaration.

The financial report includes the consolidated financial statements 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. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

**Audit Opinion**

In our opinion, the financial report of Washington H. Soul Pattinson and Company Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 July 2003 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.

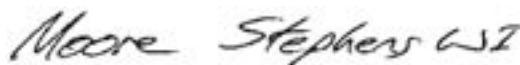
**Inherent Uncertainty Regarding Carrying Amount of Investment in Associated Company**

Without qualification to the statement expressed above, attention is drawn to the following matter. As discussed in Note 10 to the financial statements, recoverability of a receivable for VAT input paid by an associated company is the subject of discussions with the Indonesian Government. The outcome of these discussions and any action that may be taken by the Indonesian Government is uncertain. As the ultimate outcome of this matter cannot presently be determined with an acceptable degree of reliability, no adjustment to the carrying amount of investments in associated companies that may result from adverse action by the Indonesian Departments has been made in the financial report.



**Cameron McCullagh**  
Partner

Dated 8 October 2003



**Moore Stephens WI**  
14 Martin Place, Sydney

# WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

A.B.N. 49 000 002 728

## CORPORATE GOVERNANCE STATEMENT

This statement outlines the Company's main Corporate Governance practices. Unless otherwise stated, all practices were in place for the entire year.

### **The Board of Directors**

The Board of Directors is ultimately responsible for the overall Corporate Governance of the economic entity and operates in accordance with the following broad principles:-

- In accordance with the Company's Constitution, the Board should comprise no less than 3 or more than 6 Directors.
- A majority of the Board should be non-executive Directors.
- The Chairman should be a non-executive Director.
- Equity participation by Directors is mandatory under the Constitution of the Company.
- The Board should comprise Directors with a broad range of skills and experience.

In order to carry out its duties, the Board meets at least 12 times a year. The Board has established nomination, remuneration and audit committees consisting of non-executive directors to assist the full Board in examining these particular areas. Each committee has its authority delegated to it by the Board.

At all times during the year there was a majority of non-executive Directors on the Board. At the date of signing the Directors' Report, the Board consisted of three non-executive Directors and two executive Directors.

Directors are initially appointed by the full Board, subject to election by shareholders at the next Annual General Meeting. Under the Constitution, one third of the Board of Directors retire from office each year and submit themselves for re-election by shareholders at the Annual General Meeting.

### **Chairman**

The Chairman of the Board is a non-executive Director who is elected by the full Board.

### **Board Responsibilities**

The responsibilities of the board include:

- The development and approval of corporate strategy
- Reviewing and approving budget, business and financial plans and capital expenditure proposals including acquisitions or divestments
- Monitoring financial performance including approval of the annual and half-year financial reports
- The appointment of the Executive Director and performance assessment
- The appointment of and performance assessment of senior management including the Financial Controller and the Company Secretary
- Ensuring significant risks facing the Group are identified and controlled.
- Reporting to shareholders

### **Non-Executive Directors**

The performance of the non-executive Directors is reviewed by the Chairman on an ongoing basis. Any Director whose performance is considered unsatisfactory is asked to resign.

Non-executive Directors are expected to spend at least 40 days per year preparing for, and attending, Board and committee meetings and associated activities.

### **Independent Professional Advice**

In the discharge of their duties and responsibilities, the Directors individually (as well as the Board) have the right to seek independent professional advice at the company's expense. However, for such advice to individual Directors prior approval of the Chairman is required, which is not to be unreasonably withheld.

### **Nomination Committee**

The nomination committee consists of the non-executive Directors.

The main responsibilities of the committee are to periodically review the membership of the Board, having regard for the Company's particular needs, both present and future. Where necessary, advice is sought from independent consultants. When a director is due for re-election at the next Annual General Meeting that director will not serve on the Nomination Committee during the year preceding re-election.

### **Remuneration Committee**

The remuneration committee consists of the non-executive Directors. The main responsibility of the committee 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 Committee aims to ensure in respect of directors and senior management that the level and composition of remuneration is sufficient and reasonable so as to encourage enhanced performance of the Company.

Remuneration of non-executive Directors is determined by the Board within the maximum amount approved by shareholders from time to time.

Further information on Directors' and Executives' remuneration is set out in Note 29 to the financial statements.

#### **Audit Committee**

The audit committee consists of the non-executive Directors of the Board with the exception of the non executive Chairman. The Audit Committee has its own independent Chairman

The main responsibilities of the audit committee are to:-

- Review and approve the annual and half yearly reports and financial statements and other financial information published by the Company or released to the market.
- Provide assurance to the Board that it is receiving adequate, up to date and reliable information.
- Assist the Board in reviewing the effectiveness of the Company's internal control procedures covering efficiency and reliability of operations, financial reporting and compliance with applicable laws and regulations.
- Assist the Board in reviewing the work of risk management.

It is also the responsibility of the committee to recommend to the Board the appointment, removal and remuneration of the external auditors, to review the terms of their engagement and the scope and quality of the external audit and assess performance.

The committee meets on a quarterly basis and at least annually with the internal and external auditors. The non executive Chairman, Executive Director, Internal Auditor, the Company Secretary and the Financial Controller are invited to attend Audit Committee meetings at the discretion of the Committee.

The internal and external auditors have a clear line of direct communication at any time to the Chairman of the Board.

The Committee has authority, within the scope of its responsibilities, to seek information it requires from any employee or external party and to obtain external legal or other independent professional advice.

The Committee reports to the full Board after each committee meeting and relevant papers and minutes are provided to all Directors.

#### **Continuous Disclosure and Shareholder Communication**

The Board is committed to ensuring that shareholders are fully informed of all material matters that effect the Group. The dissemination of information is achieved as follows:

- the Annual Report is distributed to all shareholders in October each year.
- the Chairman's Address to the Annual General Meeting is usually distributed to shareholders in November each year.
- a Half-Yearly Review of Operations is distributed to shareholders in May each year.
- where possible, significant information is posted on the Company's internet website as soon as it is disclosed to the market.

The Board fully recognizes its disclosure obligations and the Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX) which includes compliance with the continuous disclosure requirements of the ASX as well as for disclosure to shareholders and the media.

#### **Risk Assessment and Management**

The Board has in place a number of arrangements and policies to identify and manage areas of significant business risk. These include:-

- Regular detailed financial, budgetary and management reporting.
- Procedures to manage financial and operational risks.
- Established organizational structures, procedures and policies.
- Comprehensive insurance and risk management programs.
- Procedures requiring Board approval for all borrowings, guarantees and capital expenditure beyond minor levels.
- Where applicable, the utilisation of specialised staff and external advisors.

#### **Code of Conduct and Ethical Standards**

All Directors, executives, managers and employees are expected to act with integrity and maintain appropriate ethical standards. The Company has policies dealing with the conduct of the Company's affairs including:-

- Professional conduct.
- Standards of workplace behaviour and equal opportunity.
- Compliance with laws and regulations.
- Relationships with customers, suppliers and competitors.
- The environment.
- Conflicts of interest.

The policy governing trading in company securities prohibit the purchase and sale of securities during certain time periods and when individuals are in possession of price sensitive information.



# WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

## SHARE REGISTER INFORMATION

As at 1st October, 2003, there were 6,213 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 of a corporation 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 for the share.

### DISTRIBUTION OF SHAREHOLDERS AS AT 1st OCTOBER, 2003.

| Size of Shareholding | Number of Shareholders | Number of Shares   |
|----------------------|------------------------|--------------------|
| 1 - 1,000            | 1,275                  | 889,793            |
| 1,001 - 5,000        | 2,986                  | 8,530,951          |
| 5,001 - 10,000       | 939                    | 7,483,414          |
| 10,001 - 100,000     | 916                    | 24,898,666         |
| 100,001 - and over   | 97                     | 196,837,756        |
| <b>TOTAL</b>         | <b>6,213</b>           | <b>238,640,580</b> |

Substantial shareholders as at 1st October, 2003 as disclosed by notices received by the Company were:

|                                      | No. of Shares | %     |
|--------------------------------------|---------------|-------|
| Brickworks Limited                   | 102,257,830   | 42.85 |
| Perpetual Trustees Australia Limited | 34,330,767    | 14.39 |

### LIST OF TOP 20 SHAREHOLDERS AS AT 1st OCTOBER, 2003.

|   | No. of Shares | %     |
|---|---------------|-------|
| Brickworks Limited  | 102,257,830   | 42.85 |
| RBC Global Services Australia Nominees Pty. Ltd. (Pipooled A/c) | 22,284,601    | 9.34  |
| Dixson Trust Pty Limited  | 8,438,190     | 3.54  |
| J S Millner Holdings Pty Limited                                | 6,636,790     | 2.78  |
| Choiseul Investments Limited                                    | 4,251,690     | 1.78  |
| RBC Global Services Australia Nominees Pty. Ltd. (PIIC A/c)     | 3,831,556     | 1.61  |
| Lewyheirs Pty Limited   | 3,628,150     | 1.52  |
| T G Millner Holdings Pty Limited                                | 3,092,920     | 1.30  |
| Perpetual Trustee Company Limited                               | 2,903,391     | 1.22  |
| Hexham Holdings Pty Limited                                     | 2,700,090     | 1.13  |
| J P Morgan Nominees Australia Limited                           | 2,345,938     | 0.98  |
| Mr James Sinclair Millner                                       | 2,237,810     | 0.94  |
| AMP Life Limited  | 1,895,255     | 0.79  |
| Cogent Nominees Pty Limited                                     | 1,426,699     | 0.60  |
| Dixson Trust Pty Limited (No 1 A/c)                             | 1,345,200     | 0.56  |
| Westpac Custodian Nominees Limited                              | 1,318,155     | 0.55  |
| National Nominees Limited                                       | 1,211,836     | 0.51  |
| Mary Millner Holdings Pty Limited                               | 1,086,860     | 0.46  |
| Milton Corporation Limited                                      | 1,085,000     | 0.45  |
| Farjoy Pty Limited  | 1,015,000     | 0.43  |

### AUSTRALIAN STOCK EXCHANGE LISTING

Washington H. Soul Pattinson and Company Limited shares are listed on the Australian Stock Exchange and trade under the ASX code SOL

