

2022 Annual Report

Washington H. Soul Pattinson and Company Limited
ABN 49 000 002 728 | ASX Code: SOL



Profile

Washington H. Soul Pattinson and Company Limited (WHSP) was incorporated on 21 January 1903 having previously traded as two separate companies, Pattinson and Co. and Washington H. Soul and Co.

Following a public offering of shares, WHSP was listed on the Sydney Stock Exchange (now the Australian Securities Exchange) on 21 January 1903.

Over 100 years as a listed public company

When Caleb Soul and his son Washington opened their first store at 177 Pitt Street, Sydney, in 1872 neither of them could have envisaged that their single pharmacy would have evolved into a company as prominent and diversified as WHSP.

WHSP is now a significant investment house with a portfolio encompassing many industries including telecommunications, mining, building products, financial services, property and other equity investments.

Calendar

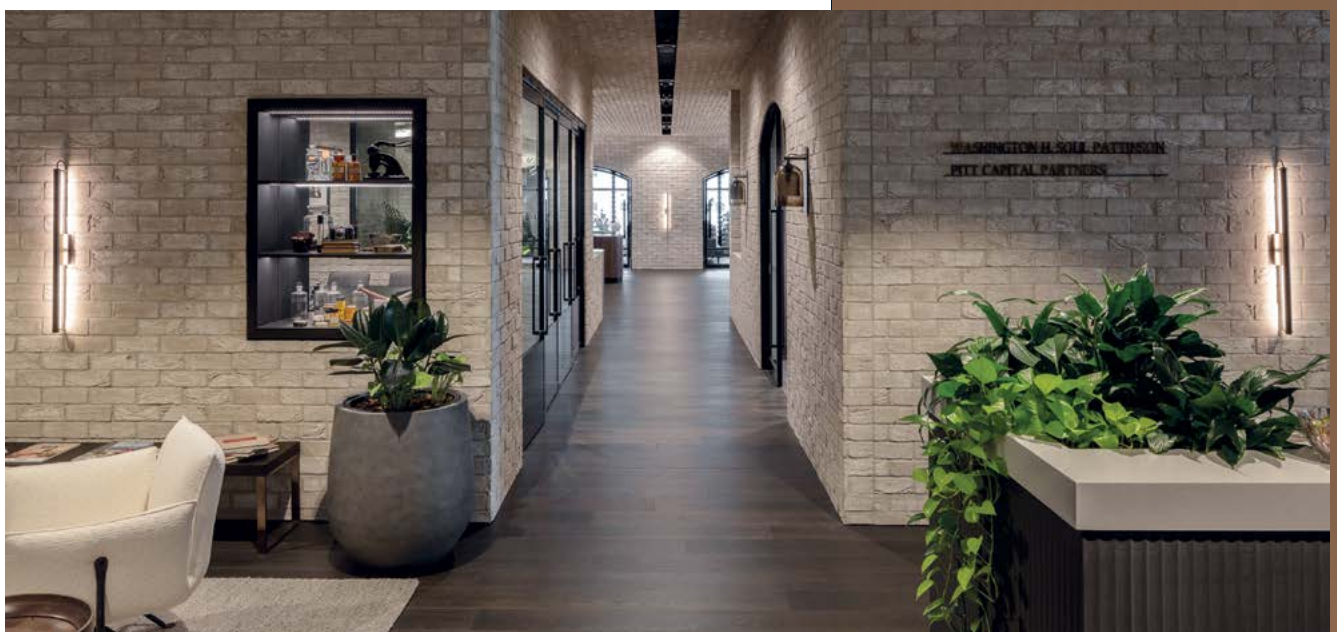
Final Dividend

Record date	21 November 2022
Payment date	12 December 2022

Annual General Meeting

AGM date	9 December 2022
Registration commences	11.00am
AGM commences	12.00 noon

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





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Key Highlights

Group Regular NPAT

\$834.6 m

▲
154%

Group Regular NPAT

Regular profit after tax attributable to members is the main measure of profitability used by WHSP. Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to group statutory profit is included on page 21.

Group Statutory NPAT

\$-12.9 m

▼
104%

Group Statutory NPAT

Statutory profit attributable to members of WHSP is calculated in accordance with Australian Accounting Standards. The current year statutory loss incorporated a one-off non cash goodwill impairment of \$984.6 million arising from the acquisition of Milton on 5 October 2021. See WHSP's Financial Report Note 6 for further details.

Pre-tax Net Asset Value

\$9.96 b

▲
72%

Pre-tax Net Asset Value

The portfolio value is assessed at market value for some investments and at cost or Directors' valuation for others. See page 8 for details of the portfolio valuation.

Net Cash Flow From Investments

\$347.9 m

▲
93%

Net Cash Flow From Investments

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

20 Year TSR

12.2% p.a

Outperforming
All Ordinaries
Index by
3.4%

20 Year Total Shareholder Return

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



Chairman's Review

Dear Shareholders,

I am pleased to present the 2022 Washington H. Soul Pattinson and Company Limited (the Company, WHSP) Annual Report on behalf of the Board of Directors of the Company.

Key Highlights

Performance for the period	July 2022	% Change
Statutory (Loss) After Tax attributable to members	(\$12.9) million	(104.7%)
Regular Profit After Tax ¹	\$834.6 million	154.4%

Key Performance Indicators	July 2022	% Change
Net Asset Value (pre-tax) ²	\$9,956 million	71.6%
Net Cash Flow From Investments ³	\$347.9 million	93.0%
2022 ordinary dividends per share (fully franked)	72 cents	16.1%
Total dividend growth over 20 years (ordinary dividend compound annual growth rate)	8.5%	
Total Shareholder Return over 20 years (to 31 July 2022)	12.2%	

Operational Highlights

- Net Cash Flows From Investments per share of 96 cents up 28.0% (compared with FY21)
- Post-tax Net Asset Value per share up 28.5% for the period (outperformance of 34.9% against market)
- Pre-tax Net Asset Value per share up 13.8% over the financial year (outperformance of 20.2% against market)
- Milton successfully integrated creating a unique investment product with diversification across a range of asset classes and investments and access to liquidity to pursue new investments
- 20-year Total Shareholder Return (TSR) of 12.2% per annum (3.4% higher than the market)

¹ Regular Profit After Tax is a non-statutory profit measure and represents profit from continuing operations before Non-regular items. A reconciliation to statutory profit is included in Alternative Performance Measures on page 21.

² Refer to page 8 for details of the portfolio Net Asset Value. % change is calculated based on 31 July 21 Net Asset Value.

³ Refer to Alternative Performance Measures on page 21 for the definition of Net Cash Flows From Investments.

**20 Year Total
Shareholder
Return**
12.2%
per annum

Overview

WHSP provides exposure to a diversified range of asset classes and an investment approach which is focused on investing in resilient businesses with good long term prospects and excellent management. WHSP is focused on creating capital growth along with steadily increasing dividends through disciplined, long term investing.

A significant highlight during the year was the merger with Milton Corporation Limited (Milton) on 5 October 2021. WHSP welcomed Milton shareholders and staff through this merger of two successful investment companies who share similar long term value focused investment philosophies. This year's report includes the Milton investment portfolio and results from that date.

As of 31 July 2022, we have 58,977 shareholders, an increase of 100% on the previous year.

The Company has again increased its ordinary dividend and continued to generate strong cash flows from its investments. This consistently solid cash generation from our diversified investment portfolio continued to support another increase to the final dividend making WHSP the only company in the All-Ordinaries Index to have increased its ordinary dividends every year for over 20 years.

Our ordinary dividends to shareholders are paid out of the Net Cash Flows From Investments, which increased by 93.0% on the prior corresponding period. Key drivers for the increased ordinary dividends were higher dividends from the Strategic and Private Equity portfolios and the acquisition of Milton. On a per share basis, Net Cash Flows From Investments increased by 28.0% over the prior corresponding period. This is a robust performance across WHSP's investment portfolio that saw increased contributions from all portfolios except Emerging Companies.

In addition to the strong cashflows across the portfolio, WHSP received special dividend income from New Hope as a result of strong commodity prices. Consequently, the Board has resolved to pass on a fully franked special dividend to WHSP shareholders of 15 cents per share.

The value of the Company's portfolio increased over the twelve months to 31 July 2022 despite the All-Ordinaries Index falling 6.4% throughout the period. Net Asset Value per share before tax outperformed the market by 20.2% through the period. On a post-tax basis, the outperformance was 34.9%.

One of WHSP's key advantages is its flexible mandate to make long term investment decisions and adjust the portfolio by changing the composition and mix of investment classes over time. WHSP maintains a strong balance sheet with modest gearing and solid liquidity. WHSP also has available profit reserves and franking credit balances that provide confidence and support to its aim of paying a stable and growing dividend year-on-year.

Despite the strong growth in the Net Asset Value per share and cashflow generation per share, the Company's share price retreated more than the market in FY22. Some of this reflects a starting share price which was influenced by trading around the completion of the Milton merger. The share price as at 31 July 2022 represented a 6.9% discount to the pre-tax Net Asset Value, and a 2.2% premium to the post-tax Net Asset Value.

WHSP remains focused on long term growth and has a strong track record of delivering outperformance over the long term with its Total Shareholder Returns exceeding the All-Ordinaries Accumulation Index over 3, 5, 10, 15 and 20 year periods. Over the last 20 years, WHSP has outperformed the market by 3.4% per annum.

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

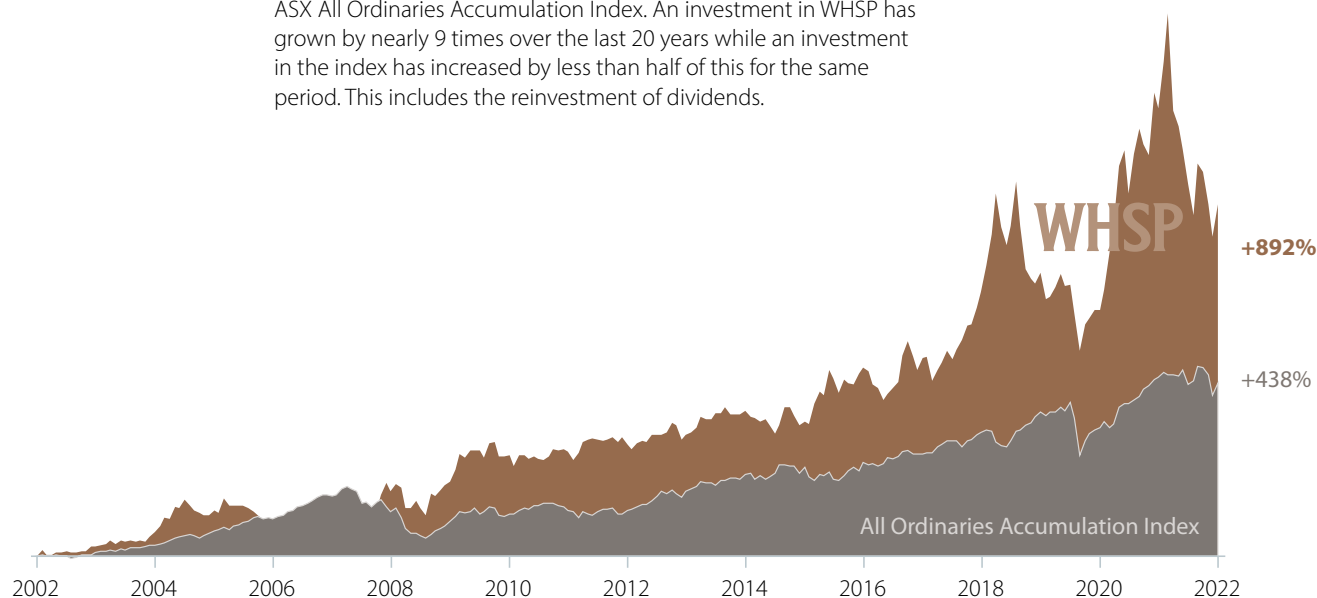
Total Shareholder Returns to 31 July 2022

Annualised TSRs	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
WHSP	(19.6)%	6.7%	10.5%	10.0%	9.9%	12.2%
All Ordinaries Accumulation Index	(2.6)%	4.9%	8.4%	9.6%	5.2%	8.8%
Relative Performance	(17.0)%	1.8%	2.1%	0.4%	4.7%	3.4%

WHSP continues to deliver solid long term total shareholder returns when compared to market returns.

20 Year Total Shareholder Return

The following chart shows the total return over time of an initial investment made in WHSP shares on 31 July 2002 compared to the ASX All Ordinaries Accumulation Index. An investment in WHSP has grown by nearly 9 times over the last 20 years while an investment in the index has increased by less than half of this for the same period. This includes the reinvestment of dividends.



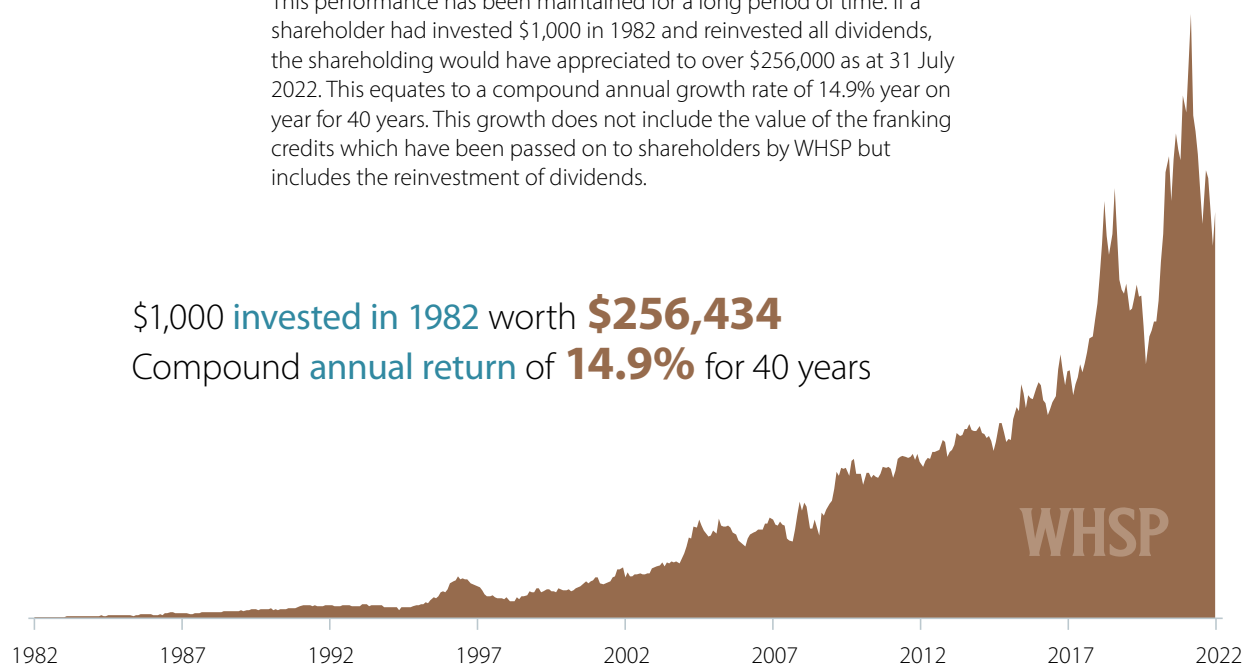
Cumulative performance to 31 July 2022 (Including reinvestment of dividends).

Source: Capital IQ

40 Year Total Shareholder Return

This performance has been maintained for a long period of time. If a shareholder had invested \$1,000 in 1982 and reinvested all dividends, the shareholding would have appreciated to over \$256,000 as at 31 July 2022. This equates to a compound annual growth rate of 14.9% year on year for 40 years. This growth does not include the value of the franking credits which have been passed on to shareholders by WHSP but includes the reinvestment of dividends.

\$1,000 invested in 1982 worth **\$256,434**
Compound annual return of **14.9%** for 40 years



Cumulative performance to 31 July 2022 (Including reinvestment of dividends).

Source: Capital IQ

Dividends

Given the diversified mix of investments and long term focus on cash generation from investments, WHSP has an exceptional history of paying dividends to shareholders. WHSP has increased its ordinary dividend every year since 2000 and is the only company in the All-Ordinaries Index to have achieved this. The Directors determine interim and final dividends based on the Company's Net Cash Flows From Investments. These cash flows include dividends and distributions from its investments, interest income and gains on trading assets.

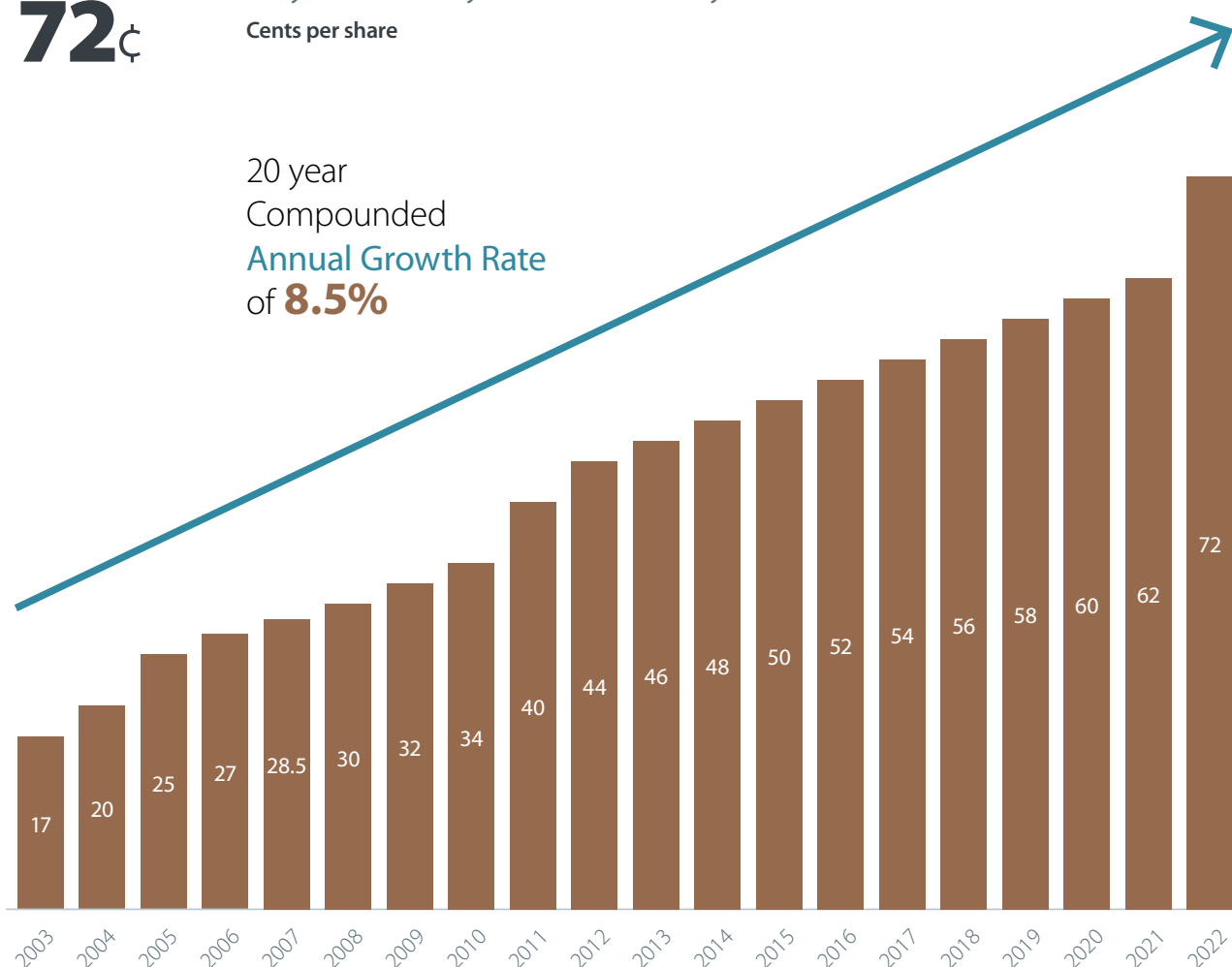
The Net Cash Flows From Investments for the reporting period was \$347.9 million, up 93.0% compared to the 2021 financial year. This increase was mainly due to increased dividends received by the Large Caps portfolio (arising from the Milton merger) and the Strategic portfolio.

Net Cash Flows From Investments on a per share basis was up 28% to 96 cents per share.

Total
ordinary
dividends
for the year
72¢

20 year ordinary dividend history

Cents per share



Full Year dividend

The Directors have resolved to pay a fully franked ordinary final dividend of 43 cents per share in respect of the period ended 31 July 2022 (2021: 36 cents per share fully franked).

That brings total ordinary dividends declared for FY22 to 72 cents per share, an increase of 16.1% on the previous year.

In addition, the Directors have resolved to pass on a fully franked special dividend to WHSP shareholders of 15 cents per share.

The record date for the ordinary final and special dividends will be 21 November 2022 with payment due on 12 December 2022. The last day to purchase shares and be eligible for the special and final ordinary dividend is 17 November 2022.

In the 2022 financial year, WHSP will pay out 74.7% of its Net Cash Flows From Investments (2021: 82.3%) as ordinary dividends.

Consolidated financial performance and portfolio Net Asset Value

Net Profit After Tax (including non-regular items) attributable to members

The statutory loss after tax attributable to shareholders was \$12.9 million compared to a profit after tax of \$273.2 million for the same period last year. The reduction in statutory profit after tax was largely due to a one-off, non-cash goodwill impairment charge of \$984.6 million arising from the acquisition of Milton on 5 October 2021. This was partly offset by an increase in Regular Profit After Tax to \$834.6 million, compared to \$328.1 million in the prior corresponding period.

The Milton acquisition created \$984.6 million of goodwill, as the scrip-based purchase consideration was required under accounting standards to be calculated using the WHSP share price of \$38.20 on the Scheme of Arrangement implementation date of 5 October 2021, reflecting trading conditions at the time. The residual value allocated to goodwill was a function of WHSP's share price increasing throughout the transaction period rather than representing any future quantifiable economic benefits available from the acquisition of Milton.

Consequently, it was determined that the goodwill calculated in accordance with accounting standards should be fully impaired.

A comparison with the previous corresponding period is as follows:

	2022 \$m	2021 \$m	Change %
Statutory (Loss)/Profit After Tax attributable to shareholders	(12.9)	273.2	(104.7%)
Regular Profit After Tax attributable to shareholders	834.6	328.1	154.4%

Regular Profit After Tax attributable to members

The Regular Profit After Tax attributable to shareholders for the period ended 31 July 2022 was \$834.6 million compared to \$328.1 million for the previous corresponding period, representing an increase of 154.4%.

The increase in Regular Profit After Tax was mainly attributable to the following:

	Increase/ (decrease) \$m	Change %
Strategic: increased contribution from New Hope from increased thermal coal prices and property profits in Brickworks	524.1	318.0%
Large caps: largely higher dividend income arising from the Milton acquisition	82.8	421.2%
Private equity: only 11 months contribution from Round Oak in FY22 prior to its sale on 1 July 2022	(12.2)	(16.6%)
Emerging companies: lower trading income and mark to market of the portfolio	(91.7)	(125.7%)
Other portfolios and corporate costs	3.5	(120.9%)
Total	506.5	154.4%

Net Asset Value (NAV) of WHSP

Portfolios As at 31 July 2022	Value of WHSP's Holding \$m	12 Month Movement \$m % change		NAV allocation %
Strategic investments ¹	4,837	659	15.8%	48.6%
Large caps ¹	3,103	2,455	378.9%	31.2%
Private equity ²	654	—	—	6.6%
Emerging companies ^{1,2}	612	183	42.7%	6.1%
Structured yield ²	250	5	2.0%	2.5%
Property ²	226	116	105.5%	2.3%
Net working capital ³	274	735	(159.4%)	2.7%
Net Asset Value (pre-tax)^{4,5}	9,956	4,153	71.6%	100.0%

¹ At market value

² At cost or Directors' valuation

³ Refer to Note 26 for details regarding bank borrowings

⁴ Tax of approximately \$882 million would be payable if all assets had been sold at pre-tax NAV as at 31 July 2022. The post-tax NAV per share was \$25.14, an increase of 28.5% over 31 July 2021. On a per share basis, the increase in post-tax NAV exceeded the All-Ordinaries Index by 34.9%

⁵ Pre-tax NAV is calculated as the value of WHSP's assets less all of its liabilities (other than the tax payable upon the sale of its assets). Assets are valued at cost, market value, or Directors' valuation

The pre-tax NAV of WHSP is summarised in the preceding table. The pre-tax NAV as at 31 July 2022 was \$9,956 million, up 71.6% compared to 31 July 2021. On a per share basis, the increase in pre-tax NAV exceeded the All-Ordinaries Index by 20.2%, which decreased by 6.4% over the same period.

Significant investments and divestments in the portfolio over the 2022 financial year were as follows:

- On 5 October 2021, the merger with Milton was completed, increasing the NAV of WHSP by \$3,844 million, largely in the Large Caps Portfolio (Refer to Note 35b of the Financial Report)
- In December 2021, WHSP completed the sale of its investment in Australian Pharmaceutical Industries Limited (API) for \$131.2 million, with a subsequent payment of \$16.2 million received in March 2022. API was included in the Strategic Portfolio in the prior year
- In May 2022, WHSP purchased the 57% it did not own in Ampcontrol Limited (Ampcontrol) for \$99.7 million. Ampcontrol is included in the Private Equity Portfolio (Refer to Note 35b of the Financial Report)
- In July 2022, WHSP completed the sale of its investment in Round Oak Minerals Pty Limited (Round Oak) in exchange for cash and a 30.2% stake in Aeris Resources Limited valued at \$98 million (Refer to Note 35c of the Financial Report). In the prior year Round Oak was included in the Private Equity Portfolio. The investment in Aeris is now included in the Strategic Portfolio

WHSP has been a net seller of equities during the year and increased its liquidity levels by approximately \$735 million.



R D Millner

Chairman



Portfolio Review

as at 31 July 2022

Introduction

Our investment product is unique in the Australian market and provides investors exposure to:

- A range of asset classes, including private equity, private credit and property
- Investment strategies that have delivered above market returns over the long term
- Steady and growing fully franked dividends
- A board and management team with a strong track record of execution and active stewardship of capital

Following the merger with Milton, we have divided the combined portfolio by asset class, rather than by individual investments, to better reflect the key drivers of portfolio returns.

WHSP investment philosophy

Our investment philosophy has six guiding principles. We do not seek to replicate any index:

Diversified

We invest in a diverse range of uncorrelated investments across listed equities, private equity and venture capital, property, structured credit and cash.

Unconstrained

Our flexible investment mandate allows us to invest in and support companies from an early stage and grow with them over the long term.

Long term

We use a disciplined and value focused approach to investing through market cycles to deliver returns over the long term.

Growing dividends to our shareholders

We are proud of our track record of paying a consistent and increasing dividend to our shareholders for over 20 years.

Capital protection

We aim to have a portfolio of assets that generate reliable cash flows through market cycles, providing downside protection in market corrections.

Trusted partner

We partner with attractive companies looking to access growth capital and undertake strategic merger and acquisition opportunities.

Current investment environment

Asset prices in the 2022 financial year were more volatile than in the recent past. Many equity markets reached highs early in calendar 2022, then retraced sharply in the second half as investors began incorporating higher discounts into equity prices to reflect a riskier future economic picture.

The All-Ordinaries Accumulation Index returned minus 2.6% for the twelve-month period to 31 July 2022.

WHSP's total portfolio return including dividends was 16.4%, outperforming the All-Ordinaries Accumulation index materially, with most portfolios making positive contributions.

Overarchingly, companies and individuals remain in a strong financial position and economies have generally emerged from COVID lockdowns in good shape. Government support to individuals has elevated the savings rate, giving many people sizeable financial buffers. Corporate balance sheets are not stressed, and the unemployment rate is at record lows across many developed economies.

Corporate earnings growth has been robust during 2022. The resources sector has experienced particularly strong growth due to commodity price increases and the banking sector has enjoyed continued credit growth and low levels of impairments.

Central Banks, however, have begun to raise interest rates sharply in response to higher inflation readings. Inflation is being experienced due to a surge in demand post COVID, wage growth, supply chain challenges and elevated commodity prices. Higher interest rates will reduce the level of future economic growth and impact all countries, companies and individuals. This has the potential to drive the larger economies into recession.

Higher interest rates end a multi-decade period of consistent rate reductions with higher rates not experienced by a generation of investors in financial or real assets. Higher rates increase the required rate of return for investments rendering many investments, that had been funded and supported by low interest rates, vulnerable.

Elevated geopolitical risk due to the conflict in the Ukraine and concerns related to Taiwan further complicate the investment picture.

This combination of factors has increased risk across all asset classes and is the primary cause of the weakness seen in markets in the second half of 2022. Whilst this has returned valuation multiples to long term averages, concerns remain about the level of future earnings growth and the appropriate valuation settings in a higher rate environment.

Higher rates are not all bad news due to improved returns for conservative investors who may prefer higher cash or term deposit holdings but have been pressed to take increased risks in a low-rate environment for income.

An inflationary period and higher rates argue for greater exposure to real assets which have the potential to provide income and growth to offset inflation. This has seen an allocation away from fixed income securities, high-growth companies with low or no current earnings and assets with "bond like" characteristics without inflation protection.

WHSP's portfolio is well positioned to perform in this environment. We aim to invest in high quality, growing companies with strong cash generation and defensive business models. WHSP has strong financial flexibility and available cash to respond to market volatility and a diverse portfolio of uncorrelated assets that act to reduce the volatility of our earnings.

Strategic Portfolio

Net Asset Value	\$4,837 million
% of portfolio	48.6%
Net Cash Flows From Investments	\$168.7 million
Portfolio composition	Interests in TPG, New Hope, Brickworks, Tuas, Apex, Pengana and Aeris Resources
Strategic rationale	Significant investments in uncorrelated listed companies with board representation

Net Asset
Value
\$**4.8**
billion

Background

We have a portfolio of long term cornerstone shareholdings in companies across diverse industries, with portfolio holdings having low share price correlations with each other.

The merger with Milton has diluted the proportion of the total portfolio allocated to Strategic investments, falling from 72.0% as at 31 July 2021 to 48.6% by 31 July 2022.

Our largest industry exposure in the Strategic Portfolio is in telecommunications through our investments in TPG Telecom Limited and Tuas Limited.

Portfolio changes during the period

During FY22 we sold the 19.3% stake in Australian Pharmaceutical Industries (API) to Wesfarmers and acquired a 30.3% shareholding in Aeris Resources Limited.

Performance

In FY22 the portfolio delivered a total return of 25.8%. This is a significant outperformance compared to the All Ordinaries Accumulation Index, which delivered a total return of minus 2.6% over this period. New Hope, TPG Telecom, Tuas, Apex and Pengana delivered significant gains, partly offset by Brickworks.

Summarised below is the underlying financial performance of each investment in the portfolio during the reporting period:



TPG Telecom Limited (TPG)

TPG Telecom announced its half year results in August 2022, generating a Net Profit After Tax of \$167 million. This was \$89 million higher than the prior corresponding period, due primarily to lower financing costs, and the recognition of previous capital losses now able to be utilised against the gain from completing the sale of tower assets on 29 July 2022. Operating cash flows for the period were \$567 million, down 7.4% on the prior period, as \$35 million of restructuring costs were incurred during the half year. An interim fully franked dividend of 9 cents per share is payable in October 2022 as compared to 8 cents in the previous period.

WHSP received total dividends of 16.5 cents per share over FY22 from TPG, up 9 cents on the prior year.



New Hope Corporation Limited (New Hope)

New Hope recorded a Net Profit After Tax of \$983.0 million in FY22, compared with a profit of \$79.4 million for the prior corresponding period. Thermal coal prices continued to rise over FY22, with the average AUD realised prices increasing by A\$183.84/t to A\$285.20/t, or 181.4%. New Hope exhibited strong cost control and limited production disruption from COVID-19 and adverse weather events. New Hope held \$715.7 million in cash and cash equivalents as at 31 July 2022. An ordinary final fully franked dividend of 31 cents per share and a fully franked special dividend of 25 cents per share were declared, both payable on 8 November 2022.

WHSP received total ordinary dividends of 37 cents per share in FY22 from New Hope, up 33 cents on the prior year.



Brickworks Limited (Brickworks)

Brickworks posted a Net Profit After Tax of \$854 million for the year ending 31 July 2022 compared to \$239 million in the prior corresponding period. The profit increase is largely due to revaluation and development profits in the property trust joint venture with the Goodman Group and a one-off accounting gain from a deemed disposal of its interest in WHSP following the WHSP – Milton merger. An ordinary final fully franked dividend of 41 cents per share was declared.

WHSP received total cash dividends of 62 cents per share in FY22 from Brickworks, up 2 cents on the prior year.



Tuas Limited (Tuas)

Tuas recorded a Net Loss After Tax of S\$26.7 million in FY22, compared with a loss of S\$28.2 million for the prior corresponding period. Earnings before interest, tax, depreciation and amortisation in FY22 were S\$15.5 million, compared to a loss of S\$2.4 million for the prior corresponding period. Subscriber numbers increased by 195,000 over the year to 587,000 active subscribers, with a current average subscriber revenue (ARPU) of S\$9.19 per month. Cash and term deposits stands at S\$49.5 million as at 31 July 2022.



Aeris Resources Limited (Aeris)

WHSP acquired a 30.3% stake in Aeris following the sale of Round Oak Minerals Pty Limited to Aeris on 1 July 2022. The combination of Aeris and Round Oak creates a focused mid-tier base and precious metals producer. Aeris now has four operating assets and the Stockman long-life development project. Aeris has no external borrowings and significant cash balances post the Round Oak acquisition.



Apex Healthcare Berhad (Apex)

Apex recorded a Net Profit After Tax of RM 39.3 million for the six months ending 30 June 2022, up 58.9% on the previous corresponding period. Demand for pharmaceuticals and consumer healthcare products remained elevated due to the continued presence of COVID-19.

WHSP received total dividends of \$2.5 million in FY22 from Apex, up 25% on the prior year.



Pengana Capital Group Limited (Pengana)

Pengana reported a Net Profit After Tax of \$18.7 million for FY22, a 114% increase on the previous year. Annual gross fee margins improved by 15 basis points to 2.26%, with average funds under management subject to performance fees down slightly to \$3.9 billion. Total dividends per share increased by 54% to 20 cents per share.

Contribution to WHSP

The Strategic Portfolio contributed Net Cash Flows From Investments of \$168.7 million, up 55.1% over the prior corresponding period. The increase is largely due to New Hope resuming dividend payments and TPG paying an interim and final dividend following the merger of the TPG and Vodafone businesses.

The total Strategic Portfolio contribution to Consolidated Net Regular Profit After Tax was \$689.0 million, up \$524.1 million or 318.0% on the previous financial year.

Outlook

There is a solid outlook for improved dividends from each of the significant investments:

- **New Hope:** continued elevated thermal coal prices and strong cost control.
- **TPG:** realisation of merger synergies one year ahead of schedule, resumption of international travel increasing global roaming charges and improvement in market share.
- **Brickworks:** expect to experience continued strong demand for industrial land and development activities in New South Wales. Strong Building Product sales in Australia and North America are expected in the first half of the 2023 financial year. However, rising interest rates may negatively impact demand for Building Products and increase the risk of capitalisation rate expansion across the Property Portfolios.

Contribution
to WHSP
\$**169**
million

Large Caps Portfolio

Net Asset Value	\$3,103 million
% of portfolio	31.2%
Net Cash Flows From Investments	\$116.9 million
Portfolio composition	Companies within the ASX100 index
Strategic rationale	Actively managed Australian equities delivering strong dividends and providing portfolio liquidity

Net Asset
Value
\$**3.1**
billion

Background

The Large Caps Portfolio is actively managed and is designed to generate capital and income growth over the long term. It does not seek to replicate any index, and the broad asset mix across WHSP's other portfolios has allowed the Large Caps Portfolio to become increasingly concentrated. The portfolio is defensive in nature and will tend to outperform in periods of market weakness due to a value investing bias and low allocations to technology and other high growth sectors. The portfolio seeks to generate consistent tax effective income and aims to invest in companies with growing earnings and dividends over time.

Portfolio changes during the period

There have been material changes to the Large Caps Portfolio over the period as we sought to position WHSP more conservatively due to macroeconomic concerns, and to raise liquidity for new investments in other portfolios. During FY22, WHSP sold a net \$570 million of equities from the portfolio. This has materially improved the financial flexibility of the WHSP group, improved returns and achieved the goal of further concentrating the portfolio.

Performance

Over the 2022 financial year the portfolio delivered a total return of minus 0.6%. This compares with the ASX200 accumulation index return of minus 2.2%. Our exposures to banks and resource companies improved relative performance over the year as quality, dividend paying stocks outperformed in the rising rate environment with high multiple technology and healthcare companies underperforming.

This performance reflects the full year performance of the portfolio, noting that the Milton merger was completed in October 2021.

Contribution to WHSP

The Large Cap portfolio contributed Net Cash Flows From Investments of \$116.9 million, up 316.0% over the previous financial year. The increase is largely due to the acquisition of Milton and generally increased dividends as companies emerge from COVID-19 induced uncertainty. FY23 will see a full year of cash contribution from the former Milton portfolio.

The total Large Caps Portfolio contribution to Consolidated Net Regular Profit After Tax was \$102.4 million, up \$82.8 million or 421.2% on the previous financial year.

Outlook

Whilst valuations in the equity market have returned to long term averages, we remain cautious due to the prospect of higher interest rates and the impact of slowing economic growth on corporate earnings. We will look to remain invested in companies that are well run, profitable and with strong market positions.

Contribution
to WHSP
\$**117**
million

Private Equity Portfolio

Net Asset Value	\$654 million
% of portfolio	6.6%
Net Cash Flows From Investments	\$40.1 million
Portfolio composition	Ampcontrol, Ironbark, Agricultural and water investments, Aquatic Achievers
Strategic rationale	Investments in unlisted companies to support their growth

Background

We look for established businesses, with distinctive capabilities and strong demand tailwinds that provide a platform for growth.

Key investment themes for the Private Equity Portfolio are:

- Energy transition
- Financial services
- Health and aged care services
- Food security and agriculture
- Education

Portfolio changes during the period

In May 2022, WHSP purchased the 57% it did not already own in Ampcontrol Limited for \$99.7 million (Refer to Note 35b of the Financial Report).

In July 2022, WHSP completed the sale of its investment in Round Oak Minerals Pty Limited in exchange for cash and a 30.2% stake in Aeris Resources Limited, which is included in the Strategic Portfolio.

Performance

During 2022, the portfolio delivered a total return of 19.1%.

Of this total, Round Oak contributed \$43 million (2021: \$65 million). The lower profit contribution in FY22 largely arose from the inclusion of only 11 months trading as Round Oak was sold to Aeris on 1 July 2022, and there being no contribution from the Barbara mine which ceased production in FY21. This was partially offset by increased contributions from Ampcontrol, Ironbark, Aquatic Achievers and the agricultural investments.

Contribution to WHSP

The Private Equity Portfolio contributed Net Cash Flows From Investments of \$40.1m, up 213.3% over the prior corresponding period. The increase is largely due to increased dividends from Round Oak, Ampcontrol and the agricultural investments.

The total Private Equity Portfolio contribution to Consolidated Net Regular Profit After Tax was \$61.4 million.

Outlook

We expect to allocate additional capital to expand this portfolio of private companies which in turn provide platforms for further growth.

Net Asset
Value
\$**654**
million

Contribution
to WHSP
\$**40**
million

Emerging Companies Portfolio

Net Asset Value	\$612 million
% of portfolio	6.1%
Net Cash Flows From Investments	\$27.6 million
Portfolio composition	Ex-ASX100 listed equities and unlisted growth companies
Strategic rationale	Exposure to fast growing companies often benefiting from structural changes and global trends

Net Asset
Value
**\$612
million**

Background

The Emerging Companies Portfolio invests in early stage and high growth companies. The portfolio comprises pre-IPO, IPO, listed investments and opportunistic positions. Investments are currently allocated across materials, industrials, information technology, consumer discretionary and communication services sectors.

In response to changing market conditions, during the year WHSP successfully repositioned the Emerging Companies Portfolio away from pre-IPO and technology investments to materials and industrial companies.

Performance

In FY22, the portfolio delivered a total return of minus 3.4%. This is an outperformance of 7.5% against the ASX Small Ordinaries Accumulation Index over the period.

Contribution to WHSP

The Emerging Companies Portfolio contributed Net Cash Flows From Investments of \$27.6m, down 17.6% over the prior corresponding period.

Outlook

We expect to allocate additional capital to expand this portfolio of early stage and high growth companies as valuations for appropriate assets become more reasonable.

Contribution
to WHSP
**\$28
million**

Structured Yield Portfolio

Net Asset Value	\$250 million
% of portfolio	2.5%
Net Cash Flows From Investments	\$19.7 million
Portfolio composition	Corporate loans or hybrid instruments
Strategic rationale	To invest in financial instruments across an investee's capital structure to optimise the portfolio's risk adjusted returns

Background

The portfolio comprises investments in corporate loans and convertible notes with the following characteristics:

- Ongoing cash yield
- Strong asset backing, security and seniority to equity investors
- Gain upside exposure through warrants or conversion rights

As at 31 July 2022 there were 11 investments across a range of industries, including technology, financial services and real estate.

Performance

The portfolio delivered a total return of 17.9% in FY22.

Contribution to WHSP

The Structured Yield Portfolio contributed Net Cash Flows From Investments of \$19.7 million, up 18.7% over the prior corresponding period. The increase is largely due to an increase in the running yield in the loan book.

Outlook

We are leveraging our existing relationships and expertise into a growing lending market, especially in market segments vacated by the major banks. Credit spreads on corporate debt are widening and our flexible approach to financing growing companies is becoming more attractive as equity capital markets are more restrictive.

Net Asset
Value
**\$250
million**

Contribution
to WHSP
**\$20
million**

Property Portfolio

Net Asset Value	\$226 million
% of portfolio	2.3%
Net Cash Flows From Investments	\$1.6 million
Portfolio composition	Direct property and equity accounted joint ventures
Strategic rationale	Actively managed Australian property to deliver superior returns when compared to passive ownership

Net Asset
Value
\$**226**
million

Background

Direct property investments largely concentrated in the Sydney region and positioned towards infrastructure development and repositioning older assets.

Our Property Portfolio is underweight direct property due to the significant property exposure in a number of our other investments including the Brickworks industrial property division.

Performance

Over the 2022 period, the portfolio delivered a total return of 47%.

Portfolio changes during the period

An industrial development asset was acquired in Kirrawee, NSW.

Contracts for sale have been entered into for properties in Castle Hill and the Sydney CBD. Settlement is expected in the first half of the 2023 financial year. These properties are classified as Assets Held for Sale as at 31 July 2022.

The retirement lifestyle development, Sage by Moran at Cronulla, NSW is currently under construction. Forward sales are ahead of expectations.

Following the merger with Milton, the Consolidated Entity now has non-controlling interests in multiple residential development joint ventures, which continue to generate returns through the development and sale of land parcels.

Contribution to WHSP

The Property Portfolio contributed Net Cash Flows From Investments of \$1.6 million, up 14.3% over the prior corresponding period.

Outlook

The supply of industrial property is tight and there is scope to increase rents. The market is pricing in further interest rate increases. The dynamic between possible rent increases and expected expansion in capitalisation rates remains uncertain.

Contribution
to WHSP
\$**2**
million

Net Working Capital

Net Asset Value	\$274 million
% of portfolio	2.7%
Net Cash Flows From Investments	(\$26.7) million
Portfolio composition	Cash, interest-bearing liabilities and other assets and liabilities
Strategic rationale	Provide portfolio liquidity

Net Asset
Value
\$**274**
million

As at 31 July 2022, WHSP's Net Working Capital included net cash of \$72 million, comprising cash of \$486 million and gross interest-bearing debt of \$414 million with a current average cost of debt at around 1.75%pa.

Taking advantage of high equity valuations in the first half of FY22, WHSP was a significant seller of equities and other assets, resulting in a significant increase in cash and a net cash position as at 31 July 2022. Net Working Capital as at 31 July 2022 was \$274 million (an increase of \$735 million throughout the year).

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Alternative Performance Measures

The Consolidated Entity presents certain Alternative Performance Measures (APMs), including Regular and Non-Regular Profit After Tax, Net Cash Flows From Investments and Net Asset Value. These APMs are used by management to assess the performance of the business against its principal objective of maximising capital and income returns over the long term. They are not a substitute for the Australian Accounting Standard measures and should be considered supplementary to those measures.

Regular and Non-Regular Profit After Tax

Financial performance is measured by Regular Profit and Regular Profit After Tax attributable to members. These results are non-statutory profit measures and represent profit before Non-Regular items. The measurement basis in general excludes the effects of Non-Regular items of income and expense which by nature are outside the ordinary course of business or are part of ordinary activities but are unusual due to their size. The classification of income and expenses as Regular and Non-Regular is consistent within the Consolidated Entity. Regular Profit After Tax attributable to members is reconciled to the Australian Accounting Standards financial measure, Profit After Tax, on page 22.

Net Cash Flows From Investments

Net Cash Flows From Investments represent the underlying cash flows generated by WHSP's investment portfolio after deducting corporate costs and adjusting for Non-Regular cash flows. The Board of the Parent Entity determines dividends having regard to Net Cash Flows From Investments. Net Cash Flows From Investments is reconciled to Profit After Tax on page 25.

Net Asset Value

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

Reconciliation between Regular Profit After Tax and Profit After Tax

A reconciliation between Consolidated Regular Profit After Tax attributable to members and Consolidated Profit After Tax attributable to members is set out below. The Directors have presented this information as they consider the disclosure enhances the understanding of the financial results to shareholders and other users of the financial statements.

The allocation of revenue and expense items between Regular and Non-Regular Profit is consistent with the prior period. Transactions between business segments are on an arm's length basis in a manner similar to transactions with third parties.

	31 July 2022 \$'000	31 July 2021 \$'000
Regular Profit After Tax attributable to members		
Strategic portfolio	688,975	164,834
Large caps portfolio	102,422	19,650
Private equity portfolio	61,365	73,576
Emerging companies portfolio	(18,784)	72,960
Structured yield portfolio	11,063	11,797
Property	32,829	3,101
Intersegment/unallocated ¹	(43,284)	(17,803)
Regular Profit After Tax attributable to members	834,586	328,115
Non-regular items after tax		
Goodwill impairment arising from the Milton acquisition	(984,565)	–
Gain on loss of control of a subsidiary (New Hope)	490,620	–
Tax benefit on recycling New Hope reserves on deconsolidation	17,188	–
Gain on disposal of a subsidiary (Round Oak)	21,372	–
Transaction costs on disposal of a subsidiary	(2,583)	–
Gain on disposal of a mining site	2,529	–
Share of Non-regular items from equity accounted associates	(80,595)	(17,750)
(Loss)/gain on deemed disposal of equity accounted associates	(856)	5,161
Gain on sale of equity accounted associates' shares	4,663	–
Gain on derecognition of equity accounted associates	22,091	2,550
Deferred tax expense on deconsolidation of New Hope	(334,276)	–
Deferred tax expense recognised on equity accounted associates	(18,430)	(28,952)
Impairment (expense)/reversal on equity accounted associates	(14,374)	25,322
Impairment expense on Queensland coal mining assets	–	(13,569)
Impairment reversal on property, plant and equipment	–	1,484
Impairment expense on exploration and evaluation assets	(1,392)	(842)
Impairment expense on other assets	(1,550)	(869)
Acquisition costs expensed	(2,128)	–
Transaction costs for potential IPO of subsidiary	(1,546)	–
Debt waiver consent fees	–	(789)
Reversal/(provision) of expected credit loss allowance	1,221	(1,867)
Liquidation related costs	(2,740)	(834)
Restructuring costs	(181)	–
Reversal of New Acland ramp down costs	–	3,840
Onerous contracts	–	(12,564)
Write off of loan and interest to external party	–	(11,550)
Redundancies	(1,531)	(5,111)
In-specie dividend income	40,604	–
Other items	(1,068)	1,421
Total Non-regular Loss After Tax attributable to members	(847,527)	(54,919)
Profit After Tax attributable to members	(12,941)	273,196
Add: profit attributable to non-controlling interests	569,385	47,243
Profit After Tax	556,444	320,439

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



Investment Portfolio

Financial Information

Financial performance of the Investment Portfolio is measured by Regular Profit After Tax and Net Cash Flows From Investments.

Regular Profit After Tax is a measure of the financial performance. This measurement excludes the effects of non-regular items of income and expense which by nature are outside the ordinary course of business or are part of ordinary operations but are unusual due to their size.

The classification of income and expenses as regular or non-regular is consistent with the Consolidated Entity. This is a non-statutory measure and a reconciliation to the Profit After Tax is provided on page 21. The Directors have presented this information, which is used by the Chief Operating Decision Maker, as they consider the disclosure enhances the understanding of the results to members and users of the financial statements.

Source of shareholder dividends

The Board declares dividends having regard to Net Cash Flows From Investments. The following information has been provided to demonstrate the underlying value of the investments and regular profit and the cash flows generated by these investments.

The Statement of Financial Position and Statement of Comprehensive Income in the Investment Portfolio Financial Information represent the combined position of the key investment entities, WHSP and Milton Corporation. The numbers presented have been calculated as follows and include:

- The WHSP Parent Statement of Financial Position and Statement of Comprehensive Income;
- Inclusion of the assets and liabilities and operating results of Milton; and
- Elimination of the WHSP Parent's investment in Milton and transactions between the two entities.

ACCOUNTING POLICY

The statement of financial position, profit after tax, and total comprehensive income in the Investment Portfolio Financial Information have been prepared on the same basis as the consolidated financial statements except for Investments in controlled entities (subsidiaries) and Investments in associates.

In the Investment Portfolio Financial Information, Investments in subsidiaries and Investments in associates are carried at the lower of cost or impaired cost. Dividends from these entities are recognised as income within profit. This approach reflects WHSP's activities as an investor.

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

Statement of Financial Position*

	As at 31 July 2022 \$'000	As at 31 July 2021 \$'000
Current assets		
Cash and term deposits	485,578	134,627
Assets held for sale	6,163	–
Financial assets held for trading	572,986	397,582
Other financial assets	78,204	9,068
Loans to third parties	1,250	–
Other current assets	24,998	19,702
Total current assets	1,169,179	560,979
Non-current assets		
Other financial assets – Listed	77,070	8,563
Long term equity investments – measured at market value	4,653,553	2,244,881
Long term equity investments – measured at fair value	150,674	134,860
Listed controlled and associated entities – measured at the lower of cost or impaired value	364,130	183,923
Unlisted controlled and associated entities – measured at the lower of cost or impaired value	440,606	453,688
Other financial assets – measured at fair value	10,686	40,958
Loans to controlled entities and associates	132,032	196,326
Loans to third parties	213,420	157,790
Other non-current assets	196,374	53,597
Total non-current assets	6,238,545	3,474,586
Total assets	7,407,724	4,035,565
Current liabilities		
Interest bearing liabilities	195,770	289,810
Other current liabilities	102,386	42,714
Other financial liabilities	7,672	–
Total current liabilities	305,828	332,524
Non-current liabilities		
Interest bearing liabilities	218,247	216,282
Other non-current liabilities	194,426	509,110
Total non-current liabilities	412,673	725,392
Total liabilities	718,501	1,057,916
Net assets	6,689,223	2,977,649
Equity		
Share capital	4,680,057	47,176
Reserves	(215,528)	(169,360)
Retained profits	2,224,694	3,099,833
Total equity	6,689,223	2,977,649

Statement of Comprehensive Income

	2022 \$'000	2021 \$'000
Loss after tax	(608,977)	320,226
Add/(Less): Non-regular items after tax		
Write down of investment in Milton	984,565	–
Gain on sale of partial shareholding in a controlled entity	–	(91,390)
Loss on sale of a controlled entity	59,015	–
Write off of loan to external party	–	11,550
Net impairment expense on controlled entities/associates	30,466	1,445
Net impairment expense/(benefit) on investments	1,073	(10,719)
Deferred tax recognised on investment in associate	(18,661)	–
Performance fees paid/payable to controlled entity	12,718	–
In-specie and special dividends income	(206,502)	–
Other	3,051	3,580
Regular profit after tax	256,748	234,692
Other comprehensive income		
Net movement in the fair value of the listed investment portfolio	(1,106,546)	(217,683)

* Certain numbers within these tables have been updated from the previous version presented in the Preliminary Final Report.

Net Asset Value

Market value of listed entities as at 31 July 2022

The market values of listed investments are based on the last sale prices as quoted on the ASX or other securities exchanges on 31 July 2022 and are therefore subject to price fluctuations.

	\$'000
Market value of financial assets held for trading	720,588
Long term equity investments	
TPG Telecom Limited	1,506,034
Macquarie Group Limited	361,855
Commonwealth Bank of Australia Limited	259,509
BHP Group Limited	203,891
CSL Limited	184,689
Wesfarmers Limited	166,669
National Australia Bank Limited	155,461
Woolworths Limited	140,297
BKI Investment Company Limited	112,936
Transurban Group Limited	106,145
Johns Lyng Group Limited	87,003
Other listed entities	1,369,064
Market value of long term equity investments	4,653,553
Listed controlled and associated entities	Holding \$'000
New Hope Corporation Limited	39.9% 1,456,147
Brickworks Limited	43.3% 1,380,517
Tuas Limited	25.4% 183,261
Apex Healthcare Berhad	29.8% 137,533
Aeris Resources Limited	30.3% 90,095
Pengana Capital Group Limited	37.0% 68,827
Clover Corporation Limited	20.5% 36,748
Market value of listed controlled and associated entities	3,353,128
Total value of WHSP's listed investments	8,727,269
Unlisted investments (Cost and Directors valuation)	885,649
Gross interest bearing liabilities	(414,017)
Cash and other assets	757,152
Consolidated net assets value pre-tax	9,956,053

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

WHSP is a long term equity investor.

If WHSP had disposed of all of its assets on 31 July 2022, a net capital gains tax liability of approximately \$881.7 million would have arisen based on market values as at 31 July 2022.

Of this amount, only \$176.0 million has been recognised in the Parent Entity's financial report as at 31 July 2022. In the Parent Entity, investments in subsidiaries and associates are carried at the lower of cost or impaired cost, and the tax recognised reflects the theoretical tax payable if investments were sold at these values, rather than market values.

Regular Profit after Tax and Net Cash Flows From Investments

For the year ended 31 July 2022	2022 \$'000
Interest income (from cash and loans)	14,850
Dividend and distribution income	
TPG Telecom Limited	38,943
Macquarie Group Limited	11,818
Commonwealth Bank of Australia Limited	7,150
BHP Group Limited	11,517
CSL Limited	907
Wesfarmers Limited	3,154
National Australia Bank Limited	6,833
Woolworths Limited	1,948
BKI Investment Company Limited	4,481
Transurban Group Limited	2,999
Johns Lyng Group Limited	312
Other listed entities	3,668
New Hope Corporation Limited	77,977
Brickworks Limited	40,700
Tuas Limited	–
Apex Healthcare Berhad	2,325
Aeris Resources Limited	–
Pengana Capital Group Limited	7,967
Clover Corporation Limited	340
Other controlled entities and associates	102,976
Total dividend and distribution income	326,015
Other revenue	2,986
Realised and fair value losses on equities	(35,714)
Other expenses	(33,812)
Finance costs	(6,051)
Regular profit before tax	268,274
Income tax expense	(11,526)
Regular profit after tax	256,748
Add back the following:	
Non-cash fair value loss on equities	119,031
Net movements in working capital and tax paid	(27,879)
Net Cash Flows From Investments	347,900

The Board declares dividends having regard to Net Cash Flows From Investments. The following information demonstrates the underlying support Net Cash Flows From Investments currently provides to dividends declared:

Dividends paid/payable	
– Interim of 29 cents per share paid 13 May 2022	104,651
– Final of 43 cents per share payable 12 December 2022	155,216
Ordinary dividends paid/payable	259,867
– Special of 15 cents per share payable 12 December 2022	54,145
Total dividends paid/payable	314,012
Payout ratios	
Ordinary dividends as a percentage of Net Cash Flows From Investments	74.70%

Corporate Governance

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

WHSP's corporate governance practices have been reviewed against the ASX Corporate Governance Council *Corporate Governance Principles and Recommendations – 4th Edition* (ASX Principles). Other than as set out in the section below on director independence, WHSP's practices were consistent with the ASX Principles during the year ended 31 July 2022. WHSP's Corporate Governance Statement has been lodged with ASX and is available on our website at <https://www.whsp.com.au/corporate-governance/>.

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

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

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

Board Oversight

The Board has an ongoing focus on sustainable growth with prudent management of associated risks. The Board's role is to:

- provide leadership and strategic guidance to WHSP;
- oversee the performance and conduct of WHSP; and
- represent and report to the shareholders of WHSP.

To fulfil its role, the Board's responsibilities include approving and overseeing Management's implementation of WHSP's strategy and business plan, as well as approving the Group's risk management framework and risk appetite statement.

Our risk appetite statement, sets an overall tone for risk management and supports the achievement of our strategic objectives/outlines the risks or activities for which the Board has no appetite and establishes measures and targets for risks or activities which we may be willing to accept in pursuit of strategic objectives (Risk Appetite Statement).

Our risk management framework sets the foundations and organisational arrangements for designing, implementing, monitoring and improving risk management at WHSP along with associated roles and responsibilities (Risk Management Framework).

The Board also reviews the framework of systems, policies and processes by which the Company operates, makes decisions and holds people to account (Corporate Governance Framework).

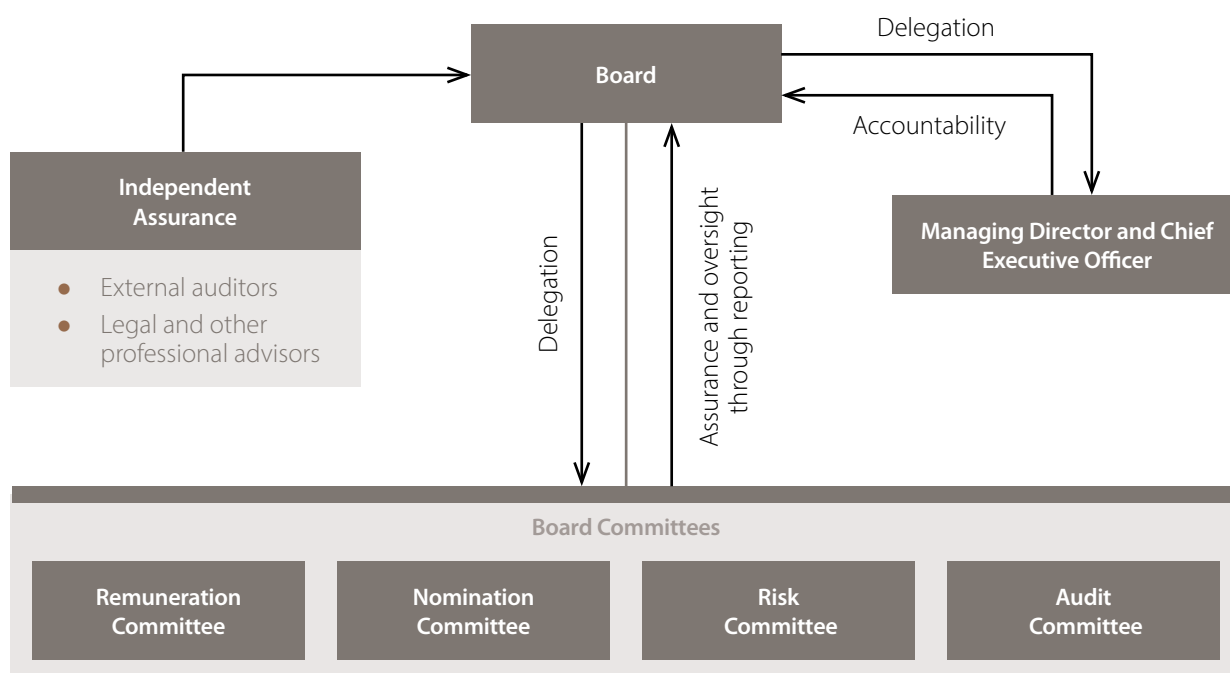
Corporate Governance Framework

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

WHSP Board and Board Committee Structure

The diagram below shows the operation of the Corporate Governance Framework.

The role and responsibilities of the Board and its Committees are detailed in the Board and each of the Board Committee Charters on WHSP's website at <https://www.whsp.com.au/corporate-governance/>.



Culture

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

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

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

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

Professional Conduct

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

WHSP expects all Directors and employees to:

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

Material breaches of the *Code of Conduct* are reported to the Board's risk committee (Board Risk Committee). The *Code of Conduct* is available on WHSP's website at <https://www.whsp.com.au/corporate-governance/>.

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

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

Material breaches of WHSP's corporate policies are reported to the Board Risk Committee for the Company.

Board and Management

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

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

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

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

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

Management's responsibilities include:

- day to day management of WHSP;
- monitoring the investment portfolio;
- making investment/divestment decisions within Board delegated limits;

- producing performance measurement reports;
- managing the compliance and risk management systems including environmental, social and governance risk management; and
- appointing, managing and developing staff.

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

Director Independence

WHSP is governed by a Board comprising a majority of independent, professional and highly experienced Directors.

The Board assesses the independence of Non-Executive Directors on appointment and annually.

The Board has reviewed the independence of its members against the guidance provided by the ASX Corporate Governance Council and considers the following Non-Executive Directors to be Independent Directors:

- Mr Michael J Hawker – Lead Independent Director
- Mrs Tiffany L Fuller
- Mr Warwick M Negus
- Mrs Josephine L Sukkar
- Ms Joe Pollard

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

- Mr Robert Millner and Mr Thomas Millner have relevant interests in substantial shareholdings in WHSP as disclosed in the Directors' Report and the Remuneration Report within WHSP's 2022 Annual Report.
- Mr Robert Millner is also a director of Brickworks Limited which is a major shareholder of WHSP.

The Board does not believe that a Director:

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

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

While there are factors that may impact their capacity to bring independent judgement, the Board considers that they act independently in executing their duties as Directors. The Board acknowledges the importance of independent board decision making and in addition to appointing Mr Hawker as the Lead Independent Director, the Board has in place formal *Board Guidelines for Dealing with Conflicts of Interest*.

Recommendation 2.5 specifies that the Chair of the board of a listed entity should be independent. WHSP is governed by a Board comprising a majority of independent, professional and highly experienced Directors. Chairman Robert Millner is a Non-Executive Director, however his long tenure and the substantial extended Millner family shareholding in WHSP might reasonably be seen to impact his capacity to bring independent judgement.

Accordingly, the Board has appointed a Lead Independent Director, Mr Michael Hawker. Mr Hawker is a professional company director with over 30 years of experience in financial markets and investment. The responsibilities of the Lead Independent Director include acting as Chairman when the Chairman may be conflicted, assisting to review the performance of the Chairman and providing a separate channel of communication for internal and external stakeholders and shareholders, particularly where those communications may involve the Chairman or an associate of the Chairman.

The Board has also appointed independent directors to Chair all Board Committees. Mr Hawker is the Chair of the Nomination Committee and the Risk Committee. All members of the Audit Committee, including the Chair Mrs Tiffany Fuller, are independent Directors and the Remuneration Committee is chaired by independent director, Mr Warwick Negus.

The Board believes it is appropriate in the particular circumstances of WHSP for Mr Robert Millner to remain Chairman of WHSP, notwithstanding he is not regarded as independent having regard to the following:

- Mr Millner's experience as a Director and Chairman and skills as an experienced investor are considered key assets of the business; and
- a substantial, long term family shareholding in the business creates significant alignment with Shareholders' interests. Mr Millner is the 4th generation of family members involved in the governance of the business.

Management of Conflicts

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

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

Board Committees

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

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

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

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



Diversity and Inclusion

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

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

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

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

Governance

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

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

Gender Diversity

The FY22 Sustainability Report in this Annual Report sets out the gender balance of the Board, senior management and the workforce as at 31 July 2022.

Auditor Engagement and Independence

The external auditor attends Audit Committee meetings and reports on the results of their half year review and full year audit. During the year, the external auditor also had private sessions with the Audit Committee without members of management present. It is the policy of the external auditor to rotate audit engagement partners on listed companies in accordance with the requirements of the *Corporations Act 2001*, which is generally after five years.

The external auditor provides an annual declaration of their independence to the Company. Information about fees paid to the external auditor is included in the Directors' Report and in the notes to the financial statements in the 2022 Annual Report.

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

The lead engagement partner for the Company's external auditor attended the AGM in 2021 and was available to answer Shareholders' questions about the conduct of the audit and the preparation and content of the audit report.

Commitment to shareholders and an informed market

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

Market updates

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

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

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

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

Website

WHSP's website, www.whsp.com.au, provides information about the Company and its governance.

The Corporate Governance section provides links to:

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

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

Shareholder meetings

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

The 2022 AGM will be held at the Wesley Conference Centre, 220 Pitt St, Sydney, NSW 2000 at 12 noon on Friday 9 December 2022.

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

Shareholders who are unable to attend the AGM are encouraged to vote on the resolutions of the meeting by proxy. All resolutions at the 2021 AGM were decided on a poll.

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

Further information

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



Risk Management

The long term success of WHSP's business requires taking risks that are understood and managed. Our disciplined approach to investing includes the assessment and monitoring of financial and non-financial risks.

Our values, as set out in our *Code of Conduct*, guide our conduct and are reflected in our investment philosophy. This alignment between our values and investment philosophy supports good risk management practices and behaviours. Our *Code of Conduct* can be found at <https://www.whsp.com.au/corporate-governance/>.

As an investment company, the operations and related risks of each company we invest in are managed by or under the direction of the directors of each portfolio company. We monitor the performance of each portfolio company and of our investment portfolio as a whole. The WHSP investment team also engages with the management of portfolio companies and use our influence as an investor to promote effective risk management on material issues.

Risk Governance

The Board champions risk management through its leadership, decision making and challenge. The Board endorses WHSP's strategy annually taking into consideration the Board-approved risk appetite so that business and strategic decisions align with the risk appetite. Risk management, including the balance of risk and reward for new and existing undertakings, is central to the Board's decision making.

WHSP has a Board Risk Committee to assist the Board in setting WHSP's risk appetite and monitoring the operation of the Risk Management Framework. All Board members are members of the Board Risk Committee and the Chairman of the Risk Committee is an Independent Director. The ongoing review of risk by the Committee includes an annual risk review that is undertaken following WHSP's annual strategy review. The annual risk review includes an assessment of whether adjustments to the risk appetite need to be made as WHSP's strategy evolves.

Aspects of risk management are overseen by the Board Audit Committee and the Board Remuneration Committee. The Board Audit Committee assists with oversight of risks relating to financial reporting and, in making its remuneration decisions, the Remuneration Committee takes into account the effectiveness of risk management. Good risk management behaviour is rewarded and poor risk behaviour has proportionate consequences.

All Board Committees are chaired by an Independent Director. The number of meetings held by each Board Committee is disclosed in the Annual Report each year and the Board Committee charters are available on our website at www.whsp.com.au/policies

Management is responsible for identifying and managing risk and is accountable to the Board for designing and implementing the Risk Management Framework as well as integrating it in WHSP's day to day activities. Management also champions risk management and has a Management Risk Committee to assist with formal monitoring of material risks and identifying emerging risks. Management is also accountable for escalating these risks to the Board.

Our people and our operations

We recruit talented professionals who demonstrate commitment to our purpose, our values and delivering a high level of performance for our shareholders. WHSP employs 47 full time staff who are based in Sydney, Australia. Our *Code of Conduct* articulates the values that guide our conduct.

Our values



WHSP is committed to respecting the rights of our employees through our internal employment policies and practices. The promotion of fair work, equity, diversity and inclusion are key components of our corporate culture, and we aim to ensure all our employees work in a safe and professional work environment, as set out in our policies including, our *Diversity Policy*, *Human Rights Policy* and internal workplace health and safety policies and procedures.

WHSP's direct environmental and social impacts predominantly relate to our investing activities. Our Sustainability Report contains detail on how we manage risks such as climate change and modern slavery in our direct operations.

Our Risk Management Framework

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

Policies are used to articulate the standards expected of staff and to influence actions. Breaches of policy are reported to the Management Risk Committee and material breaches are escalated to the Board.

Remuneration decisions of the non-executive Board members consider returns to shareholders as well as ethical behaviours, operating within the law and meeting community expectations on environmental, social and governance (ESG) standards. While remuneration is set using financial measures the Board is able to exercise its right to make changes to remuneration should outcomes fall short of expectations in these areas.

WHSP monitors and reports on both financial and non-financial risk in its direct operations and investment portfolio. Key risk areas include:

- **Investment Risk:** Failure to invest in a diversified portfolio in accordance with the Sustainable Investment Policy results in an inability to achieve enhanced investment outcomes over the long term including payment of fully franked dividends to shareholders;
- **Regulatory and Compliance Risk:** Inability to effectively respond to and comply with legislation and/or regulation, or any action/inaction on the part of WHSP or its investments resulting in unacceptable monetary, financial statement or reputational exposure;
- **Sustainability and Environment Risk:** Failure to acknowledge and respond adequately to ESG expectations adversely impacting the performance of the investment portfolio and resulting in regulatory breaches and reputational damage; and
- **Brand and Reputation:** Failure to create a culture which supports and reinforces behaviours that reflect the core values and principles set out in the WHSP Sustainable Investment Policy resulting in damage to brand and reputation.

Investment portfolio monitoring includes scenario analysis and tolerances for Investment risk and Sustainability and Environment risk. The most conservative risk appetite is in the management of critical areas such as reputation, regulatory compliance, workplace health and safety and protection of the environment. This means the Board has a narrower tolerance for these risks. In relation to risks associated with business growth the Board accepts a higher risk appetite, consistent with WHSP's strategic objective.

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

We have a broad investment mandate and our investment activity is guided by our core investment principles, as set out in our *Sustainability Policy*:

- make sensible decisions;
- think outside the box;
- have the courage to act;
- think long term and have patience for the right opportunity; and
- be different.

Following the merger with Milton during the year, our approach to managing investment risk has remained the same. However, our strategy is evolving to invest a greater proportion of the portfolio in unlisted asset classes, such as private equity and structured credit, to further diversify our portfolio. As the composition of the portfolio changes, we will continue to assess and manage any new or emerging risks.

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

Our Investments

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

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

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

WHSP's investments are made in accordance with its *Sustainable Investment Policy*, *Climate Change Policy*, *Human Rights Policy* and *Anti-Bribery and Corruption Policies*. These policies may be viewed on the Company's website at <https://www.whsp.com.au/corporate-governance/> and <https://www.whsp.com.au/sustainable-investing/#esg>. Details of WHSP's approach to financial risk management is contained in Note 29 – Financial Risk Management in WHSP's FY22 Financial Report.

APPROACH TO

Investment Risk Management

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

Disciplined assessment of investment risk

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

Broad investment mandate

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

Long term view

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

Thinking, behaving, and investing responsibly

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

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



Sustainability Report

Successful long term investing is sustainable investing. We are proud of our history of patient and disciplined investing – trust and reputation are at the heart of our brand. Since listing in 1903, we have invested in a diverse portfolio of assets across a range of industries. Ultimately, we are investing in people and communities.

We are committed to thriving communities. In the last few years there has been an unprecedented level of significant change in global economies. The COVID-19 pandemic, tension between the US and China, ongoing wars in Ukraine and Syria, among other countries, rising inflation and heavily disrupted supply chains have created enormous changes and challenges to Australian and global communities. The ongoing decarbonisation of the economy has resulted in significant changes to energy generation, transmission and storage infrastructure. Security of energy supply has been reduced by growing global demand for energy and current constraints on global energy supply. Communities are being impacted by these changes and will be impacted further.

We engage with our investee portfolio companies to respond to, adapt to and manage the impact of these changes in a manner that balances many competing interests. This is integral to our role as investors.

We believe sustainable investing is a cornerstone of long term success. Sustainable investing takes into account current and emerging risks, including ESG risks and opportunities, in assessing the long term viability of the companies and industries in which we invest. We invest in companies with high quality management teams and operations where we see potential for long term shareholder wealth creation and cash generation.

WHSP is an investment company with a long term focus on performance. Its key performance measures are growth in the cash flow from its investments and growth in the value of its portfolio. We have been accountable to our shareholders for achieving both consistent dividends and growth in the net asset value of our investment portfolio. The Company's strong alignment with its shareholders has been achieved through the long term stewardship of the founding Pattinson family and the alignment of staff remuneration incentive hurdles with shareholder outcomes.

WHSP has a flexible investment mandate that permits investment into a range of asset classes. Through our history we have actively assisted portfolio companies in accessing growth capital and undertaking strategic transition with a focus on mergers and acquisitions in the past decade. This assistance has often occurred in industries where there is dislocation in capital markets and where we see strong growth opportunities from thematic tailwinds or opportunities to transition the business. WHSP's unconstrained mandate underpins our ability to distinguish ourselves from other investors.




Our strategy has been tested at times when markets do not favour value investing in the short term, but WHSP believes that disciplined long term investing will persist through market cycles. Our strategy drives our financial risk management strategy – conservative cash flow forecasting and limited debt to acquire investments. Debt is typically held and managed by each portfolio company's management team.

As an investment company the operations and related risks of each company we invest in is managed by or under the direction of the directors of each portfolio company. We monitor the performance of each portfolio company and of our investment portfolio as a whole. We also engage with management of portfolio companies and use our influence as an investor to promote effective risk management, including reviews of ESG risks and opportunities. Our level of influence is often correlated to our level of ownership.

The WHSP Consolidated Group includes portfolio companies that we control for accounting purposes and therefore consolidate as subsidiaries. We have provided more insight in this Sustainability Report on certain subsidiaries and our direct operations, including outlining the steps that we have taken to move towards reducing carbon emissions generated by our Direct Operations.

Along with our focus on providing consistent dividends and growth in the net asset value of our portfolio, our aim is to provide our shareholders with clear and concise ESG reporting. We will continue to take steps to further enhance our ESG and climate-related disclosure and provide accurate data to our shareholders in line with the Taskforce on Climate-related Financial Disclosure (TCFD) reporting guidelines and the developing IFRS Sustainability Disclosure Standards. We will endeavour to do this in a manner that does not unnecessarily duplicate the cost and efforts of our portfolio companies.

Purpose of pursuit of sustainability at WHSP

 <p>Environment</p>	 <p>Social</p>	 <p>Governance</p>
<p>We acknowledge we have an important role to play in decarbonising the economy and the energy transition. We seek to capture opportunities and manage risks.</p>	<p>We support staff and communities. Our focus on people will create a sustainable outcome for all.</p>	<p>Our Code of Conduct is the benchmark we use to assess our actions and the management of our portfolio companies. Our focus on how companies are governed delivers sustainable investment returns.</p>
ESG Strategy Areas of Focus		
Climate change risk analysis and related disclosure	Community investment	Ethical behaviour
Energy transition investment opportunities	Safety, human rights and modern slavery	Risk management
Carbon and natural capital markets	Diversity and inclusion	Stakeholder engagement
Secure and affordable access to energy and resources		
Reporting and disclosure		
Training, skill development and integration across the business		

ESG reporting and disclosure across our investment portfolio

We have a flexible and unconstrained mandate that underpins our ability to distinguish us from other investors. We currently have investments in over 300 companies. As an investment company, the operations and related risks of each company we invest in is managed by or under the direction of the directors of each portfolio company. We monitor the performance of each portfolio company, engage with management of portfolio companies and use our influence as an investor to promote effective risk management, including review of ESG risks and opportunities. Our level of influence is often correlated to our level of ownership.



Explaining WHSP's Consolidated Group ESG data and disclosure

The WHSP Consolidated Group includes companies that are controlled by WHSP as described in Note 35 of the consolidated financial statements. WHSP's Direct Operations manage the Group's investment portfolio.

Such investments in subsidiaries are not recognised as individual investments in the consolidated financial statements. Rather, the assets and liabilities of each subsidiary are recognised in the Consolidated Statement of Financial Position. Likewise, dividends from subsidiaries are not recognised in the profit or loss; instead the results from each subsidiary are included in the relevant line items in the profit or loss.

Although we take a long-term view when investing, we are active investors. As we make acquisitions and divest our shareholding in a company or acquire other assets the composition of our portfolio changes and at times the companies included in the WHSP Consolidated Group changes. The companies included in a company's consolidated group can impact ESG reports prepared by external advisers that use global industry classification sector (GICS) codes. As part of our active engagement, we make first-hand assessments of a company's ESG performance based on data that we are able to verify.

The following material changes to our investment portfolio and the companies in the WHSP Consolidated Group during the year impact not only the composition of our portfolio but our consolidated financial reporting and National Greenhouse and Energy Reporting Act reporting:

- **Milton Corporation** – Following the implementation of a scheme of arrangement on 5 October 2021, Milton became a wholly owned subsidiary of WHSP.
- **New Hope** – WHSP's shareholding in New Hope has not changed during the year and WHSP continues to receive dividend income from its investment in New Hope. However, the directors of WHSP concluded that New Hope is no longer controlled from 29 July 2022. From that date, New Hope's assets and liabilities were derecognised and New Hope recognised as an investment in associate. This will result in a significant change in the presentation of the consolidated financial statements in FY23 despite WHSP's underlying investment in New Hope and its cash flows from New Hope being unchanged.
- **Round Oak** – Round Oak was a wholly owned subsidiary until 1 July 2022 when it was sold to ASX listed company Aeris (ASX:AIS) in exchange for a 30% shareholding in Aeris. From that date, the operations of Round Oak were derecognised and the investment in Aeris recognised as an investment in associate in the consolidated financial statements.
- **Ampcontrol** – The Group completed the acquisition of the remaining 57.1% (which it previously did not own) of the issued and outstanding equity of Ampcontrol on 31 May 2022. From that date, Ampcontrol was consolidated as a subsidiary and its assets, liabilities and results of operations recognised in the consolidated financial statements.

Good Governance

The Corporate Governance section of this Annual Report on pages 26–32 summarises our Corporate Governance. More details on our Corporate Governance practices are in our [Corporate Governance Statement](#).

Corporate Governance factors are critical in our pre-investment due diligence. Our portfolio companies are selected on the basis of quality management teams and their ability to be sustainable in the long term in the industry or sector in which they operate. We invest in companies that are committed to doing the right thing – we assess this commitment for all our investments. Our [Sustainable Investment Policy](#) sets out the factors that we review as part of our pre-investment due diligence.

Our portfolio companies are actively managed in close collaboration with their management teams. Company management is responsible for identifying and managing ESG risk within their own business and is accountable to investors for their risk management framework, risk management and reporting. WHSP investment directors engage with the portfolio companies and champion risk management as well as compliance with key WHSP policy standards.

The Risk Management section of the Annual Report provides a summary of our risk management practices.



Australian agricultural investments are attractive investments. They are uncorrelated with traditional investments in equities and bonds, a hedge against inflation and make a positive contribution to natural and social capital.

Sustainable agricultural practices, input efficiency, safe and ethical work practices, food safety, food quality and good governance are among the critical factors to agricultural investment returns. These ESG factors are considered during the due diligence stage for all agricultural investments.

We manage and improve ESG performance over the life of our agricultural assets. The managers of our agriculture portfolio are developing a proprietary Agriculture ESG framework to formally manage and report on ESG performance of our agricultural investments.

The Agriculture ESG Framework is a scoring system that measures our progress against challenging ESG targets we want to achieve. These targets include water use efficiency, greenhouse gas emissions, nitrogen fertiliser use, food quality and workplace health and safety. Our farmland assets are managed using continuous improvement in farm practices and technologies that have resulted in improvements in overall ESG performance, yield and investment performance to date.

The Agriculture ESG Framework is aligned with the Australian Horticulture Sustainability Framework (Hort Innovation, June 2021), Sustainability Accounting Standards Board (SASB) standards and the Global Reporting Initiative (GRI) framework.

Environment, Climate and the Energy Transition

We are committed to managing our greenhouse gas emissions, assessing the resilience of our investment portfolio to climate-related risks and to developing further our approach to managing the impact of climate change. We are committed to assisting the communities in which we operate, including those that are impacted by climate change and the decarbonisation of the global economy.

We monitor climate change impacts (risks and opportunities) of our investment portfolio and engage with investee companies to support the many competing needs of society.

We seek to identify investment opportunities to progress the energy transition through businesses that have a competitive advantage in a decarbonising economy.

The Energy Transition

There has been significant underinvestment in energy infrastructure over the last decade and we believe investment in energy could yield future growth.

We acknowledge the goal to remove carbon as a source of energy. This transition will require innovation and increased R&D to provide alternative sources of power generation as well as significant investment in development of infrastructure for power generation, transmission and storage.



Ampcontrol is Australia's largest privately owned electrical engineering company that provides innovative products, solutions and service to the resources, infrastructure and energy sectors. Ampcontrol works in partnership with its customers to provide complex electrical infrastructure solutions focused on efficiency, performance and reliability.

Founded in Newcastle (NSW) in 1968, Ampcontrol has grown to over 900 employees, 6 member companies and 30 operations worldwide. Built on a foundation of innovation, agility and ingenuity, Ampcontrol designs and develops integrated electrical solutions and technology that make a meaningful improvement to people's lives and communities across the globe. For example, Ampcontrol has developed 'Gilghi', an off-grid water treatment unit that has been recognised for its social impact in remote and regional communities. Gilghi is a smart combination of solar, battery storage technology, advanced treatment filtering systems, and remote monitoring, allowing the unit to be fully maintained by the local community.

Ampcontrol is accelerating its strategy to be at the forefront of developing and supplying advanced technology as well as innovative products and services that enable a competitive advantage in a net-zero carbon environment. This was evidenced recently when Ampcontrol and its technology partner Tritium were announced as a winner in the Global "Charge on Innovation Challenge" launched by BHP, Rio Tinto and Vale to accelerate the commercialisation of effective solutions for charging large electric haul trucks. For more information on Ampcontrol, please visit the company's website: ampcontrolgroup.com

Ampcontrol is a wholly owned subsidiary of WHSP; we first invested in Ampcontrol in 2005 and acquired the remaining shares on 31 May 2022.

We see a number of important issues to be navigated as part of the energy transition:

- Security of energy supply. Energy demand is growing and energy supply is currently constrained, both by underinvestment and by Russian energy that is now offline or expected to be offline.
- Climate. Global greenhouse gas (GHG) emissions continued to rise in 2021 after a decrease in 2020 due to COVID19-related lockdowns. Significant investment will be required to reduce GHG emissions to the levels needed by 2050 to limit temperature increases to 1.5 degrees above pre-industrial levels.
- Affordability of energy supply. There is a societal crisis emerging as increasing cost of living, inflation, lower economic growth and potential recessions put pressure on individuals and economies; globally affordable energy is critical.

We support companies within our investment portfolio that consider scenarios for the World Energy Outlook published by the International Energy Agency (IEA) as it relates to their industry sectors. We engage with our portfolio companies on the allocation of costs associated with power generation and transmission infrastructure, community impacts of climate change and the importance of including the social aspects of implementing transition strategies as it relates to their operations.

Governance over ESG and climate-related risks and opportunities

The Board is committed to ensuring the operation of its policies and practices embed corporate governance standards, including a focus on ESG, in WHSP's day to day activities to build a more sustainable future. It recognises that an appropriate culture needs to be maintained for our continued success.

The Board's role is to:

- provide leadership and strategic guidance to WHSP
- oversee the performance and conduct of WHSP; and
- represent and report to the shareholders of WHSP.

The Board oversee management's efforts to understand and respond to climate related risk and opportunities. As part of its annual strategy review this year, the Board endorsed a separate ESG strategy setting out key deliverables to further develop and document the company's approach to climate and the energy transition, to enhance performance on our people, communities and social factors and to promote best practices in governance at portfolio companies. Key areas of focus include ESG investment analysis and ESG reporting and disclosure.

The Board champions risk management through its leadership, decision making and challenge. The Board Risk Committee assists the Board in its review and monitoring of risk management, including climate related risks and opportunities. The Committee receives qualitative and quantitative reporting on Sustainability and Environment risk within the portfolio as part of its quarterly risk reporting. Examples of qualitative reporting include modern slavery updates and ESG action plans. While quantitative reporting includes single sector concentration risk for energy producers and energy consumers as a percentage of pre-tax net asset value.

Management is responsible for identifying and managing risk and is accountable to the Board for designing and implementing the risk management framework as well as integrating it in WHSP's day to day activities. Management also champion risk management and have a risk committee to assist with formal monitoring of material risks and identifying emerging risks. Management oversees compliance with key policies. At each Management Risk Committee (MRC) meeting the MRC reviews compliance with key policies and material breaches of policy. Material breaches of policy, including WHSP's Climate Change Policy and Sustainable Investment Policy, are included in the Quarterly Risk Report to the Board Risk Committee.

Strategy and impacts on WHSP's business of ESG, climate and energy transition

As active investors we use our ability to influence investee company strategy by engaging with company management. Our level of influence is largely determined by our level of ownership.

The long term nature of our strategy is aligned with sustainable investing – we assess and monitor the significant sustainability-related risks and opportunities that we reasonably expect could affect our business model, strategy, cash flows and access to capital. And we acknowledge that when one of our portfolio companies face significant sustainability-related risks and opportunities, we could be exposed to related consequences where it is a wholly owned subsidiary.

We believe investment risk is our key risk. In addition to sound financial management, a primary mitigant of this risk is to invest in portfolio companies with strong management teams who are aligned with our culture and growth strategy. In addition to assessing and monitoring the cash flows of the company and strategies for growing the value of the business, we assess and monitor the ESG risks and opportunities of the business.

Industry screening is not applied because we believe it is important to identify businesses across all industries that do the right thing for investors, the communities in which they operate and the environment. Investments with ESG risks are more heavily screened during due diligence with a focus on quality of management and their compliance and risk management culture and practices.

We are active investors and exercise our influence to the extent that we are able to. For larger investments this might include a Board position and for smaller investments we engage with management and vote our holding. We encourage management teams to embed ESG considerations in their operations and we monitor material ESG risks of our significant investments and the portfolio as a whole.

Risk Management – Identifying, measuring and managing ESG and climate-related risks in our Direct Operations – 151 Clarence Street, Sydney

During the year we took steps to further understand and mitigate the impact of our day-to-day actions on our carbon footprint. We sought to understand how we compared with similar businesses and if there was scope to do more.

In FY21 our Scope 1 and Scope 2 greenhouse gas (GHG) emissions were 38 tonnes CO₂e compared to 36 tonnes CO₂e in FY20. The increase from FY20 was due to limited car travel during COVID related isolation periods.

Ninety five percent of the FY21 emissions related to electricity usage. We had an external party benchmark our electricity usage to similar businesses in the Sydney CBD to assess our level of energy efficiency. Our estimated National Australian Built Environment Rating System (NABERS) energy rating was 5.5 out of 6. After ensuring 100% of our energy usage was fed into the grid from Accredited GreenPower generators, our estimated NABERS energy rating increased to 6. The remaining 5% of our Scope 1 and Scope 2 emissions were related to company-owned car travel.

We have started our carbon neutral journey by purchasing 50 tonnes of Australian Carbon Credit Units (ACCUs) in the Warrego Carbon Project that is establishing permanent native forests in Queensland.

WHSP leases its premises. Our building manager, Investa, is a member of the International WELL Building Institute. The WELL Building Standard is a roadmap for creating and certifying spaces that advance human health and wellbeing that is backed by the latest scientific research. Our office building at 151 Clarence Street received a WELL Building Institute Platinum Certification in 2022. A Platinum Certification requires achievement of 21 out of 33 measurable, performance-based criteria across six core focus areas:

- Indoor Air Quality and Thermal Conditions – to minimise risks associated with airborne contaminants and support individual thermal comfort preferences.
- Water Quality Management – enhance filtration and reduce water contaminants to encourage safer hydration.
- Light Measurements – optimise lighting environments for visual acuity and to minimise disruptions to natural circadian rhythms, helping to improve sleep, productivity and focus.
- Acoustic Performance – limit background noise and distractions to support employee productivity and engagement.
- Environmental Monitoring – determine how a building is performing in real time by analyzing sensor or onsite testing data.
- Occupant Experience – collect feedback on how people experience a space.

The Investa building at 151 Clarence Street, Sydney, is 6-star energy rated and 76% of the electricity usage (excluding tenant usage) was fed into the grid from Accredited GreenPower generators. This year the building achieved a 4-star water rating compared to a 4.5-star rating in 2021 because water usage increased as companies returned to work post COVID-19 lockdowns.

As a small office of 47 people, staff are encouraged to reduce waste and to separate waste products to assist with our building manager's efforts to recycle and reuse paper, bottles and cardboard, where possible.

Risk Management – Identifying, assessing and managing ESG and climate-related risks in our investments

Our approach to assessing ESG and climate-related risks and opportunities is embedded in the implementation of WHSP's investment strategy and guided by three core beliefs:

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

By evaluating the ESG risk profile of our existing and prospective investments, we are able to take a balanced view on how these affect our investment decisions. As such, we do not exclude investments that are exposed to ESG risk and may take advantage of opportunities that arise in response to ESG risks.

As an investor we believe that in addition to continuing to take further steps to minimising our footprint (energy efficient premises and reduced travel and resource usage generally), investing in the energy transition is aligned with our investment philosophy to engage in sustainable long term investing.

In addition to managing our own footprint, we will continue to engage with investment portfolio companies on carbon reduction and investing in the energy transition.

Scope 1 and Scope 2 emissions of consolidated investments

We report Scope 1 and Scope 2 GHG emissions under the National Greenhouse and Energy Reporting (NGER) Act. The companies in the WHSP Consolidated Group that are required to report put in place procedures to assist with compiling the data required for NGER reporting.

We acknowledge that when one of WHSP's Consolidated Group companies face significant sustainability-related risks and opportunities, we could be exposed to related consequences, even though the company's operations are under the control of a separate board and management team. The changes to the WHSP Consolidated Group in the box on Page 38 will be reflected in our FY23 NGER Report.

The table below shows 100% of the Scope 1 and Scope 2 emissions data for WHSP and businesses in WHSP's investment portfolio where WHSP is required to report under the NGER Act for FY22.

Scope 1 and Scope 2 GHG emissions data for WHSP Direct Operations and WHSP Consolidated Investments (FY20-FY21, Aquatic Achievers, New Hope and Round Oak)

GHG emissions (tCO ₂ e)	Trend FY20 to FY21	FY21	FY20
WHSP Direct Operations	Down	36	38
Aquatic Achievers	Up	1,331	1,000
New Hope	Down	66,132	101,993
Round Oak	Up	47,650	41,118

Total energy consumption data for WHSP Direct Operations and WHSP Consolidated Investments (FY20-FY21, Aquatic Achievers, New Hope and Round Oak)

Energy Consumption (GJ)	Trend FY20 to FY21	FY21	FY20
WHSP Direct Operations	Down	186	218
Aquatic Achievers	Up	12,290	8,527
New Hope	Down	870,340	1,118,480
Round Oak	Up	995,708	876,746

Climate Risk Assessment of Investment Portfolio

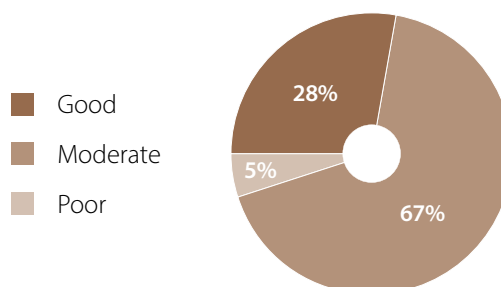
In FY21 we engaged an expert climate change and energy management adviser to conduct a climate risk assessment of a substantial proportion of the companies in our investment portfolio. They reviewed publicly available information from annual reports, sustainability reports and websites and rated the following categories for each company:

- Physical risk exposure
- Transition risk exposure
- Climate related transitional opportunities available
- Emissions disclosure practices
- Maturity of approach to climate change

The Taskforce for Climate-related Financial Disclosure (TCFD) framework was used to guide the assessment to determine whether, based on a company's disclosure, their risk exposure for the first two categories was low, moderate or high and whether they performed well, moderately or poorly within the last three categories. This traffic light assessment of portfolio company disclosure provided insight into the type and level of publicly available information available. Where there was a low level of disclosure or a high risk exposure, this identified further areas for engagement with portfolio companies.

The assessment has also assisted with our efforts to access accurate data on climate risks and GHG emissions in our investment portfolio in a manner that does not unnecessarily duplicate the cost and efforts of our portfolio companies.

Climate Risk Disclosure



Future and next steps in environment, energy and climate

Our aim is to provide our investors with clear and concise ESG reporting in line with the TCFD reporting guidelines and the developing IFRS Sustainability Disclosure Standards. We will continue to evolve our environment, climate and energy disclosure in line with this goal.

We will take a tiered approach to reducing operational GHG emissions with a focus on Scope 1 and Scope 2 at this stage, while we continue to better understand our Scope 3 emissions.

We will continue to invest in opportunities to facilitate decarbonisation and the energy transition, in a manner that considers security and affordability of energy and resources.

Our People and Communities

Our business relies on the strength of our people to drive its success. It is the dedication and discipline of our employees that enables us to generate sustainable returns for our shareholders. We are focused on recruiting the right person for each role and then on developing, retaining and rewarding our people throughout their careers.

Our **Code of Conduct** articulates our values and the behaviour that we expect of our people. Standards of behaviour are also set out in key, Board-approved policies that are intended to instil a culture of acting lawfully, ethically and responsibly.

Our **Whistleblower Policy** sets out the mechanism for reporting wrongdoing that may be occurring at the Company in a safe and secure manner, having regard to and in accordance with legal and regulatory obligations.

Our *Code of Conduct* and *Whistleblower Policy* are available on our website at www.whsp.com.au

Diversity and Inclusion

WHSP is committed to diversity across multiple factors, including gender, ethnic and cultural diversity. As disciplined investors we know that diverse perspectives and challenging opinions are integral to good investment outcomes.

We are committed to a diverse workforce where everyone is treated fairly and with respect. Recruitment, selection and succession planning have regard to diversity criteria and objectives for achieving diversity, including gender balance.

Following the merger with Milton in October 2021, the number of employees increased from 28 to 35. Since this time, we have continued to resource to meet our future needs and we had 47 employees in total as at 31 July 2022.

Demographic data for WHSP Direct Operations employees

Job Category	Male	Female	Overall Totals
Executive Management (Key Management Personnel)	2	–	2
Non-Executive Directors	4	3	7
Senior Management	8	2	10
Managers	3	2	5
Professionals	2	9	11
Other Employees (including part-time and casual)	6	6	12
Total	25	22	47

Modern slavery, business ethics, supplier onboarding

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

Our role as an employer: WHSP is committed to respecting the human rights of our employees through our internal employment policies and practices, such as our Diversity Policy and the oversight of the Board and Board Remuneration Committee. The promotion of fair work, equity, diversity and inclusivity are key components of our corporate culture, and we aim to ensure all our employees work in a safe and professional work environment.

Our role as a buyer: WHSP expects its suppliers to respect human rights in their own operations and related supply chains. We encourage our suppliers to undertake human rights due diligence and adopt similar principles with their own key suppliers.

Our role as an investor: WHSP integrates the consideration of Environmental, Social and Governance (ESG) factors, including human rights, in our investment decision making and ongoing portfolio management processes. As active owners, this includes engagement with our investee companies where we seek to incorporate respect for human rights and demonstrate a commitment to fundamental principles of human rights through our various engagement avenues.

WHSP has a supplier governance framework in place that integrates material ESG factors and we take steps to embed it in outsourcing arrangements and procurement practices. Our most recent **Modern Slavery Statement** describes our approach to assessing our key operational and supply chain modern slavery risks as well as our actions to improve the management of potential risks.

WHSP and the community

Through our community partnerships WHSP invests in building the capacity of our partners and more generally contributing to our communities and other stakeholders.



Partnership with the Royal Flying Doctor Service














WHSP has had a long association with the Royal Flying Doctor Service (RFDS). Lewy Pattinson, one of our founders, donated the first plane to the RFDS.

During the year, WHSP and the RFDS established a formal corporate partnership to facilitate initiatives that will support the future growth strategy of the RFDS. In FY20 and FY21 WHSP purchased seven Flightcell SatCom systems for a total of \$318,000 to provide better voice, data and aircraft tracking capabilities. This has enabled pilots to link all communications through the one unit anywhere in the country, at any altitude, even when outside coverage of conventional communications tracking. The Flightcell SatCom systems have improved response times resulting in a greater number of evacuations of injured people in remote areas. We will continue to partner with the RFDS to build the capacity of the RFDS to enable their aeromedical crews to evacuate injured people from emergency situations in regional, rural and remote areas of Australia.



Milton Foundation

The Milton Foundation was established in 1988 to support charitable organisations, particularly those that provide direct assistance to disadvantaged groups in our community. Through WHSP's merger with Milton Corporation, WHSP has been provided with the opportunity to partner with the Milton Foundation to assist with its continuing legacy. Since its establishment the Foundation has provided over \$2.6 million of assistance. During FY22 Milton trustees allocated \$130,000 across 13 charities.

	<p>Australian Mitochondrial Disease Foundation</p> <p>Mito Foundation supports people affected by mitochondrial disease (mito) which funds essential research into the prevention, diagnosis, treatment and cures of mitochondrial disorders, and increases awareness and education of the disease. Mito is a debilitating genetic disorder that robs the body's cells of energy, causing multiple organ dysfunction or failure and potentially death.</p>		<p>Oz Child</p> <p>OzChild is a leading child welfare organisation committed to improving the lives of vulnerable and at risk children, young people and families in their community. OzChild's vision is for all children and young people to be safe, respected, nurtured and reach their full potential.</p>
	<p>BaptistCare NSW & ACT</p> <p>BaptistCare Chisholm is a crisis accommodation housing and support program for women and children who are fleeing domestic violence and family violence. The centres provide a caring space where a range of services are delivered, including food support, meals, safe welcoming spaces, client referral and advocacy, relationship counselling, microfinance loans and the opportunity to connect with others in the local community.</p>		<p>Prison Fellowship</p> <p>Prison Fellowship delivers various services to prisoners and their families including individual visits and group programs within prisons, post release support and assistance for families of inmates.</p>
	<p>Gurum Yunupingu</p> <p>The Gurumul Foundation is a small charity established to engage and support young Indigenous Australians, particularly in remote communities, through long term programs and activities that build on their strengths and give them hope for the future. Their vision is to create greater opportunities for remote Indigenous young people to realise their full potential.</p>		<p>Royal Far West</p> <p>Royal Far West (RFW) believes country children and families should have the same access to health and well-being services as city children, and that geography should not pre-determine life trajectory. RFW provides accessible developmental health services and therapies for children living in rural and remote areas of Australia.</p>
	<p>Mater Foundation</p> <p>Mater Foundation delivers healthcare, education and research. Helping disadvantaged young people improve their chances of attaining employment.</p>		<p>Sacred Heart Mission</p> <p>Sacred Heart Mission has been supporting people suffering homelessness and extreme disadvantage for almost 40 years in St Kilda, in inner Melbourne.</p>
	<p>Operation Flinders</p> <p>Operation Flinders is an outback intervention program for at-risk youth aged 13-18. Their main programs see participants trek approximately 100km and undertake a range of outdoor activities designed to increase their personal skills of self-esteem, leadership, and teamwork.</p>		<p>The Buttery</p> <p>The Buttery is a charity which assists teenagers and adults who have mental health, gambling and/or substance misuse disorders. Its long term residential treatment program operates as a Therapeutic Community where the community of residents promotes personal change through self-help and mutual support.</p>
	<p>Oz Harvest</p> <p>OzHarvest addresses the issue of waste of surplus good food and need for food relief for the vulnerable in our community. They deliver food to 1,800 charities feeding the hungry across Australia.</p>		<p>Youth Opportunities</p> <p>Youth Opportunities provides over 2,500 disengaged and disadvantaged young people each year across South Australia with the skills to overcome adversity, build optimism and prepare for the future.</p>
			<p>Youth Insearch</p> <p>Youth Insearch runs one of the most successful youth intervention programs in the country. The program currently assists around 500 individual youth per year across NSW, VIC & QLD. Youth Insearch supports young people 12-25 experiencing trauma, suicide risk and poor mental health.</p>

Key Sustainability Metrics and Indicators

This report demonstrates our commitment to provide disclosure under the the Taskforce on Climate-related Financial Disclosure (TCFD) reporting guidelines and the developing IFRS Sustainability Disclosure Standards that will build on the existing **Sustainability Accounting Standards Board (SASB) standards**. The table below includes metrics from the SASB industry standard that is most closely aligned with our business: Asset Management and Custody Activities. Unless otherwise noted, all data and descriptions apply to the direct operations of WHSP. We do not currently disclose all metrics included in this SASB industry standard but we will continue to evaluate them in the future.

Topic	Accounting Metric	Category	WHSP Response
Diversity and Inclusion	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals and (4) all other employees	Quantitative	WHSP Direct Operations – see table on Page 44. You can also find link to this data in publicly available FY21 Sustainability Report for our investment in <u>New Hope</u> .
Business Ethics	Description of whistleblower policies and procedures	Discussion and Analysis	Disclosed in WHSP's <u>Code of Conduct, Whistleblower Policy</u>
Incorporation of ESG Factors in Investment Management	Description of approach to incorporation of ESG factors in investment processes and strategies	Discussion and Analysis	Disclosed in the <u>Sustainable Investment Policy</u> which outlines WHSP's commitment to incorporating ESG. See Agriculture Portfolio example on Page 39.
Energy	Direct energy consumption, intermediate energy consumption, renewable energy consumption	Quantitative	WHSP Direct Operations and WHSP Consolidated Investments – see table on Page 43.
Greenhouse Gas (GHG) Emissions	Scope 1, 2 and 3 emissions	Quantitative	WHSP Direct Operations and WHSP Consolidated Investments – see table on Page 43.



Directors' Report

The Directors of Washington H. Soul Pattinson and Company Limited (WHSP, Parent Entity) present their report and the financial report of the Consolidated Entity, for the financial year ended 31 July 2022.

Directors

The following persons are Directors of WHSP at the date of this report:

- **Mr R D Millner** *Chairman*
- **Mr T J Barlow** *Managing Director*
- **Mrs T L Fuller**
- **Mr M J Hawker AM** *Lead Independent Director*
- **Mr T C D Millner**
- **Mr W M Negus**
- **Mrs J L Sukkar AM**
- **Ms J E Pollard**

Mr RG Westphal retired as a Director of WHSP on 10 December 2021 at the 2021 AGM.

Other than Ms Pollard, the Directors listed above each held office as a Director of WHSP throughout the financial year ended 31 July 2022. Ms Pollard joined the Board effective from 1 March 2022.

Principal Activities

WHSP is an investment company with a diversified portfolio of investments across a range of industries and asset classes. Through the merger with Milton Corporation during the year, WHSP achieved greater portfolio diversification and a significant increase in the gross asset value of its investment portfolio.

The Consolidated Entity (the Group) includes Washington H. Soul Pattinson and Company Limited and its subsidiaries. Subsidiaries are all entities over which the Parent Entity has control. In addition to subsidiaries that are part of the Parent Entity's direct operations, the Consolidated Entity includes companies in WHSP's investment portfolio that are wholly owned subsidiaries or that WHSP controls for accounting purposes. The Consolidated Entity financial statements recognise the individual assets, liabilities, income and expenses of controlled entities. Refer to Note 34 – Parent Entity Information and Note 35 Controlled Entities and Joint Ventures for additional information.

There were no significant changes in the nature of the Consolidated Entity's principal investing activities during the year.

Dividends

Dividends paid or declared by the Parent Entity since the end of the previous financial year were:

	Cents Per Share cents	Total Amount \$'000	Franking %	Date of Payment
Declared and paid during the year				
Final ordinary dividend 2021	36	129,912	100%	14 December 2021
Interim ordinary dividend 2022	29	104,651	100%	13 May 2022
Dealt with in the financial report as dividends	65	234,563		
Resolved to pay after the end of the year				
Final ordinary dividend 2022	43	155,216	100%	12 December 2022
Special dividend 2022	15	54,145	100%	12 December 2022

Review of Operations

The statutory loss after tax attributable to shareholders was \$12.9 million compared to a statutory profit after tax of \$273.2 million for the same period last year. The reduction in statutory profit after tax was largely due to a one-off, non-cash goodwill impairment charge of \$984.6 million arising from the acquisition of Milton on 5 October 2021. This was partly offset by an increase in Regular Profit After Tax to \$834.6 million, compared to \$328.1 million in the prior corresponding period.

The Milton acquisition (further described in Note 6 of the consolidated financial statements) created \$984.6 million of goodwill, as the scrip-based purchase consideration was required under accounting standards to be calculated using the WHSP share price of \$38.20 on the Scheme of Arrangement implementation date of 5 October 2021, reflecting trading conditions at the time. The residual value allocated to goodwill was a function of WHSP's share price increasing throughout the transaction period rather than representing any future quantifiable economic benefits available from the acquisition of Milton.

Consequently, it was determined that the goodwill calculated in accordance with accounting standards should be fully impaired.

A comparison with the prior year is as follows:

	2022 \$000	2021 \$000	Change %
Revenue from continuing operations	2,784,562	1,148,408	+142.5%
Profit (loss)/profit after tax attributable to members	(12,941)	273,196	-104.7%
Interim Dividend (paid in May)	29 cents	26 cents	+11.5%
Special Dividend (payable 12 December 2022)	15 cents	—	+100.0%
Final Dividend (payable 12 December 2022)	43 cents	36 cents	+19.4%
Total Dividends	87 cents	62 cents	+40.3%

For further information regarding the operations of the Group refer to the Chairman's Review and the Portfolio Review on pages 3 to 19 of this annual report.

State of Affairs

On 5 October 2021, WHSP completed its acquisition of the remaining 97% (which it did not previously own) of the issued and outstanding equity of Milton Corporation Limited for consideration of \$4,630 million as further described in Note 35b of the consolidated financial statements.

As at the reporting date, the Parent Entity's ownership interest in New Hope is 39.85% (FY2021 39.85%). The directors of the Parent Entity concluded that the Consolidated Entity lost control of New Hope on 29 July 2022 as further described in Note 35a of the consolidated financial statements.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review not otherwise disclosed in this report or the consolidated financial statements. See Events Subsequent to the Reporting Date for a description of significant changes in the state of the affairs of the Consolidated Entity following the end of the financial year under review.

Financial Position, Financial Instruments and Going Concern

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

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

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

Events Subsequent to the Reporting Date

The Directors are not aware of any other event or circumstance since the end of the financial year not otherwise dealt with in this report or the consolidated financial statements that has or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent years. Refer to Note 33 of the consolidated financial statements.

Likely Developments, Business Strategy and Prospects

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

Environmental Compliance

WHSP is an investment company and is not subject to any particular or significant environmental regulations, other than as disclosed below. Subsidiaries within the Consolidated Entity are subject to various state and federal regulations in Australia.

The Directors are not aware of any material non-compliance with environmental regulations pertaining to the operations or activities during the period covered by this report unless otherwise disclosed.

During the year, New Hope received two Penalty Infringement Notices, one relating to a production oil leak (\$13,785) and the other relating to the late submission of an Annual Return (\$3,336). New Hope was not prosecuted for any breach of environmental laws during the financial year.

WHSP is registered and publicly reports the annual performance of the Group's operations under the requirements of the *National Greenhouse and Energy Reporting Act 2007* during the year. This Act requires the Company to report the Group's annual greenhouse gas emissions and energy use. The Group has implemented systems and processes for the collection and calculation of the data required and submitted its most recent report to the Greenhouse and Energy Data Officer.

Directors

Information regarding the Directors of the Parent Entity.

Robert Dobson Millner FAICD

Chairman

Non-Executive Director since 1984

Member of the Nomination, Remuneration and Risk Committees

Mr Millner has extensive experience in the investment industry.

Other current listed company directorships:

- Apex Healthcare Berhad – Appointed 2000
- Brickworks Limited – Appointed 1997 Chairman since 1999
- Bkl Investment Company Limited – Appointed Chairman 2003
- Milton Corporation Limited – Appointed 1998 Chairman since 2002
- New Hope Corporation Limited – Appointed 1995 Chairman since 1998
- TPG Telecom Limited – Appointed July 2020
- Tuas Limited – listed on 30 June 2020. Appointed 14 May 2020
- Aeris Resources Limited. Appointed 1 July 2022

Former listed company directorships in the past three years:

- Australian Pharmaceutical Industries Limited – Appointed 2000. Resigned 9 July 2020
- TPG Corporation Limited – Appointed 2000. Resigned July 2020
- Milton Corporation Limited (delisted from ASX on 5 October 2021, now dormant) – Appointed 1998

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

Managing Director since 2015

Member of the Risk Committee

Mr Barlow was appointed Chief Executive Officer of WHSP in April 2015 having previously been the Managing Director of Pitt Capital Partners Limited for five years.

Mr Barlow has extensive experience in mergers and acquisitions, equity capital markets and investing and has been responsible for a number of WHSP's investments since joining the WHSP Group in 2004. His career has spanned positions in law and investment banking in Sydney and Hong Kong.

Mr Barlow has a Bachelor of Business and Bachelor of Laws (Honours) from the University of Technology, Sydney. Other current listed company directorships:

- New Hope Corporation Limited – Appointed 2015

Former listed company directorships in the past three years:

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

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

Non-Executive Director since 2017

Chair of the Audit Committee and Member of the Nomination, Remuneration and Risk Committees

Mrs Fuller is an experienced public company director with a background in chartered accounting, private equity and investment banking. Her experience includes financial advisory, investment management, mergers and acquisitions and management consulting.

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

Other current listed company directorships:

- Computershare Limited – Appointed 2014

Former listed company directorships in the past three years:

- Smart Parking Limited – Appointed 2011. Resigned December 2020

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

Lead Independent Director

Non-Executive Director since 2012

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

Mr Hawker is a professional company director with over 35 years experience in financial services and investment. He was Chief Executive Officer and Managing Director of Insurance Australia Group from 2001 to 2008. From 1995 to 2001, Mr Hawker held a range of positions at Westpac, including Group Executive of Business and Consumer Banking and General Manager of Financial Markets. Prior to this, he held a number of positions at Citibank, including Deputy Managing Director for Australia and subsequently Executive Director, Head of Derivatives, Europe.

Mr Hawker is a Non Executive Director of BUPA (Global UK based board), Deputy Chairman of BUPA (Australian boards), and a Non Executive Director of Allianz Australia.

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

Other current listed company directorships:

- Westpac Banking Corporation – Appointed 2020

Former listed company directorships in the past three years:

- Macquarie Group Limited – Appointed 2010. Resigned 30 September 2020
- Aviva PLC – Appointed 2010. Resigned 2019

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

Non-Executive Director since 2011

Member of the Nomination, Remuneration and Risk Committees

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

Mr Millner has over 20 years experience within the financial services and funds management industry. He has extensive experience in managing equity portfolios and over 10 years as a Director of Australian publicly listed companies.

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

Other current listed company directorships:

- New Hope Corporation Limited – Appointed 2015

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

Non-Executive Director since 2014

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

Mr Negus has over 30 year's experience in banking and finance sector roles including senior management and board level roles. His most recent executive positions include CEO of Colonial First State Global Asset Management, CEO of 452 Capital Pty Limited and Managing Director, Goldman Sachs in London, Singapore and Sydney.

He is the Chairman of Dexus Funds Management Limited (appointed February 2021), Chairman of Pengana Capital Group Limited (appointed January 2017), and a director of Bank of Queensland (appointed 2016).

Former Listed company directorships in the past three years:

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

Josephine Louise Sukkar AM BSc(UNSW), GradDipEd

Non-Executive Director since July 2020

Member of the Nomination, Remuneration and Risk Committees

Josephine is a professional company director who works across a range of industries, including property, construction, finance, sport, the arts, medical research, and social services.

Josephine is Principal of Buildcorp, and serves on a number of private, public, government and not-for-profit boards, including Growthpoint Properties Australia, the Australian Museum, Property Council of Australia, Green Building Council of Australia, Centenary Institute of Medical Research, and the Buildcorp Foundation.

She is president of Australian Women's Rugby and through Buildcorp has been a major sponsor of rugby in Australia for over 30 years.

In 2021, Josephine was appointed Chair of the Australian Sports Commission.

Josephine is a Fellow of the University of Sydney, and in 2017 she was recognised for her services to the community, the arts, and sports in the Queen's Birthday Honours list.

Other current listed company directorships:

- Growthpoint Properties Australia Limited – Appointed 2017

Joe Elizabeth Pollard MAICD

Non-Executive Director since 1 March 2022

Member of the Nomination, Remuneration and Risk Committees

Ms Pollard has held various non-executive director roles since 2012.

Ms Pollard has over 30 years' experience in sales, marketing, media and digital technology in both senior management and director roles. In her executive career, she was Group Executive of Media and Marketing at Telstra and Chief Executive of Ninemsn and Publicis Mojo.

Ms Pollard also held executive leadership roles at Mindshare in Australia, Hong Kong and London, Nine Entertainment and Nike Inc in the USA and Japan. She is a non-executive director at Greencross Limited and RACAT Group and a Member of Chief Executive Women and the Australian Institute of Company Directors.

Other current listed company directorships:

- Endeavour Group – appointed June 2021
- oOh! Media – appointed August 2021

Company Secretary

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

Company Secretary since September 2020

Ms Lawrance is a legal and governance professional with over 20 years' experience. Her experience includes 14 years within the financial services industry as a Company Secretary and Division Director of an ASX-listed global financial services company. Prior to this Ms Lawrance practised as a lawyer in both the private and public sectors. She is a Fellow of the Governance Institute of Australia and a Graduate of the Australian Institute of Company Directors.

Directors' Meetings

The number of Board meetings and meetings of committees of Directors and the number of meetings attended by each of the Directors of WHSP during the financial year were:

	Committee Member	Board		Audit Committee		Nomination Committee		Remuneration Committee		Risk Committee	
		Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
Mr R D Millner	N,Re,Ri	17	17	–	–	1	1	1	1	4	4
Mr T J Barlow	Ri	17	17	–	–	–	–	–	–	4	4
Mrs T L Fuller	A,N,Re,Ri	17	17	10	10	1	1	1	1	4	4
Mr M J Hawker	A,N,Re,Ri	17	17	10	10	1	1	1	1	4	4
Mr T C D Millner	N,Re,Ri	17	17	–	–	1	1	1	1	4	4
Mr W M Negus	A,N,Re,Ri	17	16	10	9	1	1	1	1	4	3
Mrs J L Sukkar	N,Re,Ri	17	16	–	–	1	1	1	1	4	3
Mr R G Westphal*	A,N,Re,Ri	9	9	4	4	1	1	1	1	2	2
Ms J E Pollard*	Ri	6	6	–	–	–	–	–	–	1	1

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

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

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

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

* Mr R G Westphal resigned as a director on 10 December 2021

* Ms J E Pollard was appointed as a director on 1 March 2022

Two Board Sub-Committee meetings were held on the following dates, attended by directors listed below:

- 23/09/2021 Mr R D Millner, Mr T J Barlow and Mr R G Westphal
- 24/03/2022 Mr R D Millner, Mr T J Barlow and Mrs T L Fuller

Directors' Interests

Ordinary Shares

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

	Ordinary Shares
Mr R D Millner	*22,830,768
Mr T J Barlow	210,066
Mrs T L Fuller	1,800
Mr M J Hawker	35,300
Mr T C D Millner	*21,975,464
Mr W M Negus	43,000
Ms J Pollard	—
Mrs J L Sukkar	1,573

* 21,957,053 shares in which Mr R D Millner and Mr T C D Millner have an interest relate to holdings by the same entities.

Rights to Deferred Shares

	Rights to Deferred Shares
Mr T J Barlow	241,079

Refer to the following Remuneration Report for further information.

Interests in Contracts

Investment Management Agreement

In November 2018 WHSP entered into an Investment Management Agreement with Contact Asset Management (Contact). Under this contract Contact was responsible for managing WHSP's Large Caps Portfolio and providing reports on the performance of that portfolio to WHSP. The Directors, excluding Mr T C D Millner, reviewed the terms of the contract and concluded that it was more favourable to WHSP than an arm's length agreement for similar services.

Following the merger with Milton, WHSP took over the management of WHSP's Large Caps Investment portfolio on 1 February 2022.

Fixed monthly fees totalling \$247,500 were paid to Contact for the year ended 31 July 2022 (FY2021: \$330,000). No performance fees are payable to Contact under the contract.

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

Mr T C D Millner is a director of both WHSP and Contact and is a 45% shareholder of Contact. WHSP was a 20% shareholder of Contact until 15 October 2021.

For further information regarding the above contracts refer to Note 38 of the consolidated financial statements.

Remuneration Report

Letter from the Remuneration Committee Chair

Dear Shareholders,

On behalf of the Board I am pleased to present to you WHSP's Remuneration Report of the financial year ended 31 July 2022.

2022 has been an active and successful year for WHSP culminating in the successful merger and integration of Milton. WHSP was able to report growing profits and dividends largely as a result of the positive investment performance of our underlying portfolio.

As with previous years, management are incentivised to deliver financial outcomes that are consistent with the objectives of our shareholders in both the short and longer term. Our FY21 Remuneration Report received strong support from shareholders at last year's AGM. Consistent with feedback received during the year, there were no significant changes to the remuneration structure. Following the Milton merger, the Board extended an invitation to all permanent employees to participate in the LTI rights plan for FY22 to reinforce the importance of long term performance and to provide staff with the opportunity to become shareholders in the Company. We believe our remuneration structure provides strong alignment with shareholders and this has continued to grow over time.

FY22 reward outcomes: STI

In FY21, threshold levels for STI were not met despite the Company's ability to increase its dividend. As a result, no STI was awarded to KMP. In FY22, growth in both regular cash and NAV per share have exceeded outperformance levels and the STI pool reflects this. In assessing STI this year, the Board of WHSP has considered the extent to which Key Management Personnel (KMP) have demonstrated expected behaviours set out in our Code of Conduct as well as against their short term performance objectives set at the start of the year.

FY22 reward outcomes: LTI

LTI awards granted in FY19 were subject to measurement against financial targets at the end of FY22. 50% of the award is measured against a target annualised TSR hurdle and the other 50% is measured against a Net Assets Per Share Growth performance hurdle. Awards measured against the TSR hurdle partially vested while the annualised NAPSG hurdle fully vested. The blended outcome was 89.6% vesting. The remaining rights will lapse.

KMP changes in FY22

As defined by AASB 124 Related Party Disclosures, WHSP's KMP are those leaders with the authority and responsibility for planning, directing and controlling the activities of the consolidated WHSP group, directly or indirectly. This includes non-executive and executive directors as well as executive leaders.

In FY22, following the merger with Milton WHSP reviewed the number of Executive KMP. Changes to WHSP's organisational structure and consequently to roles and accountabilities, resulted in a review of the number of KMP. The role of CEO and CFO have major input into decisions of the WHSP Group regarding strategy, structure and strategy implementation. All other senior management roles are focused on strategy implementation and execution in their investment unit or function. As such, in FY22 the CEO and CFO are Executive KMP.

Looking ahead

The Board continues to review levels of fixed remuneration for KMP and senior management annually against relevant industry benchmarks and levels of seniority.

On behalf of the Board, I would like to thank our shareholders for their support and invite you to read the full Remuneration Report.

Yours sincerely,



W M Negus

*Non-Executive Director
Chair of the Remuneration Committee*

FY22 Remuneration Highlights

FY22 Reward Outcomes reflect the Company's performance

Operational Performance

Regular Cash Net of Regular Expenses per share

28.0% **higher than previous year**

Adjusted NAV (post tax) per share

34.0% **outperformance against market**

STI Pool

Stretch Performance was achieved

>9% **increase**

Stretch Performance was exceeded

>7% **higher than index**

Operational Performance

3 year TSR

6.7% **per annum**

3 year Net Asset Per Share Growth

13.3% **per annum**

LTI Vesting

Target Performance was exceeded (greater than 100% of the index). Stretch goals were not met

79% **vested**

Stretch goals were exceeded (≥ 10% p.a growth)

100% **vested**

Staff alignment with shareholder outcomes strengthened

WHSP's LTI plan has been extended to all levels of management to further align staff efforts with improved shareholder outcomes and to encourage increased staff shareholdings

Following the merger with Milton fixed remuneration has been reviewed

Fixed remuneration is benchmarked against market data for comparable roles in companies with similar operations and market capitalisation

Non-Executive Director Remuneration

There were no changes to Non-Executive Director fees

KMP included in this report

Name	Role	Term
Non-Executive Directors		
Robert Millner	Non-Executive Chairman	Full year
Tiffany Fuller	Non-Executive Director	Full year
Michael Hawker AM	Non-Executive Director	Full year
Warwick Negus	Non-Executive Director	Full year
Thomas Millner	Non-Executive Director	Full year
Josephine Sukkar AM	Non-Executive Director	Full year
Joe Pollard	Non-Executive Director	Appointed 1 March 2022
Robert Westphal	Non-Executive Director	Retired 10 December 2021
Executive Director and KMP		
Todd Barlow	Managing Director and CEO	Full year
Other Executive KMP		
David Grbin	Chief Financial Officer	Full year

Remuneration framework

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

The KMP of WHSP's wholly owned or controlled investee companies are not KMP of the WHSP Group as the KMP of WHSP's investee companies do not have authority or responsibility for the planning, directing or controlling the investing activities of WHSP.

The Company's remuneration policy is designed with a number of things in mind:

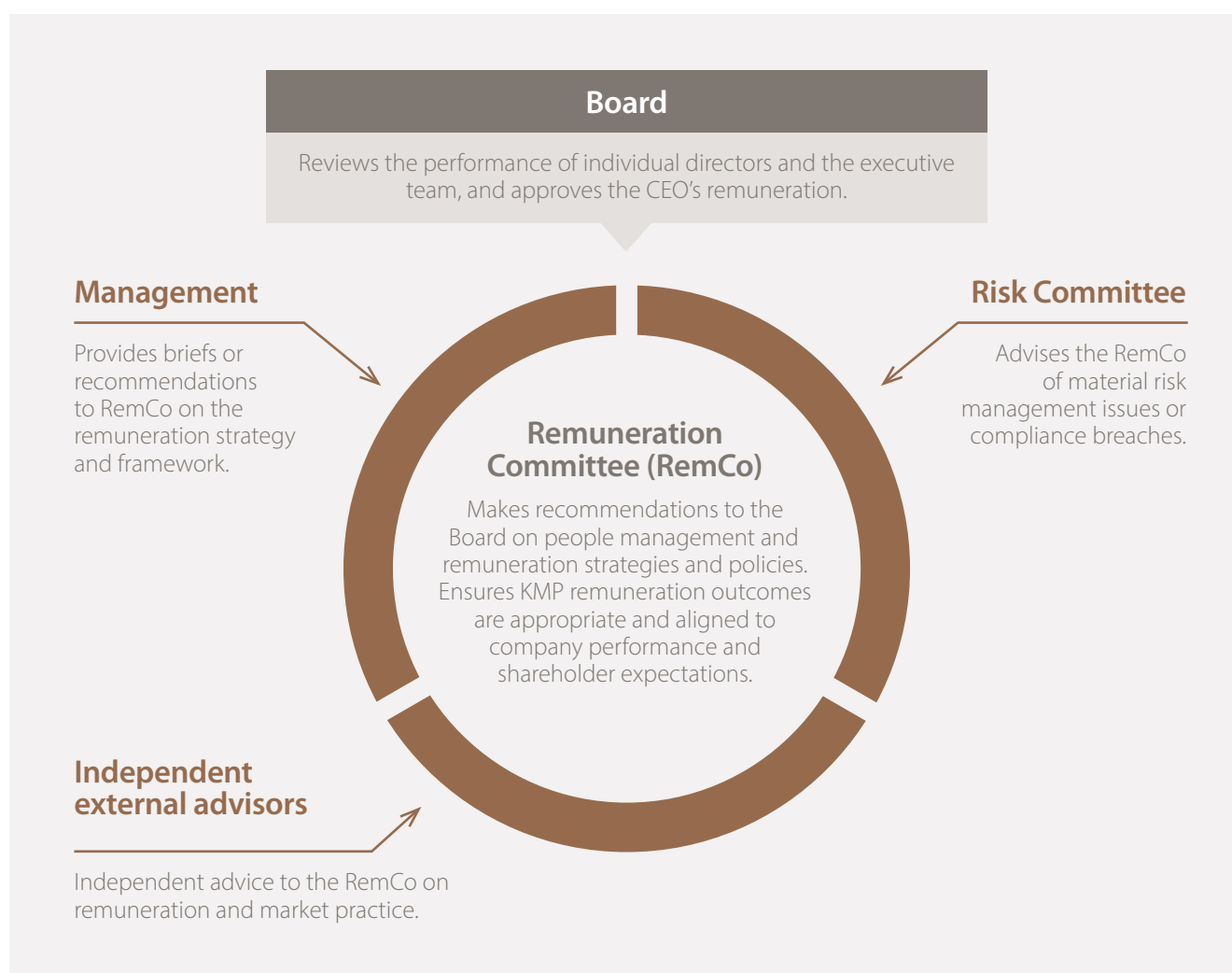
1. Align management incentives with the outcomes desired by our shareholders;
2. Attract and retain our key executives over the long term;
3. Establish goals that can be easily and independently measured; and
4. Reinforce a standard of ethical behaviour, compliance with laws and risk culture that are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

Remuneration Governance

The Remuneration Committee of the Board of WHSP consists of Non-Executive Directors. The Committee's role is to oversee WHSP's remuneration policies and practices, and make recommendations to the full Board on remuneration matters, including the terms of employment for the Managing Director, senior executives and Non-Executive Directors.

The Remuneration Committee ensures that remuneration levels for Directors and senior executives are competitively set to attract and retain qualified and experienced personnel.

The Remuneration Committee is authorised by the Board to obtain independent professional advice on the appropriateness of remuneration packages if deemed necessary. No advice relating to the remuneration of KMP was received during the year. The responsibilities of the Committee are outlined in its Charter, which is available on WHSP's website.



Executive Remuneration

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

The Executive Key management Personnel (KMP) are remunerated by way of fixed remuneration, short term incentives (STIs) and long term incentives (LTIs). Annual STIs are set in order to drive performance without encouraging undue risk taking. LTIs are assessed over a three and/or four year period if nil vesting occurs after three years and are designed to promote long term stability in shareholder returns.

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

The Remuneration Committee is responsible for assessing performance against key performance indicators (KPIs) and determining the extent to which the STI and LTI is to be paid. The STI and LTI have been designed to be payable when value has been created for shareholders. To assist in this assessment, the Committee receives detailed reports on performance from management which are based on independently verifiable data.

In the event of serious misconduct or a material misstatement in the Company's financial statements, the Board may cancel LTI based remuneration and recover LTI remuneration paid in previous financial years.

Performance Development and Review

Our *Performance Development and Review Framework* outlines how leaders and team members at WHSP:

- expand our skills and knowledge to drive better outcomes and the continuous growth of our people
- set performance expectations
- give and receive feedback
- receive support to grow and develop
- plan for career development
- review and assess performance in a way which upholds our culture
- identify key talent
- identify employees who require additional support or performance management
- succession plan

The Performance Development and Review Framework assists to plan, establish, monitor, review, evaluate and reward individual performance at WHSP

Team members will discuss, set and agree goals with their leaders. These will become the team member's performance expectation for the year ahead to measure progress against goals, Key Performance Indicator (KPI) and Key Result Area (KRA) for the past year.

At WHSP, employee performance is assessed against several performance standards which fall under 2 overarching areas:

1. Performance and Output; and
2. Behaviours.

KMP Short term performance

The STI pool is determined using key metrics that are aligned to desired shareholder outcomes. However, the allocation of the STI pool takes into account both financial and non financial performance measures. The following table sets out the specific performance against individual KPIs for WHSP's KMP.

KMP	Performance measures	Performance against key performance objectives
CEO	The CEO has a balanced scorecard of KPIs relating to: <ul style="list-style-type: none"> • Investment Management • Company Management and advice to the Board • Interaction with the Investment Community • Risk Management 	The Remuneration Committee assessed individual achievement against each of the KPIs and awarded 100.8% of the CEO's pro-rata entitlement of the STI Pool reflecting the significant achievements of FY22
CFO	The CFO has a balanced scorecard of KPIs relating to: <ul style="list-style-type: none"> • Statutory reporting and market information • Management Reporting • Support to Board and Executive Investment Management • Management of the Company's finance function 	The Remuneration Committee assessed individual achievement against each of the KPIs and awarded 102.8% of the CFO's pro-rata entitlement of the STI Pool reflecting the significant achievements of FY22

Elements of Executive Key Management Personnel Remuneration

Fixed Remuneration

Fixed remuneration for senior executives is set annually (or on promotion if applicable) by the Remuneration Committee. It is benchmarked against market data for comparable roles in companies with similar characteristics and market capitalisation. Fixed remuneration comprises a cash salary, superannuation and other non-cash benefits where taken.

Short term incentives

Structure of short term incentives

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

Feature	Description				
KMP Allocation	Variable based on each individual KMP's target performance. KMP STI are paid out of the total STI pool. 50% of Managing Director's fixed remuneration for FY22 40% of Chief Financial Officer's fixed remuneration for FY22				
STI pool	The size of the pool is determined by the performance metrics below. In the event that the targets are exceeded (performance metrics exceed 100%) the pool will be increased as set out below.				
Determination of STI pool	The pool determination metrics align with WHSP's strategic goals to maximise shareholders' returns.				
	Objective	Weighting	Threshold (80%)	Target (100%)	Outperformance
	Regular cash to the parent company net of regular expenses	50%	> 0% and < 4% higher than previous year	4% to < 5% higher than previous year	5% to < 6% = 110%
					6% to < 7% = 120%
					7% to < 8% = 130%
					8% to < 9% = 140%
					9% and higher = 150%
	As dividends are paid out of parent company cash, increasing net cash inflows enable the payment of increasing dividends.				
	Adjusted net asset value (post tax) per share (adjusted by adding back dividends paid by the parent company)	50%	> 0% and < 2% higher than ASX200 Accumulation Index	2% to < 3% higher than ASX200 Accumulation Index	3% to < 4% = 110%
					4% to < 5% = 120%
					5% to < 6% = 130%
					6% to < 7% = 140%
					7% and higher = 150%
	Increases in net asset value per share drive increases in the WHSP share price.				
Entitlement to the STI pool	Once the STI Pool is established by the financial measures described above, the Remuneration Committee determines each participating Executive's entitlement to an STI based on individual performance. Individual Executive STIs are determined having regard to achievements throughout the year against a number of Key Performance Indicators (KPIs). The KPIs encompass a range of financial and non-financial objectives relevant to each Executive's role. The total of all STIs determined by the Remuneration Committee cannot exceed the STI pool.				
Delivery of STI	100% of the STI awarded is paid in cash following release of the year end results.				
Board Discretion	The Board retains discretion to increase or decrease, including to nil, the STI pool. In exercising this discretion the Board shall take into account, amongst other factors it considers relevant, Company performance from the perspective of Shareholders over the relevant year.				

KMP Long term performance

Long term incentive plan

Washington H. Soul Pattinson and Company Limited Rights Plan (WHSPRP)

The LTI plan was approved by shareholders at the 2017 WHSP AGM. It was designed to reward senior executives for above market performance.

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

Structure of LTIs for the Executive KMP

Feature	Description															
KMP Allocation	Reassessed each year based on each individual KMP’s target performance. 75% of Managing Director’s fixed remuneration for FY22 40% of Chief Financial Officer’s fixed remuneration for FY22															
Number of Performance Rights	Number of Rights = Stretch LTI Value ÷ Right Value Where: Stretch LTI Value = Fixed Remuneration x Target LTI % ÷ Target Vesting % Target vesting = 50% Right Value = Share Price – (Annual Dividend x Measurement Period in Years) Share Price = The volume weighted average share price over the 14 days prior to the fifteenth day following the announcement of the previous financial year results of the Company. As 100% of Rights to be granted will only vest when stretch performance goals are achieved, it is expected that a lesser percentage will actually vest unless exceptional performance is achieved.															
TSR rights	50% of rights issued are subject a TSR performance condition – tranche 1															
NAPSG rights	50% of rights issued are subject a NAPSG performance condition – tranche 2															
TSR performance hurdle	<p>The TSR incentive is designed to focus executives on delivering sustainable long term Shareholder returns.</p> <p>The vesting of TSR Performance Rights will be determined by comparing the Company’s TSR over the Measurement Period with the movement in the All Ordinaries Accumulation Index over the Measurement Period.</p> <p>If the Company’s TSR is negative then nil vesting will apply to this Tranche.</p> <p>Otherwise the following vesting scale will be applied, subject to an overriding discretion held by the Board:</p> <table><tr><th>Performance Level</th><th>Company’s TSR Compared to the All Ordinaries Accumulation Index</th><th>Vesting % of Tranche</th></tr><tr><td>Below Threshold</td><td><100% of Index</td><td>0%</td></tr><tr><td>Target & Threshold</td><td>100% of Index</td><td>50%</td></tr><tr><td>Between Target and Stretch</td><td>>100% & < 100% of Index Plus 3% CAGR</td><td>Pro-rata</td></tr><tr><td>Stretch</td><td>≥100% of Index Plus 3% CAGR</td><td>100%</td></tr></table> <p>TSR is the sum of Share price appreciation and dividends (assumed to be reinvested in Shares) during the Measurement Period expressed as a growth percentage.</p>	Performance Level	Company’s TSR Compared to the All Ordinaries Accumulation Index	Vesting % of Tranche	Below Threshold	<100% of Index	0%	Target & Threshold	100% of Index	50%	Between Target and Stretch	>100% & < 100% of Index Plus 3% CAGR	Pro-rata	Stretch	≥100% of Index Plus 3% CAGR	100%
Performance Level	Company’s TSR Compared to the All Ordinaries Accumulation Index	Vesting % of Tranche														
Below Threshold	<100% of Index	0%														
Target & Threshold	100% of Index	50%														
Between Target and Stretch	>100% & < 100% of Index Plus 3% CAGR	Pro-rata														
Stretch	≥100% of Index Plus 3% CAGR	100%														

NAPSG performance hurdle	This incentive is designed to focus executives on growing the value of the Company's assets which increases Shareholder wealth. The vesting of Tranche 2 NAPSG Performance Rights will be determined by reference to the following scale:	
	Performance Level	CAGR in Net Assets Per Share during the Measurement Period
	Below Threshold	<3%
	Threshold	3%
	Between Threshold and Target	>3% & <5%
	Target	5%
	Between Target and Stretch	>5% & <10%
	Stretch	≥10%
CAGR is compound annual growth rate. Net Assets Per Share at the end of the Measurement Period will be calculated by adding all dividends paid during the Measurement Period to the closing Net Assets of the Company at the end of the Measurement Period and then dividing by the number of issued shares at the end of the Measurement Period.		
Payable by participants	Nil	No amounts are payable by the participants upon the granting or the exercising of the Rights.
Vesting of Performance Rights	Upon the satisfaction of the Vesting Conditions, the value of Rights that vest will be evaluated and will be paid in Shares, cash or a combination of cash and Shares based on the then Share price.	
Measurement Periods	The Measurement Period will be the three financial years from 1 August of the relevant year of the tranche. Retesting will only apply if nil vesting occurs for the tranche at the end of the initial Measurement Period. The Extended Measurement Period, if applicable, will only occur once the following year.	
Cessation of Employment	On termination of employment a portion of Performance Rights granted in the financial year in which the termination occurs will be forfeited. The proportion is that which the remainder of the financial year following the termination represents of the full financial year. This provision recognises that grants of Performance Rights are part of the remuneration for the year of grant and that if part of the year is not served then some of the Performance Rights will not have been earned.	
Terms and Conditions	The Board of the Company has the discretion to set the terms and conditions on which it will grant Rights under the WHSPRP, including the Vesting Conditions and modification of the terms and conditions as appropriate to ensuring the plan operates as intended. All Performance Rights granted are subject to Vesting Conditions which are intended to be challenging and linked to growth in shareholder value. The terms and conditions of the WHSPRP include those aspects legally required as well as a method for calculating the appropriate number to vest in the circumstances of a change of control, a major return of capital to shareholders and the treatment of Rights in the circumstances of various forms of termination.	
Lapse and Forfeiture of Performance Rights	Performance Rights will lapse if the prescribed Vesting Conditions are not satisfied within the prescribed Measurement Period, subject to retesting.	
Board Discretion and Clawback	The Board retains discretion to increase or decrease, including to nil, the vesting percentage in relation to each Tranche of Performance Rights. In exercising this discretion the Board shall take into account, amongst other factors it considers relevant, Company performance from the perspective of Shareholders over the relevant Measurement Period. The Board also has discretion to clawback any incentive remuneration (including unvested or vested Rights and Restricted Shares) in the event of any error in accounting resulting in a miscalculation of incentives or acts of serious negligence or bad faith on the part of an LTI participant.	

Total Remuneration Packages

The total value of each remuneration package is approved by the Remuneration Committee and reflects each executive KMP's role, responsibilities and market data. Based on this data the remuneration package of each Executive KMP for the year ended 31 July 2022 was in line with ASX listed companies with similar operations and market capitalisation, including the ratio between fixed and variable remuneration.

Non-Executive Director Remuneration

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

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

The Remuneration Committee review market data annually to assist in setting Non-Executive Director remuneration. Following its review at its September 2022 meeting, the Remuneration Committee did not change NED fees. The following are the current Board and Committee fees.

Annual Non-Executive Director Fees

Chair Fee	Board Member	Audit Chair	Audit Member	Rem Chair	Rem Member	Risk Chair
\$375,000	\$175,000	\$40,000	\$17,500	\$30,000	\$14,000	\$30,000

During the year ended 31 July 2022 remuneration of the Non-Executive Directors paid by the Parent Company and unlisted controlled entities amounted to \$2,071,435

With effect from 31 July 2004 the retiring allowance for Non-Executive Directors was frozen at three times the average annual fees for the three years prior to that date. Non-Executive Directors appointed after 31 July 2004 do not qualify for a retiring allowance. Mr Robert Millner is the only Director entitled to a retiring allowance.

Remuneration expenses for KMP (statutory remuneration)

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

See the table shown on pages 66–67.

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

	Fixed Remuneration		At Risk – STI		At Risk – LTI	
	2022	2021	2022	2021	2022	2021
Parent Company – Target						
T J Barlow	45%	45%	22%	22%	33%	33%
D R Grbin	56%	56%	22%	22%	22%	22%
Parent Company – Actual						
T J Barlow	44%	49%	32%	Nil	24%	51%
D R Grbin	54%	63%	31%	Nil	15%	37%

As the LTIs are provided exclusively by way of rights, the percentages disclosed reflect the value of rights expensed during the year.

(iii) STIs granted and forfeited for the year ended 31 July 2022

	Target STI \$	Awarded %	Forfeited %
2022			
Parent Company			
T J Barlow	750,000	151%	0%
D R Grbin	280,000	154%	0%

Contractual arrangements for current Executive KMP

	Term of agreement and notice period ¹	Base remuneration including Superannuation ²	Termination Payments ³
T J Barlow	No fixed term 6 months notice period	\$1,507,382	nil
D R Grbin	No fixed term 3 months notice period	\$703,382	nil

1. This notice applies equally to either party. The employer may make a payment in lieu of notice.

2. Base remuneration including Superannuation as at 31 July 2022.

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

Share-based compensation

Rights to deferred shares are granted under the WHSP Long Term Incentive Plan. Rights are granted for nil consideration. Rights are granted in accordance with the plan at the sole discretion of the WHSP Board. Performance and service conditions applicable to each issue of Rights are determined by the Board at the time of grant. Rights granted under the plan carry no dividend or voting rights. Vesting of current rights on issue is subject to the satisfaction of performance conditions only, and upon vesting the rights convert to ordinary shares in WHSP.

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

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

WHSP	Vesting Date				Grant Date Value
Grant Date	If relevant hurdle met over 3 years		If no vesting over 3 years re-tested over 4 years		\$
TSR Rights					
December 2019	100%	September 2022	100%	September 2023	13.52
NAPSG Rights					
December 2019	100%	September 2022	100%	September 2023	12.16
TSR Rights					
February 2021	100%	September 2023	100%	September 2024	21.70
NAPSG Rights					
February 2021	100%	September 2023	100%	September 2024	13.10
TSR Rights					
April 2022	100%	September 2024	100%	September 2025	7.90
NAPSG Rights					
April 2022	100%	September 2024	100%	September 2025	18.94

Upon vesting the above rights are automatically exercised for a \$nil exercise price.

Remuneration expenses for KMP (statutory remuneration)

The tables below provide summaries of the remuneration received by current year KMP during the 2021 and 2022 financial years in accordance with accounting standards.

Two employees were key management personnel for the period ended 31 July 2021 but not for the period ended 31 July 2022. The remuneration of these employees has therefore been removed from 2021 comparatives in the following remuneration tables.

	WHSP and unlisted controlled entity ¹				
	Short term Benefits			Post-Employment Benefits	Long term Benefits
	Salary & Fees \$	STI \$	Non-monetary ² \$	Super-annuation \$	Long Service Leave ² \$
Non-Executive Directors – 2022					
R D Millner	413,763	–	26,305	28,712	–
T L Fuller	220,569	–	–	–	–
M J Hawker	212,359	–	–	21,326	–
T C D Millner	171,230	–	–	17,195	–
W M Negus	221,570	–	–	–	–
R G Westphal	83,502	–	–	8,350	–
J L Sukkar	171,230	–	–	17,195	–
J.E. Pollard	66,288	–	–	6,695	–
Executive Directors – 2022					
T J Barlow	1,526,903	1,133,900	1,776	28,712	65,862
Other KMP – 2022					
D R Grbin	676,570	431,705	42,278	23,712	–
Total	3,763,984	1,565,605	70,359	151,897	65,862
Non-Executive Directors – 2021					
R D Millner	388,934	–	26,415	26,444	–
T L Fuller	194,381	–	–	–	–
M J Hawker	186,575	–	–	17,725	–
T C D Millner	161,461	–	–	15,339	–
W M Negus	206,870	–	–	–	–
R G Westphal	188,858	–	–	17,942	–
J L Sukkar	152,937	–	–	14,011	–
Executive Directors – 2021					
T J Barlow	1,328,683	–	107,025	26,444	23,953
Other KMP – 2021					
D R Grbin	478,349	–	32,539	21,694	–
Total	3,287,048	–	165,978	139,599	23,953

1. Unlisted controlled entity, Pitt Capital Partners Limited is a wholly owned subsidiary of WHSP.

2. Non-monetary remuneration includes fringe benefits provided and movements in annual leave and long service leave provisions. When annual leave or long service leave provided for in prior years is utilised, or paid out on resignation, a negative non-monetary amount will result.

WHSP and unlisted controlled entity ¹			Listed controlled entity ³ New Hope Corporation Limited			Consolidated Entity
Long term Benefits	Share-based Payments		Short term Benefits	Post-Employment Benefits		
Termination Benefits	LTI Rights ⁴	Total	Salary & Fees ⁵	Super-annuation ⁵	Total ⁵	Total
\$	\$	\$	\$	\$	\$	\$
–	–	468,780	220,000	22,092	242,092	710,872
–	–	220,569	–	–	–	220,569
–	–	233,685	–	–	–	233,685
–	–	188,425	130,000	13,054	143,054	331,479
–	–	221,570	–	–	–	221,570
–	–	91,852	–	–	–	91,852
–	–	188,425	–	–	–	188,425
–	–	72,983	–	–	–	72,983
		1,686,289				2,071,435
–	838,620	3,595,773	130,000	13,054	143,054	3,738,827
–	208,725	1,382,990	–	–	–	1,382,990
–	1,047,345	6,665,052	480,000	48,200	528,200	7,193,252
–	–	441,793	220,000	20,992	240,992	682,785
–	–	194,381	–	–	–	194,381
–	–	204,300	–	–	–	204,300
–	–	176,800	130,000	12,404	142,404	319,204
–	–	206,870	–	–	–	206,870
–	–	206,800	–	–	–	206,800
–	–	166,948	–	–	–	166,948
		1,597,892				1,981,288
–	1,508,294	2,994,339	130,000	12,404	142,404	3,136,803
–	309,397	841,979	–	–	–	841,979
–	1,817,691	5,434,269	480,000	45,800	525,800	5,960,069

3. New Hope Corporation Limited was a controlled entity for the whole of FY21, and for FY22 until 29 July 2022.

4. The LTI remuneration is determined by expensing the fair value of the rights as set out in Share-based Compensation on page 65 of this report.

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

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

The tables below provide summaries of the remuneration received by current year KMP of WHSP during the 2021 and 2022 financial years. This information differs from the statutory remuneration tables which present remuneration in accordance with accounting standards.

	WHSP and unlisted controlled entity ¹	
	Total Fixed Remuneration \$	STI Paid \$
Non-Executive Directors – 2022		
R D Millner	468,780	–
T L Fuller	220,569	–
M J Hawker	233,685	–
T C D Millner	188,425	–
W M Negus	221,570	–
R G Westphal	91,852	–
J L Sukkar	188,425	–
J Pollard	72,983	–
Executive Directors – 2022		
T J Barlow	1,555,615	–
Other KMP – 2022		
D R Grbin	700,282	–
Total	3,942,186	–
Non-Executive Directors – 2021		
R D Millner	441,793	–
T L Fuller	194,381	–
M J Hawker	204,300	–
T C D Millner	176,800	–
W M Negus	206,870	–
R G Westphal	206,800	–
J L Sukkar	166,948	–
Executive Directors – 2021		
T J Barlow	1,355,127	904,500
Other KMP – 2021		
D R Grbin	500,043	340,000
Total	3,453,062	1,244,500

1. Unlisted controlled entity, Pitt Capital Partners Limited is a wholly owned subsidiary of WHSP.

2. New Hope Corporation Limited was a controlled entity for the whole of FY21, and for FY22 until 29 July 2022.

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

WHSP and unlisted controlled entity ¹			Listed controlled entity ² New Hope Corporation Limited			Consolidated Entity
LTI Vested	Termination Payments	Total Remuneration	Total Fixed Remuneration ³	Other Remuneration	Total Remuneration	Total Remuneration
\$	\$	\$	\$	\$	\$	\$
–	–	468,780	242,092	–	242,092	710,872
–	–	220,569	–	–	–	220,569
–	–	233,685	–	–	–	233,685
–	–	188,425	143,054	–	143,054	331,479
–	–	221,570	–	–	–	221,570
–	–	91,852	–	–	–	91,852
–	–	188,425	–	–	–	188,425
–	–	72,983	–	–	–	72,983
1,982,661	–	3,538,276	143,054	–	143,054	3,681,330
365,805	–	1,066,087	–	–	–	1,066,087
2,348,466	–	6,290,652	528,200	–	528,200	6,818,852
–	–	441,793	240,992	–	240,992	682,785
–	–	194,381	–	–	–	194,381
–	–	204,300	–	–	–	204,300
–	–	176,800	142,404	–	142,404	319,204
–	–	206,870	–	–	–	206,870
–	–	206,800	–	–	–	206,800
–	–	166,948	–	–	–	166,948
3,025,659	–	5,285,286	142,404	–	142,404	5,427,690
154,394	–	994,437	–	–	–	994,437
3,180,053	–	7,877,615	525,800	–	525,800	8,403,415

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

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

WHSP	Grant Date	Balance at start of year	Granted during the year	Rights to deferred shares				Balance at end of year	Maximum value in future periods¹
				Vested		Forfeited			
				Number	%²	Number	%²		
T J Barlow	Dec 2016	4,879	—	4,879	100%	—	—	Nil	—
	Dec 2018	75,144	—	58,027	77%	17,117	23%	Nil	—
	Dec 2019	91,902	—	—	—	—	—	91,902	—
	Feb 2021	86,696	—	—	—	—	—	86,696	—
	Apr 2022	Nil	62,481	—	—	—	—	62,481	—
D R Grbin	Dec 2018	15,029	—	11,606	77%	3,423	23%	Nil	—
	Dec 2019	20,423	—	—	—	—	—	20,423	—
	Feb 2021	17,784	—	—	—	—	—	17,784	—
	Apr 2022	Nil	15,551	—	—	—	—	15,551	—

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

2. Percentage of the original number of rights granted.

The minimum value of the Dec 2016 rights yet to vest is nil, as the rights will be forfeited if the vesting conditions are not met.

The following sets out the key terms of the LTI plan in place for the year ended 31 July 2017. The last tranche of rights under this plan vested in September 2021.

Feature	Description	
TSR rights	50% of rights issued are subject a TSR performance condition	
EPS rights	50% of rights issued are subject an EPS performance condition	
TSR performance hurdle	TSR is initially assessed over a 3 year period and compared to the ASX All Ordinaries Accumulation Index (Index). Vesting will occur based on the company's positioning relative to the Index. If less than 100% of the rights vest, performance is reassessed over a 4 year period.	
	This incentive is designed to focus executives on delivering sustainable long term shareholder returns.	
	TSR performance per annum	Rights to vest
	TSR% < Index	Nil
	TSR% = Index	50%
	Index < TSR% < (Index + 3% per annum)	Progressive pro-rata from 50% to 100%
TSR% = (Index + 3% per annum) or higher	100%	
EPS performance hurdle	EPS movement is initially assessed over a 3 year period and compared to the target set out below. Vesting will occur based on the company's achievement of that target. If less than 100% of the rights vest, performance is reassessed over a 4 year period.	
	This incentive was designed to align the interests of executives with shareholders.	
	Regular EPS	Regular EPS is the regular profit after tax of the consolidated WHSP Group, divided by the weighted average number of WHSP shares on issue across the measurement period. Regular profit after tax is a non-statutory profit measure and represents profit from continuing operations before non-regular items. A reconciliation to statutory profit is included in the Alternative Performance Measures information.
	Regular EPS CAGR over measurement period	Rights to vest
	Regular EPS CAGR < 5%	Nil
	Regular EPS CAGR = 5%	50%
	5% < Regular EPS CAGR < 10%	Progressive pro-rata from 50% to 100%
Regular EPS CAGR = 10% or higher	100%	

Payable by participants	Nil	No amounts are payable by the participants upon the granting or the exercising of the rights.
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Other statutory information

Shareholdings of KMP

The following tables show the number of:

- shares in WHSP; and
- shares in New Hope;

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

Shares in WHSP	Balance at start of year	Purchased/ (sold)	Received on the vesting of LTI rights	Other changes during the Year	Balance at end of year
Directors of WHSP					
R D Millner	20,055,093	25,000	—	2,430,675**	22,510,768*
T J Barlow	146,446	—	62,906	714***	210,066
T L Fuller	1,800	—	—	—	1,800
M J Hawker	35,300	—	—	—	35,300
T C D Millner	19,347,977	25,000	—	2,282,487**	21,655,464*
W M Negus	33,000	10,000	—	—	43,000
R G Westphal	23,739	—	—	—	23,739 ¹
J L Sukkar	1,573	—	—	—	1,573
Other key management personnel					
D R Grbin	5,328	—	11,606	—	16,934

* 21,637,053 shares in which Mr R D Millner and Mr T C D Millner have an interest relate to holdings by the same entities.

** Shares received following implementation of the Milton Scheme of Arrangement on 5 October 2021.

*** Shares purchased in lieu of payment of WHSP's December 2021 dividend.

1. R G Westphal was no longer a KMP at year end. He held these shares on 10 December 2022 when he ceased to be a director.

Shares in New Hope Corporation Limited	Balance at start of year	Purchased/ (sold)	Received on the vesting of LTI rights	Other changes during the Year	Balance at end of year
Directors of WHSP					
R D Millner	4,177,774	1,045,000	—	—	5,222,774
T J Barlow	19,900	—	—	—	19,900
T C D Millner	4,004,368	870,000	—	—	4,874,368
R G Westphal	40,000	—	—	—	40,000 ¹

1. R G Westphal was no longer a KMP at year end. He held these shares on 10 December 2022 when he ceased to be a director.

None of the shares above are held nominally by the Directors or any of the other KMP.

Loans to KMP

No loans have been made to the Directors or other KMP.

Other transactions with KMP

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

Reliance on external remuneration consultants

No remuneration advice was received during the year.

Voting on the 2021 Remuneration Report

The Parent Company's Remuneration Report for the 2021 financial year was adopted at its 2021 Annual General Meeting on a poll.

This is the end of the Remuneration Report

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

Shares Under Option

The Parent Entity did not issue any options over unissued shares during the financial year or in the period to the date of this report. There are no such options on issue at the date of this report.

Indemnification of Officers and Auditors

Indemnification

The Parent Entity'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 WHSP. The Constitution further provides for an indemnity in respect of any costs and expenses incurred in defending proceedings in which judgement is given in their favour, they are acquitted, or the Court grants them relief under the *Corporations Act 2001*.

Insurance

In accordance with the provisions of the *Corporations Act 2001*, the Parent Entity has a Directors' and Officers' Liability policy covering Directors and Officers of the Parent Entity and some of its controlled entities. The insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Auditors

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

Proceedings on Behalf of the Company

No person has applied to the Court for leave to bring proceedings on behalf of the Parent Entity or to intervene in any proceedings to which the Parent Entity is a party, for the purpose of taking responsibility on behalf of the Parent Entity for all or part of those proceedings. The Parent Company was not a party to any such proceedings during the year.

Non-Audit Services

During the year, EY performed certain other services in addition to their statutory audit duties.

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

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

For further information, refer to Note 40 of the consolidated financial statements.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 31 July 2022 has been received and is included on page 74.

Rounding of Amounts

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

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



R D Millner

Director – Chairman



T J Barlow

Managing Director

Dated this 24th day of October 2022.



Auditor's Independence Declaration



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

As lead auditor for the audit of the financial report of Washington H. Soul Pattinson and Company Limited for the financial year ended 31 July 2022, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Ryan Fisk

Partner

Sydney
24 October 2022

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation



Financial Report

for the year ended 31 July 2022

About this report

This financial report is for the Consolidated Entity consisting of Washington H. Soul Pattinson and Company Limited and its subsidiaries for the year ended 31 July 2022. Throughout the report, the Consolidated Entity is also referred to as the 'Group'.

Please refer to the contents page for how the notes are structured and ordered. In addition to the relevant financial information, the notes include a description of the accounting policies applied, and where applicable key judgements and estimates used by management in applying these policies.

Consolidated Entity perspective

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

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

Equity investments in which the Parent Entity or a subsidiary has significant influence but does not have control are termed 'associate entities'. Unlike subsidiaries, the individual financial reports of associates are not consolidated. Associates are equity accounted with the Group's share of an associate's result recorded in profit. The investment in associates is disclosed as a line item (equity accounted associates) in the consolidated statement of financial position and is adjusted for the Group's share of the associate's result and decreased by any dividends received. This method treats dividends from associates as if they are a return of capital rather than being recognised in profit or loss.

Parent Entity perspective

Financial information for Washington H. Soul Pattinson and Company Limited, the 'Company' or 'Parent Entity' or 'WHSP' has also been provided.

Washington H. Soul Pattinson and Company Limited is a for profit company limited by shares, incorporated and domiciled in Australia. The shares are publicly traded on the Australian Securities Exchange under the code SOL:ASX. Its registered office and principal place of business is Level 14, 151 Clarence Street, Sydney, NSW 2000.

A description of the nature of the Consolidated Entity's operations and its principal activities is included in the Directors' report, which is not part of this financial report, and Note 3 Segment Information.

This financial report was authorised for issue in accordance with a resolution of the Board of Directors on 24 October 2022.

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Consolidated Statement of Comprehensive Income

for the year ended 31 July 2022

	Notes	2022 \$'000	2021 \$'000
Revenue from continuing operations	4	2,784,562	1,148,408
Other income	5	560,355	143,207
Expenses			
Cost of sales		(1,029,235)	(675,781)
Selling and distribution expenses		(115,327)	(198,207)
Administration expenses		(90,420)	(56,024)
Acquisition costs expensed		(3,041)	–
Impairment expense	6	(18,887)	(22,197)
Write off of goodwill	6	(984,565)	–
Other expenses	6	(10,132)	(24,288)
Finance costs	6	(37,381)	(34,896)
Share of results from equity accounted associates	15	201,144	67,212
Profit before income tax expense from continuing operations		1,257,073	347,434
Income tax expense	7	(764,630)	(91,964)
Profit after income tax expense for the year from continuing operations		492,443	255,470
Profit after income tax expense from discontinued operations ³	35c	64,001	64,969
Profit after income tax expense for the year		556,444	320,439
Profit/(loss) for the year is attributable to:			
Owners of Washington H. Soul Pattinson and Company Limited		(12,941)	273,196
Non-controlling interests		569,385	47,243
		556,444	320,439
Other comprehensive income/(loss)			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Changes in the fair value of equity investments at fair value through other comprehensive income		(276,596)	(198,328)
Disposal of long term equity investments, net of tax		123,913	(15,713)
Net movement after tax in capital gains reserve		116,376	16,075
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net movement after tax in hedge reserve		(66,989)	(31,383)
Net movement after tax in foreign currency translation reserve		(799)	(2,170)
Net movement after tax in equity reserve		4,146	(4,295)
Total other comprehensive loss for the year, net of tax		(99,949)	(235,814)
Total comprehensive income for the year		456,495	84,625
<i>Total comprehensive income/(loss) for the year is attributable to:</i>			
Owners of Washington H. Soul Pattinson and Company Limited		(49,140)	54,701
Non-controlling interests		505,635	29,924
Total comprehensive income for the year		456,495	84,625

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income (continued)

for the year ended 31 July 2022

	2022 \$'000	2021 \$'000
Profit/(loss) attributable to ordinary equity holders of the parent:		
Continuing operations	(76,942)	208,227
Discontinued operations ³	64,001	64,969
Profit attributable to ordinary equity holders of the parent for basic earnings:	(12,941)	273,196
Interest on convertible notes, after tax ²	–	1,140
Profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	(12,941)	274,336

	2022 \$'000	Restated ¹ 2021 \$'000
Weighted average number of ordinary shares	339,252	239,395
Less weighted average number of treasury shares ¹	(41,013)	(40,838)
Weighted average number of ordinary shares for basic EPS	298,239	198,557
Effects of dilution from convertible notes ²	–	2,502
Weighted average number of ordinary shares adjusted for the effect of dilution	298,239	201,059

	2022 Cents	2021 Cents
Earnings per share from continuing operations		
Basic earnings per share	(25.80)	104.87
Diluted earnings per share ²	(25.80)	103.57
Earnings per share from discontinued operations³		
Basic earnings per share	21.46	32.72
Diluted earnings per share ²	21.46	32.31
Earnings per share from continuing operations attributable to the Owners of Washington H. Soul Pattinson and Company Limited		
Basic earnings per share	(4.34)	137.59
Diluted earnings per share ²	(4.34)	135.88

1 Includes adjustments for treasury shares and for the reciprocal interest with Brickworks Limited (2022: 40,799,573 shares); (2021: 40,838,332 shares). Prior year comparatives have been restated.

2 2022 diluted EPS excludes the impact of the convertible noteholders converting their ordinary equity of the parent as their inclusion would be anti-dilutive. It assumes any long term incentive rights that vest in future reporting periods are expected to be satisfied by purchasing shares on the market.

3 Discontinued operations relate to the sale of Round Oak (Refer to Note 35c).

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 31 July 2022

	Notes	2022 \$'000	2021 \$'000
Current assets			
Cash and cash equivalents	25	506,327	610,324
Trade and other receivables	9	83,061	163,987
Inventories	10	58,229	126,966
Biological assets	11	9,310	4,658
Assets classified as held for sale	12	108,343	13,655
Financial assets held for trading	13	572,987	397,582
Other financial assets	14	78,204	18,814
Total current assets		1,416,461	1,335,986
Non-current assets			
Trade and other receivables	9	230,388	233,514
Equity accounted associates	15	2,643,174	899,236
Long term equity investments	16	4,803,500	2,362,838
Other financial assets	14	87,757	49,521
Investment properties	17	85,576	87,158
Property, plant and equipment	18	254,263	2,117,066
Exploration and evaluation assets	19	–	124,181
Right-of-use assets	20	37,305	125,324
Deferred tax assets	8	182,714	30,324
Intangible assets	21	147,195	133,339
Total non-current assets		8,471,872	6,162,501
Total assets		9,888,333	7,498,487
Current liabilities			
Trade and other payables	22	69,636	112,382
Contract liabilities	23	26,729	1,031
Interest bearing liabilities	26	197,641	294,727
Lease liabilities	20	9,024	18,596
Other financial liabilities	14	7,304	335
Current tax liabilities		71,578	56,345
Provisions	24	20,408	63,703
Total current liabilities		402,320	547,119
Non-current liabilities			
Trade and other payables	22	12	143
Interest bearing liabilities	26	307,575	747,905
Lease liabilities	20	33,665	112,816
Deferred tax liabilities	8	679,494	619,567
Provisions	24	6,368	317,356
Total non-current liabilities		1,027,114	1,797,787
Total liabilities		1,429,434	2,344,906
Net assets		8,458,899	5,153,581
Equity			
Share capital	27	4,680,159	47,177
Reserves	28	(184,767)	(155,144)
Retained profits		3,952,995	4,201,400
Parent Entity interest		8,448,387	4,093,433
Non-controlling interests		10,512	1,060,148
Total equity		8,458,899	5,153,581

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 31 July 2022

	Share capital \$'000	Retained profits \$'000	Reserves \$'000	Total Parent Entity interest \$'000	Non-controlling interest \$'000	Total equity \$'000
Year ended 31 July 2022						
Total equity at the beginning of the year 1 August 2021	47,177	4,201,400	(155,144)	4,093,433	1,060,148	5,153,581
Net (loss)/ profit for the year after tax	–	(12,941)	–	(12,941)	569,385	556,444
Other comprehensive income/(loss) for the year						
Net movement after tax in asset revaluation reserve	–	–	(153,274)	(153,274)	591	(152,683)
Net movement after tax in hedge reserve	–	–	(2,578)	(2,578)	(64,411)	(66,989)
Net movement after tax in foreign currency translation reserve	–	–	(712)	(712)	(87)	(799)
Net movement after tax in equity reserve	–	–	4,146	4,146	–	4,146
Net movement after tax in capital gains reserve	–	–	116,219	116,219	157	116,376
Total comprehensive income/(loss) for the year	–	(12,941)	(36,199)	(49,140)	505,635	456,495
Transactions with owners						
Dividends provided for or paid ¹	–	(204,901)	–	(204,901)	(186,589)	(391,490)
Newly issued ordinary shares ²	4,642,781	–	–	4,642,781	–	4,642,781
Loss of control of a subsidiary	–	–	–	–	(1,370,884)	(1,370,884)
Equity transfer from members on issue of share capital in a subsidiary	–	–	–	–	1,701	1,701
Net movement in share based payments reserve	–	(1,643)	6,576	4,933	511	5,444
Employee share based payment ³	(9,799)	–	–	(9,799)	–	(9,799)
Transactions with non-controlling interests	–	–	–	–	24	24
Return of capital	–	–	–	–	(34)	(34)
Reclassification of a fair value investment to an associate	–	(28,920)	–	(28,920)	–	(28,920)
Total equity at the end of the year 31 July 2022	4,680,159	3,952,995	(184,767)	8,448,387	10,512	8,458,899

1 After the elimination of \$26.5 million (43.3% of the Parent Entity dividend paid to Brickworks Limited (Brickworks)) and the elimination of \$3.15 million dividends paid to Milton Corporation Limited (Milton).

2 New issued ordinary shares to purchase Ampcontrol Limited and the balance of Milton shares under a Scheme of Arrangement. Refer to Note 35b for further details.

3 Shares acquired under the Milton Staff Share Plan. Refer to Note 27.

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

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

¹ After the elimination of \$25 million (43.3% of the Parent Entity dividend paid to Brickworks).

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

Consolidated Statement of Cash Flows

for the year ended 31 July 2022

	Notes	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts from customers inclusive of GST		2,676,804	1,477,683
Payments to suppliers and employees inclusive of GST		(1,298,153)	(1,015,846)
		1,378,651	461,837
Dividends received		192,092	101,229
Interest received		13,057	10,573
Interest on lease liabilities		(5,597)	(6,909)
Payments for financial assets held for trading		(733,888)	(219,524)
Proceeds from sale of financial assets held for trading		434,626	165,514
Acquisition costs expensed		(2,856)	–
Finance costs paid		(18,910)	(17,034)
Income taxes (paid)/refund		(64,653)	19,029
Net cash inflow from operating activities	25	1,192,522	514,715
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(162,321)	(167,006)
Proceeds from sale of property, plant and equipment and intangibles		28,205	24,060
Payments for capitalised exploration and evaluation activities		(19,316)	(14,546)
Payments for acquisition and development of investment properties		(35,585)	(7,952)
Proceeds from sale of investment properties		4,424	28,273
Payments for equity investments		(458,372)	(120,553)
Proceeds from sale of equity investments		976,533	50,020
Payments to acquire equity accounted associates		(31,200)	(4,674)
Cash flow from acquisition of business, net of cash acquired		(78,792)	–
Payments for deferred consideration		(1,601)	(17,060)
Proceeds from sale of business, net of cash received		86,818	62
Payments for security and bond guarantee		(1,012)	(4,786)
New Hope cash balance deconsolidated		(715,894)	–
Loan repayments from external parties		140,375	34,863
Loans advanced to external parties		(118,735)	(209,475)
Term deposit payment		(100,000)	–
Net cash outflow from investing activities		(486,473)	(408,774)
Cash flows from financing activities			
Dividends paid to WHSP shareholders	2	(234,563)	(146,031)
Dividends paid by subsidiaries to non-controlling interests		(185,437)	(19,306)
Proceeds from external borrowings		79,295	202,899
Repayments of external borrowings		(451,420)	(392,380)
Return of capital to non-controlling interest		–	(7,275)
Principal repayments of lease liabilities		(19,806)	(26,954)
Proceeds from part sale of shares in a subsidiary and joint venture		–	132,034
Proceeds from issue of convertible notes		–	416,791
Payment of shares acquired for the employee long term incentive plan		(2,586)	(4,123)
Transactions with subsidiaries non-controlling interest		750	2,338
Net cash (outflow)/inflow from financing activities		(813,767)	157,993
Net (decrease)/increase in cash and cash equivalents		(107,718)	263,934
Cash and cash equivalents at the beginning of the financial year		610,324	344,813
Effects of exchange rate changes on cash and cash equivalents		3,721	1,577
Cash and cash equivalents at the end of the financial year	25	506,327	610,324

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

01 Basis of preparation

This financial report is a general purpose financial report, which:

- has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a for profit basis;
- is presented in Australian dollars with all values rounded to the nearest thousand dollars (\$'000), or in certain cases, to the nearest dollar, unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 August 2021;
- does not adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to Note 36 – New or amended accounting standards and interpretations for more information;
- has been prepared on a historical cost basis except for certain items, which are measured on an alternative basis, identified in the accounting policies;
- where Parent Entity information is disclosed, relevant accounting policies are described when different to the Group accounting policies;
- On 29 July 2022, the Group determined that it no longer controlled New Hope Corporation Limited (New Hope). As a result, the balances of New Hope were derecognised from the Group at that date. Refer to Note 35a for details.

RECLASSIFICATION OF COMPARATIVE INFORMATION

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

- ***Changes in reporting segments***

Following the acquisition of Milton during the reporting period, the Consolidated Entity has amended its segment disclosures to more accurately reflect the current information provided to the Chief Operating Decision Maker (refer to Note 3). The comparative segment and revenue disclosures have been updated to be consistent with the current period segment disclosures.

- ***Discontinued operations***

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as Profit after income tax expense from discontinued operations in the Consolidated Statement of Comprehensive Income.

OTHER ACCOUNTING POLICIES

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

01 Basis of preparation (continued)

Key judgements and estimates

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

Note reference	Key judgements and estimates	Page
Note 4	Provisional pricing arrangements – sale of commodities Revenue recognised over time – supply of engineering services and projects	90
Note 6	Recoverable value of non-current assets	95
Note 8	Recoverable value of deferred tax assets	104
Note 10	Recoverable value of inventories	107
Note 15	Recoverable value of investments in associates Equity accounting of Brickworks Equity accounting of New Hope	117
Note 17	Fair value of investment properties	122
Note 18	Impairment assessments of property, plant and equipment Estimation of coal, ore and oil reserves and resources (New Hope and Round Oak) Assessment of recoverable value of New Hope Queensland coal mining operations Assessment of recoverable value of New Hope Port operations CGU Assessment of recoverable value of Round Oak capitalised mine development costs and associated plant and equipment	127
Note 19	Exploration and evaluation expenditure	128
Note 21	Impairment of intangible assets	137
Note 24	Determination of reserves estimates and rehabilitation costs	141
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02 Payment of Dividends to Shareholders

ACCOUNTING POLICY

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

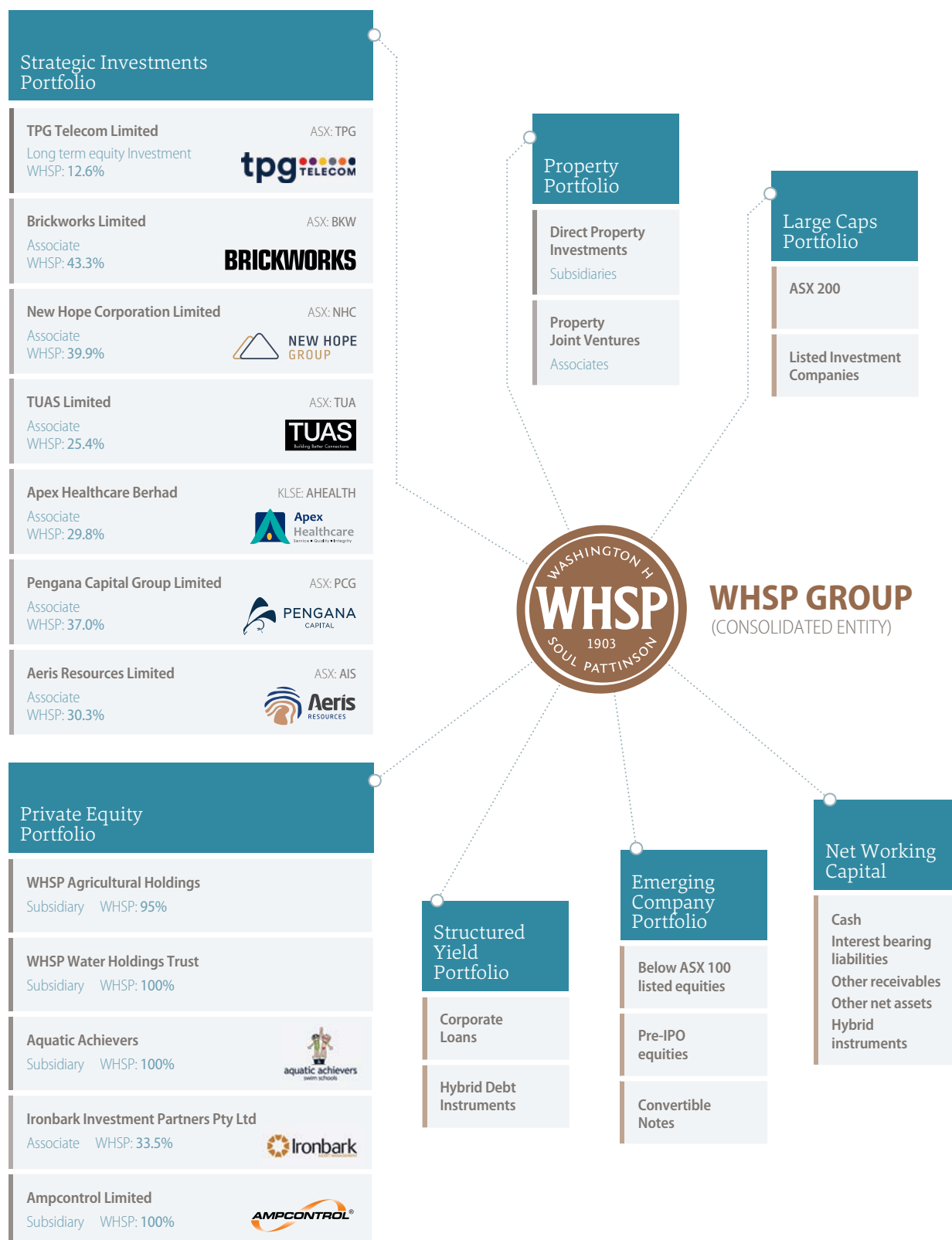
	2022 \$'000	2021 \$'000
a) Dividends paid during the year		
Final dividend for the year ended 31 July 2021 of 36 cents (2020: 35 cents) per fully paid ordinary share paid on 14 December 2021 (2020: 14 December 2020) fully franked	129,912	83,788
Interim dividend for the year ended 31 July 2022 of 29 cents (2021: 26 cents) per fully paid ordinary share paid on 13 May 2022 (2021: 14 May 2021) fully franked	104,651	62,243
Total dividends paid	234,563	146,031
b) Dividends not recognised at year end		
In addition to the above dividends, since year end the Directors have resolved to pay:		
A final dividend of 43 cents per fully paid ordinary share, (2021: 36 cents) fully franked	155,216	129,912
A special dividend of 15 cents per fully paid ordinary share, fully franked	54,145	–
Both dividends are due to be paid on 12 December 2022 (2021: 14 December 2021) out of retained profits as at 31 July 2022. As these dividends were not declared by the Directors until 21 September 2022, a provision was not recognised as at 31 July 2022.	209,361	129,912
c) Franking of dividends		
The final and special dividends for 31 July 2022 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 July 2023.		
Franking credits available for future dividend payments		
Franking credits available for subsequent financial years based on an Australian company tax rate of 30% (2021: 30%).	777,112	628,911
Subsequent to year end, the franking account will be reduced by the final and special dividends to be paid on 12 December 2022 (2021: 14 December 2021)	(89,726)	(55,676)
Balance of franking credits available after payment of the final dividend	687,386	573,235

No dividend reinvestment plan was in operation during the reporting period.

On 5 October 2021, as part of the implementation of the Scheme of Arrangement between the Company and Milton, the Company issued 121,470,772 ordinary shares to Milton's shareholders.

On 31 May 2022, the Company issued 101,771 shares under a share sale deed as part consideration for the acquisition of shares in Ampcontrol Limited (Ampcontrol). This increased the total number of ordinary shares on issue at the end of the reporting period to 360,967,863 (2021: 239,395,320). This has resulted in a significant increase in the total dollar value of subsequent dividends paid or declared by the Company to its shareholders.

03 Segment Information



Segment reporting

The Consolidated Entity is an investment house that operates within six segments based on its investment portfolio allocation. All segments are predominately based in Australia.

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

Change in reporting segments

Following the acquisition of Milton during the reporting period, the Consolidated Entity has amended its segment disclosures to more accurately reflect the current information provided to the CODM and the changes to how the CODM manages and assesses the performance of the operating segments. The information provided to the CODM has changed since the prior period and therefore it was appropriate to update the segment disclosure to reflect these changes. The comparative segment disclosures have been updated to be consistent with the current period segment disclosures.

In accordance with AASB 8 *Operating Segments*, the Consolidated Entity has identified its operating segments to be the following:

Strategic portfolio

Comprises significant investments in uncorrelated listed companies where WHSP has board representation. The strategic portfolio includes holdings in TPG Telecom Limited, New Hope Corporation Limited (New Hope), Brickworks, Tuas Limited, Apex Healthcare Berhad, Aeris Resources Limited (AIS) and Pengana Capital Group Limited (Pengana). The consolidated results are impacted by the appropriate accounting methodology that applies to each investment.

The investment in TPG Telecom Limited is held at Fair Value through Other Comprehensive Income. New Hope was consolidated throughout the previous reporting period and during the current reporting period up to and including 29 July 2022. However, the directors of the Parent Entity concluded that the Consolidated Entity lost control of New Hope on 29 July 2022. New Hope has been equity accounted from that date (Refer to Note 35a). All other investments in the strategic portfolio are equity accounted. As noted below, the Strategic portfolio includes the Consolidated Entity's share of AIS from 1 July 2022.

Large caps portfolio

This is an actively managed, Australian listed equities portfolio. The portfolio seeks to generate consistent income and capital growth over the long term. It does not aim to replicate any stock market index.

Emerging companies portfolio

The strategy of this portfolio is to invest in attractive, early stage and high growth companies that are listed, about to undertake an Initial Public Offering (IPO) or are at a pre-IPO stage. It aims to provide exposure to fast growing companies often benefitting from structural changes and trends in the domestic and global economy.

Private equity portfolio

Includes long term investments in unlisted companies to support their future growth. Ampcontrol, Agricultural investments and Aquatic Achievers are consolidated. Ironbark Investment Partners Pty Limited is equity accounted. Round Oak Minerals Pty Limited (Round Oak) was sold during the current reporting period to AIS in exchange for cash and shares. The Group's resulting investment is accounted for as an associate and is included in the Strategic portfolio as at 31 July 2022.

Structured yield portfolio

The structured yield portfolio contains investments in corporate loans and hybrid instruments. The portfolio can invest in different types of financial instruments across an investee's capital structure to optimise the portfolio's risk adjusted returns. Investments are usually structured as loans and convertible notes with an ongoing cash yield, strong asset backing and seniority to equity investors.

Property portfolio

The property portfolio largely comprises direct investments that are actively managed with an aim of generating superior long term returns from passive ownership. The portfolio also includes investments in property development joint ventures.

03 Segment Information (continued)

Reporting Segments	Strategic portfolio \$'000	Large caps portfolio \$'000	Emerging companies portfolio \$'000	Private equity portfolio \$'000	Structured yield portfolio \$'000	Property portfolio \$'000	Intersegment/ unallocated ¹ \$'000	Consolidated \$'000
Year ended 31 July 2022								
Revenue from continuing operations	2,519,836	143,026	3,637	92,738	18,266	3,495	3,564	2,784,562
Profit/(loss) after tax from continuing operations	1,308,240	143,026	(12,783)	39,513	12,284	32,828	(1,030,665)	492,443
Profit after tax from discontinued operations ²	–	–	–	64,001	–	–	–	64,001
Profit/(loss) after tax for the year	1,308,240	143,026	(12,783)	103,514	12,284	32,828	(1,030,665)	556,444
Less: (Profit)/loss attributable to non-controlling interests	(569,375)	–	–	(11)	–	1	–	(569,385)
Profit/(loss) after tax attributable to members	738,865	143,026	(12,783)	103,503	12,284	32,829	(1,030,665)	(12,941)
Segment Assets	4,003,960	3,326,452	646,528	809,114	264,893	225,064	612,322	9,888,333
Segment Liabilities	(860,874)	–	(7,602)	(223,956)	(1,287)	(11,609)	(324,106)	(1,429,434)
Net assets	3,143,086	3,326,452	638,926	585,158	263,606	213,455	288,216	8,458,899
Reporting Segments	Strategic portfolio \$'000	Large caps portfolio \$'000	Emerging companies portfolio \$'000	Private equity portfolio \$'000	Structured yield portfolio \$'000	Property portfolio \$'000	Intersegment/ unallocated ¹ \$'000	Consolidated \$'000
Year ended 31 July 2021								
Revenue from continuing operations	1,069,018	19,895	2,868	35,659	14,088	6,159	721	1,148,408
Profit/(loss) after tax from continuing operations	178,435	19,650	66,449	8,972	(1,620)	5,005	(21,421)	255,470
Profit after tax from discontinued operations ²	–	–	–	64,969	–	–	–	64,969
Profit/(loss) after tax for the year	178,435	19,650	66,449	73,941	(1,620)	5,005	(21,421)	320,439
Less: (Profit)/loss attributable to non-controlling interests	(47,497)	–	–	10	–	244	–	(47,243)
Profit/(loss) after tax attributable to members	130,938	19,650	66,449	73,951	(1,620)	5,249	(21,421)	273,196
Segment Assets	5,186,585	646,805	376,050	651,151	343,552	103,356	190,988	7,498,487
Segment Liabilities	(1,503,023)	(96,874)	(27,809)	(169,020)	(8)	(989)	(547,183)	(2,344,906)
Net assets	3,683,562	549,931	348,241	482,131	343,544	102,367	(356,195)	5,153,581

1 Unallocated represents Parent Entity revenue and corporate costs that are not allocated to individual segments. In the current year, unallocated also includes an impairment of \$984.6 million goodwill arising from the acquisition of Milton. Refer to Note 35b.

2 Refer to Note 35c.

04 Revenue

ACCOUNTING POLICY

Revenue from contracts with customers

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

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

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

- Coal sales revenue is recognised at a point in time when control of the products has been transferred to the customer in accordance with the sale terms, when the risks and benefits of ownership has transferred. The legal title, risks and rewards, and therefore the fulfillment of performance obligations normally occurs at the time of loading the shipment for export sales, and generally at the time the coal is delivered to the customer for domestic sales. Coal sales are reflected at final prices by the end of the reporting period, except for certain coal sales that are provisionally priced at the date revenue is recognised, which include a future price reference that is adjusted for discount and quantity.
- Oil sales revenue is recognised at the point in time when control of the products has been transferred to the customer in accordance with the sales terms, when the risks and benefits of ownership have transferred. This is normally when the oil is delivered to the customer.
- Copper, zinc and gold sales revenue is initially recognised at estimated sales value when the control and the risks of ownership of the product are passed to the customer. Adjustments are made for changes in commodity prices, assays, weight and currency between the time of the sale and the time of the final settlement of sales proceeds.
- Revenue from sale of agricultural products is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. This is easily identifiable where a commodity is harvested and sold to separate counterparties for full contract price upon delivery. There are no specified performance obligations as all product is provided at contract. Where the sale of goods are subject to supply contracts consisting of pool allocations (whereby a commodity is allocated to distribution pools based on class of variety, size and distribution channel), revenue is recognised for interim pool payments as notified and paid by the purchaser within 15 days of delivery, and final pool payments upon receipt of final net proceeds once the uncertainty is resolved. Where final pool payments straddle reporting years, revenue is recognised when the commodity has been delivered to the distribution house and control has been deemed to have passed. Best estimates of the most likely amount to be received for the commodity at that point in time based on weighted average pricing including a risk margin and taking into consideration expected grade are used to determine the revenue amount. Adjustment to revenue are made upon determination of the final payments.
- Revenue from integrated electrical, electronic and control solutions is recognised at a point in time when the performance obligation is satisfied upon transfer of control, which is generally at the time of delivery.
- Revenue from hire contracts is recognised on a straight line basis over the contract period.
- Revenue from the sale of other goods (net of returns, discounts and allowances) is recognised when control has transferred to the customer in accordance with the sales terms. Where a sale is settled through instalments, interest revenue is recognised over the contract term, using the effective interest rate method.
- Rental income is recognised on a straight-line basis over the lease term.
- Swimming fee revenue is recognised when the customer attends a swimming lesson and consumes the benefit of this service.
- Service fee income, including consulting and management fee income, is recognised as revenue over time as the services are performed.

Other revenue

- Interest revenue is recognised on a time proportion basis using the effective interest method.
- Dividend income is taken into revenue when the right to receive payment is established. As earnings from subsidiaries and associates are included in consolidated profit, dividends from subsidiaries and associates are not included in consolidated revenue.
- Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

04 Revenue (continued)

KEY JUDGEMENTS AND ESTIMATES

Provisional pricing arrangements – sale of commodities

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

Revenue recognised over time – supply of engineering services and projects

Judgement is required by management to best estimate revenue over time and related receivables of each contract's outcome including costs incurred and its stage of completion. This includes the assessment of the probability of on-going construction contracts. For more long term complex contracts, cost to complete and contract profitability are subject to significant estimation uncertainty.

	2022 \$'000	2021 \$'000
Revenue from contracts with customers		
Revenue from sale of goods	2,120,206	996,495
Revenue from provisional pricing adjustments	382,498	42,341
Rental revenue	5,309	6,135
Revenue from services	52,226	28,012
	2,560,239	1,072,983
Other revenue		
Dividend and distribution revenue	194,691	51,456
Interest revenue	20,577	12,733
Other	9,055	11,236
	224,323	75,425
Total revenue	2,784,562	1,148,408

Revenue from contracts with customers

Disaggregation of revenue

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

	Strategic Portfolio \$'000	Private Equity Portfolio \$'000	Other activities \$'000	Total \$'000
Year ended 31 July 2022				
Major product lines				
Coal, oil and gas	2,454,253	–	–	2,454,253
Other goods and services	17,174	85,053	3,759	105,986
Total revenue from contracts with customers¹	2,471,427	85,053	3,759	2,560,239
Other revenue	48,409	7,686	168,228	224,323
Total revenue	2,519,836	92,739	171,987	2,784,562
Total revenue from contracts with customers by geographical regions				
Australia	155,343	82,198	3,759	241,300
Japan	1,223,591	–	–	1,223,591
Taiwan	613,131	–	–	613,131
Korea	76,278	–	–	76,278
India	14,680	–	–	14,680
Chile	39,006	–	–	39,006
Other ²	349,398	2,855	–	352,253
Total revenue from contracts with customers¹	2,471,427	85,053	3,759	2,560,239
Timing of revenue recognition from contracts with customers				
Goods and services transferred at a point in time	2,454,253	65,126	945	2,520,324
Goods and services transferred over time	17,174	19,927	2,814	39,915
Total revenue from contracts with customers	2,471,427	85,053	3,759	2,560,239

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

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

Major product lines

Revenue from contracts with customers come from the Group's various consolidated entities including the sale of coal, oil, gas (New Hope), agricultural goods (WHSP Agricultural Trust), electrical and electronic engineering equipment, the provision of electrical engineering services (Ampcontrol), and provision of teaching services (Aquatic Achievers).

Major customer

Revenues of \$277.35 million (2021: \$161.91 million) are derived from one (2021: one) external customer of New Hope, representing 13% (2021: 16%) of Total Revenue from Customer Contracts. These revenues are attributed to the Taiwan geographical region (2021: Taiwan). There are no other individual customers which represent more than 10% of revenue from customer contracts for the period ended 31 July 2022.

04 Revenue (continued)

Revenue from contracts with customers (continued)

Major customer (continued)

	Strategic Portfolio \$'000	Private Equity Portfolio \$'000	Other activities \$'000	Total \$'000
Year ended 31 July 2021				
Major product lines				
Coal, oil and gas	1,025,869	–	–	1,025,869
Other goods and services	13,735	28,984	4,395	47,114
Total revenue from contracts with customers¹	1,039,604	28,984	4,395	1,072,983
Other revenue	29,414	6,676	39,335	75,425
Total revenue	1,069,018	35,660	43,730	1,148,408
Total revenue from contracts with customers by geographical regions				
Australia	87,883	28,984	4,395	121,262
Japan	434,697	–	–	434,697
China	20,869	–	–	20,869
Taiwan	239,727	–	–	239,727
Korea	61,643	–	–	61,643
Chile	63,371	–	–	63,371
India	59,291	–	–	59,291
Vietnam	15,885	–	–	15,885
Other ²	56,238	–	–	56,238
Total revenue from contracts with customers¹	1,039,604	28,984	4,395	1,072,983
Timing of revenue recognition from contracts with customers				
Goods and services transferred at a point in time	1,025,869	28,318	8	1,054,195
Goods and services transferred over time	13,735	666	4,387	18,788
Total revenue from contracts with customers	1,039,604	28,984	4,395	1,072,983

¹ Revenue from Customers Contracts includes income from commodity sales and services.

² Other Revenue from Customer Contracts relates to third party customer contracts with undisclosed geographical information.

05 Other income

ACCOUNTING POLICY

Other income includes gains or losses made on:

- changes in fair value for certain assets including financial assets held for trading, biological assets and investment properties;
- the sale of assets including the sale of financial assets held for trading, investment properties and equity accounted associates. The gain or loss is calculated as the difference between the proceeds received and the carrying value of the asset;
- deemed disposal of equity accounted associates. This occurs when the Group's percentage holding in an associate decreases, with no loss of significant influence and no legal disposal of shares by the Group. The Group continues to equity account for the associate; and
- gains and losses from loss of control of subsidiaries, and from other changes in classification of investments.

	2022 \$'000	2021 \$'000
Gain on fair value of biological assets	22,463	11,114
(Loss)/gain on financial assets held for trading at fair value through profit or loss	(36,582)	107,194
(Loss)/gain on sale of property, plant and equipment	(831)	3,283
Gain on disposal of an associate	6,131	–
Gain on derecognition of equity accounted associates	22,091	–
(Loss)/gain on deemed disposal of equity accounted associates	(2,019)	7,373
Reclassification adjustment from reserves on derecognition of an associate	–	3,643
Gain from loss of control of a subsidiary	490,620	–
Gain on revaluation of investment property	51,918	3,600
(Loss) on sale of investment properties	–	(873)
Gain on sale of other investments	6,899	–
Insurance recoveries	1,067	5,739
Other	(1,402)	2,134
	560,355	143,207

06 Expenses

ACCOUNTING POLICY

Depreciation and amortisation expense

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

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

Impairment expense

Impairment charges are non-cash expenses and are recognised when the carrying value of an asset or group of assets exceeds its recoverable amount determined based on the value in use or sale of the asset. Recoverable amount assessment methodology is discussed within the notes for each relevant asset class.

Impairment charges are generally expensed to profit or loss. For certain assets where the asset has been previously revalued through other comprehensive income, the reduction in value is recognised as a reversal through other comprehensive income to the extent of the previous revaluation, and any residual is recognised as an impairment expense.

An impairment expense recognised on goodwill is permanent and is prohibited from being reversed.

For all other assets, an assessment is made at each reporting date as to whether an impairment charge recognised in a prior period no longer exists or has decreased and a reversal recorded as applicable in the profit or loss or other comprehensive income. The reversal does not increase the carrying value of the assets above its net book value had the asset continued depreciating.

Employee benefits expenses

Employee benefits expense includes the payment of salary and wages (including the value of non-cash benefits such as share based payments), sick leave, superannuation and accruals for annual leave and long service leave.

Finance costs

Finance costs are expensed when incurred, except for interest incurred on borrowings that relate to the construction of investment properties. This interest is included in the cost of the properties.

Exploration costs expensed

Exploration costs that do not satisfy the criteria to be capitalised are expensed. Refer to Note 19 for discussion on the criteria.

	2022 \$'000	2021 \$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	(4,029)	(3,238)
Plant and equipment	(63,488)	(63,036)
Bearer plants	(2,399)	(1,826)
Right-of-use assets	(12,279)	(11,545)
Total depreciation	(82,195)	(79,645)
Amortisation		
Mining reserve and mine development	(63,825)	(67,301)
Intangible assets	(4,365)	(4,075)
Oil producing assets	(4,946)	(5,529)
Lease incentive and leasing fee assets	–	(22)
Total amortisation	(73,136)	(76,927)
Impairment reversal/(expense)¹		
Goodwill	(984,565)	–
Equity accounted associates	(14,374)	25,322
Property, plant and equipment (including mine development costs)	1,208	(33,484)
Land and buildings	–	(9,053)
Exploration and evaluation assets	(4,989)	(1,248)
Right-of-use assets	–	(2,136)
Intangibles	589	(915)
Other assets	(1,321)	(683)
Total impairment expense	(1,003,452)	(22,197)
Operating lease costs expensed²	(242)	(631)
Employee benefits expenses³	(186,170)	(166,407)
Finance costs⁴	(37,381)	(34,896)
Exploration costs expensed⁵	–	(8,499)
Onerous contract⁶	–	(37,276)
Redundancy costs⁷	(5,491)	(15,733)
Other expenses⁸	(10,132)	(24,288)

KEY JUDGEMENTS AND ESTIMATES

Recoverable value of non-current assets

The assessments of the recoverable value of non-current assets involves significant areas of estimation and judgement by management. Valuations have an element of uncertainty and therefore may not reflect the actual values of these assets in the future.

06 Expenses (continued)

1. Impairment expense

Impairment expenses by segment and by asset class is shown in the table below:

	Strategic Portfolio \$'000	Emerging portfolio \$'000	Private Equity Portfolio \$'000	Property portfolio \$'000	Other investing activities \$'000	Total \$'000
Year ended 31 July 2022						
Impairment reversals/(expense)						
Goodwill on acquisition of Milton Corporation Limited ^a	–	–	–	–	(984,565)	(984,565)
Equity accounted associates ^b	4,117	(11,915)	(6,576)	–	–	(14,374)
Property, plant and equipment (including mine development costs) ^c	–	–	1,208	–	–	1,208
Exploration and evaluation assets	(4,989)	–	–	–	–	(4,989)
Intangibles	–	–	589	–	–	589
Other assets	–	–	(247)	(1,074)	–	(1,321)
	(872)	(11,915)	(5,026)	(1,074)	(984,565)	(1,003,452)
Year ended 31 July 2021						
Impairment reversals/(expense)						
Equity accounted associates	25,322	–	–	–	–	25,322
Property, plant and equipment (including mine development costs)	(31,576)	–	(1,908)	–	–	(33,484)
Land and buildings	(9,053)	–	–	–	–	(9,053)
Exploration and evaluation assets	(1,248)	–	–	–	–	(1,248)
Right-of-use-assets	(2,136)	–	–	–	–	(2,136)
Intangibles	–	–	(915)	–	–	(915)
Other assets	(683)	–	–	–	–	(683)
	(19,374)	–	(2,823)	–	–	(22,197)

a) Milton acquisition goodwill impairment

Milton was a listed investment company, substantially invested in liquid Australian listed equities, whose fair value is determined by reference to quoted market prices in active, public stock markets.

The Group acquired Milton on 5 October 2021.

The fair value of Milton's identifiable assets and liabilities was provisionally determined at \$3,804 million based on the requirements of AASB 3 *Business Combinations* and AASB 13 *Fair Value Measurement* and following a comprehensive valuation process which included the assistance of external valuation consultants.

Consideration for the Milton acquisition was determined as follows:

- An all-share exchange that gave Milton shareholders 0.1863 Washington H. Soul Pattinson and Company Limited shares for every Milton share they owned. On 5 October 2021, WHSP issued 121,470,772 shares; and,
- WHSP closing share price of \$38.20 on 5 October 2021. It is a requirement of AASB 3 that the value of the consideration be based on the WHSP share price as at the date WHSP obtained control of Milton. From the date of announcing the proposed transaction (22 June 2021) to its completion on 5 October 2021, the WHSP share price traded between \$30.50 and \$39.80. Since the acquisition to 31 July 2022, the WHSP share price has decreased, with a volume weighted average share price over this period of \$28.18.
- The total value of the purchase consideration was \$4,630 million resulting in an excess of \$984.57 million over the fair value of net identifiable assets acquired. The magnitude of the excess is due to the significant appreciation in the WHSP share price between the date of the announcement of the transaction and the date that WHSP obtained control over Milton.

In accordance with AASB 3, the Consolidated Entity is required to provisionally recognise goodwill on acquisition of \$984.57 million that forms a part of the carrying value of the Large Caps Portfolio cash generating unit (CGU).

Accounting standard AASB 136 *Impairment of Assets*, requires that CGUs containing goodwill be tested for impairment whenever there are indications that goodwill may be impaired. Indicators of impairment as at the date of acquisition include:

- There were no material net synergy benefits arising from the acquisition to support the carrying value of any goodwill.
- Prior to the announcement of the proposed acquisition, Milton consistently traded at an implied discount to its pre-tax net assets. This discount arose as investors allowed for portfolio management costs and the implied deferred tax in the portfolio. If Milton had traded at a premium to net assets this would be an indicator that investors considered goodwill existed in the Milton Group prior to its acquisition by WHSP.
- There is no special value or know how in the Milton investment team over and above what WHSP has in house or could be hired in the market.

The recoverable amount of the Milton investment portfolio was measured based on fair value less costs to sell (as determined in accordance with AASB 13). The Directors believe the identifiable assets and liabilities acquired reflect their fair values as at the date WHSP took control.

Goodwill is calculated as the excess of the consideration, as calculated under AASB 3, and the fair value of the net assets acquired. Given the appreciation in the WHSP share price from the date of announcement of the transaction to the date which WHSP took control, together with the subsequent share price volatility, the Directors believe that an impairment to reduce the value of the goodwill on acquisition to \$nil is an appropriate representation of the CGU's recoverable amount. This is evidenced by the lower trading range of WHSP shares post acquisition.

It is noted that the agreed terms of the transaction included a 10% premium to the net assets (post tax) of Milton. This was considered appropriate to ensure the successful completion of the transaction rather than representing recognition of future unidentifiable benefits attributable to the Milton acquisition.

Accordingly, the Consolidated Entity completed an impairment test of goodwill based on the results of the provisional purchase price allocation process (see Note 35b) and determined that all of the allocated goodwill was impaired as of the date of acquisition, therefore an impairment charge at acquisition of \$984.57 million has been recorded.

b) Impairment of equity accounted associates

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

During the year ended 31 July 2022, an impairment expense of \$11.92 million was recognised on the investment in Palla Pharma Limited (2021: \$2.28 million) and \$6.58 million on the investment in Heritage Brands Limited (2021: \$nil). A reversal of impairment of \$4.12 million was recognised for Pengana (2021: reversal of \$27.60 million).

c) Impairment of property, plant and equipment

An impairment loss on property, plant and equipment (including mine development costs and land and buildings) is recognised for the amount by which the asset's carrying values exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal (FVLCD) and its value in use (VIU). For the purpose of assessing impairment under value in use testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units or CGU's). At each reporting date, an assessment is undertaken to determine if there are any circumstances that would indicate that an asset has been impaired. Individual business units adopt assumptions on pricing and exchange rates suitable for the markets in which they operate.

For the year ended 31 July 2022 New Hope recognised the following impairment expenses:

- Property, Plant & Equipment: \$nil (2021: \$30.19 million) and \$nil (2021: \$1.39 million) were recognised for the Queensland Coal Mining CGU of New Hope (refer to Note A below) and the Coal Exploration and Evaluation Assets CGU of New Hope (refer to Note B below) respectively.
- Queensland Coal Mining CGU buildings: \$nil (2021: \$9.05 million) was recognised (refer to Note A below).

For the year ended 31 July 2022, an impairment reversal of \$1.21 million (2021: impairment expense of \$1.91 million) was recognised on the Group's agricultural assets.

06 Expenses (continued)

New Hope

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

Note A: Queensland Coal Mining Operations CGU (Qld Coal CGU)

The Qld Coal CGU is predominantly comprised of the New Acland Coal Mine, which includes New Acland Stage 2 and New Acland Stage 3 (NAC03). New Hope determines the recoverable amount for the Qld Coal CGU based on a FVLCD calculation. This calculation uses discounted cashflow projections, adjusted with probability weightings specific to individual scenarios to derive a weighted average recoverable amount.

The determination of FVLCD requires New Hope to make estimates and assumptions about the expected long term commodity prices, production timing and probabilities, tonnages and recovery rates, foreign exchange rates, operating costs, reserve and resource estimates, closure costs and discount rates. Estimates in respect of the timing of project expansions and the cost to complete asset construction are also critical to determining the recoverable amounts for CGUs. The fair value measurements used in these calculations are based on non-observable market data which are considered Level 3 in the fair value hierarchy.

The above judgements, estimates and assumptions are subject to risk and uncertainty and may change as new information becomes available. In particular, the increasing global focus on climate change and associated policy and regulatory risk may impact some of the above judgements, estimates and assumptions. In particular, future supply and demand for fossil fuels impacted by legislation and or regulation to a lower carbon economy may impact the commodity prices New Hope receives for its products in global energy markets and the commercial viability of its exploration and evaluation assets. Such changes may result in additional impairment indicators for New Hope's assets and CGUs in the future. In the event the recoverable amount of assets is impacted by changes in these, the carrying amount of the assets may be further impaired with the impact recognised in the Statement of Comprehensive Income.

During the 2022 financial year New Hope continued to consider the potential impact that recent developments in the legal and regulatory environment in relation to NAC03 may have on the recoverable amount for the Qld Coal CGU and whether there were any further indicators of impairment or factors suggesting reversal of previously recognised impairments of NAC03. A summary of key events pertaining to NAC03 approvals since July 2021 are detailed below:

- On 17 December 2021, the Land Court of Queensland recommended that the Mining Leases and Environmental Authority amendment application be granted, subject to conditions;
- On 26 May 2022, the Coordinator-General issued her change report to the stated conditions for the Environmental Authority for NAC03;
- The Coordinator-General's change report satisfies a condition to the Land Court of Queensland's recommendation that NAC03's Mining Leases and the Environmental Authority amendment be granted;
- On 28 June 2022, the Department of Environment and Science issued the New Acland Mine Stage 3 Environmental Authority. The Environmental Authority includes the Coordinator-General's amended stated conditions in accordance with the Land Court of Queensland's recommendation that New Acland Mine Stage 3's Mining Leases and the Environmental Authority amendment application be granted; and
- On 26 August 2022, the Minister for Resources granted the New Acland Stage 3 Mining Leases, such that the associated water licence (AWL) remains the key outstanding approval. An Amended AWL application submitted on 19 January 2019, which progressed through public consultation and is with the Minister for decision.

No impairment indicators were identified during the period ended 31 July 2022, and therefore New Hope did not recognise an impairment charge in the Statement of Comprehensive Income (31 July 2021: \$40.26 million).

Further considerations

The Qld Coal CGU has existing long term take-or-pay agreements for the supply of water. Should the remaining water license approval for New Acland Stage 3 not be granted and the operations be placed in long term care and maintenance or otherwise abandoned or disposed, an onerous contract may need to be recognised if the unavoidable costs of the contract cannot be mitigated. The take or pay agreement for rail that was in place in the prior comparative period expired in December 2021.

The Qld Coal CGU is a customer of the New Hope Port Operations CGU. In the event that there are circumstances which impact the Qld Coal CGU, this may be relevant to the recoverable value of the Port Operations CGU and will be a factor in any future impairment considerations. During the year ended 31 July 2022 no indicators of impairment were noted with regard to the Port Operations CGU.

Recoverable amount and impairment charge

	2022		2021	
	Recoverable amount \$'000	Impairment expenses \$'000	Recoverable amount \$'000	Impairment expenses \$'000
Property, plant and equipment				
Land and buildings – mining	18,561	–	18,859	9,053
Plant and equipment	9,831	–	19,007	30,191
Mining reserves, leases and development assets	68	–	97	–
Plant under construction	311	–	252	–
Intangibles				
Software	38	–	373	–
Exploration and evaluation assets				
Exploration and evaluation at cost	6,147	–	2,204	1,015
	34,956	–	40,792	40,259

Note B: Coal Exploration and Evaluation Assets CGU

The recoverable amount of the Coal Exploration and Evaluation Assets CGU was determined based on a FVLCD calculation underpinned by a resource multiple. A resource multiple is considered the appropriate valuation methodology for an exploration asset of this type as it represents the price paid for the resources in market transactions for exploration tenures. New Hope determined that a resource multiple of \$0.03 (2021: \$0.03) be ascribed to the JORC resources.

New Hope determined that an indicator of impairment existed as at 31 July 2022 in respect of the Yamala Coal Project. New Hope concluded the recoverable amount for the CGU was below its carrying value and an impairment charge of \$4.99 million (2021: \$nil) was recognised in the current reporting period.

New Hope determined that no indicators of impairment existed as at 31 July 2022 in respect of the North Surat Coal Exploration projects, and no impairment charge or reversal of impairment was recognised (2021: impairment charge of \$1.62 million was recognised).

	2022		2021	
	Recoverable amount \$'000	Impairment expenses \$'000	Recoverable amount \$'000	Impairment expenses \$'000
North Surat coal project				
Exploration and evaluation	25,952	–	25,530	233
Property, plant and equipment	8,685	–	8,797	1,385
Yamala coal project				
Exploration and evaluation	–	4,989	4,989	–
	34,637	4,989	39,316	1,618

06 Expenses (continued)

2. Operating lease costs expensed

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

3. Employee benefits expenses

Employee benefits expenses represent expenses paid to all employees within the Group. This amount includes \$141.69 million (2021: \$150.04 million) paid to employees of New Hope. Employee benefits expenses also include superannuation expenses of \$17.92 million (2021: \$10.48 million).

4. Finance costs

This amount includes \$26.73 million (2021: \$26.68 million) paid by New Hope, and \$7.96 million (2021: \$6.98 million) paid by the Parent Entity on interest bearing liabilities as well as the unwinding of the discount on provisions and interest expense in relation to leases liabilities.

5. Exploration costs expensed

This amount relates to New Hope exploration costs expensed.

6. Onerous contract

During the prior period ended 31 July 2021, New Hope recognised an expense of \$37.28 million in respect of one onerous take-or-pay contract that ended December 2021. The expense was recognised as a selling and distribution expense, and included actual costs paid during the period ended 31 July 2021 and estimated costs expected to be paid in future periods. During 2022, the provision for the onerous contract was fully unwound.

7. Redundancy costs

During the current period ended 31 July 2022, New Hope incurred \$5.49 million (2021: \$15.73 million) in redundancy costs across its Queensland operations and corporate office as part of an overall group restructure.

8. Other expenses

During the current period ended 31 July 2022, New Hope incurred liquidation related expenses of \$9.82 million (2021: \$2.62 million) relating to the voluntary administration of the Northern Energy Corporation Limited and Colton Coal Pty Ltd.

During the prior period ended 31 July 2021, other expenses mainly relate to \$16.50 million write off of loan and interest to an external party, \$2.67 million expected credit losses allowance on external loans, \$2.62 million liquidation related expenses incurred by New Hope and \$1.30 million loss on fair value recognition of a loan.

07 Income tax expense

ACCOUNTING POLICY

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit or loss.

Tax consolidation legislation

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

Subsidiaries within the relevant tax consolidated groups continue to be responsible under tax funding agreements for funding their share of tax payments that are required to be made by the head entity in their tax consolidated group. These tax amounts are measured as if each entity within the tax consolidated group continues to be a stand-alone taxpayer in their own right.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any differences between the amounts assumed and amount receivable or payable under the tax funding agreements are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Intra-group balances and transactions are eliminated on consolidation.

	2022 \$'000	2021 \$'000
a) Income tax expense comprises:		
Current income tax expense		
Current year	425,287	22,023
(Over)/under provision in prior year	(12,929)	6,313
Deferred income tax expense		
Related to the origination and reversal of temporary differences	353,780	62,393
Adjustment in respect of prior year's deferred tax (assets)/liabilities previously not recognised	(1,508)	1,235
Income tax expense recognised in the profit or loss	764,630	91,964
Deferred tax included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	(66,096)	2,083
Increase in deferred tax liabilities	419,876	60,310
	353,780	62,393

07 Income tax expense (continued)

	2022 \$'000	2021 \$'000
b) Reconciliation of prima facie tax expense to income tax expense:		
Profit before income tax expense from continuing operations	1,257,073	347,434
Profit before income tax expense from discontinued operations	76,848	94,841
Tax at the Australian rate of 30% (2021: 30%)	400,176	132,683
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Net impairment expenses	301,034	–
Franking credits received (excluding subsidiary and associate entities)	(85,395)	(11,349)
Tax effect of New Hope deconsolidation	182,900	–
Tax expense/(benefit) on the carrying value of equity accounted associates	(183)	(404)
(Over)/under provision for income tax	(11,373)	797
Non-taxable gain on disposal of subsidiary	(10,209)	–
Other	526	109
Total income tax expense	777,476	121,836
Effective tax rate:	58.3%	27.5%
Income tax expense reported in statement of profit or loss	764,630	91,964
Income tax expense attributable to discontinued operations	12,846	29,872
c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the year and not recognised in net profit or loss but directly charged or credited to equity		
(Increase)/decrease to deferred tax assets	(21,141)	41,808
Decrease to deferred tax liabilities	(104,923)	(103,452)
Net deferred tax charged directly to equity	(126,064)	(61,644)
d) Unrecognised deferred tax assets		
Relating to the tax consolidated groups of:		
Washington H. Soul Pattinson and Company Limited	84,924	70,679
New Hope Corporation Limited	–	12,316
Total unrecognised deferred tax assets	84,924	82,995
Potential tax benefit at 30%	25,477	24,899

08 Deferred tax assets and deferred tax liabilities

ACCOUNTING POLICY

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

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

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

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

Deferred tax liabilities are recognised on equity accounted associates irrespective of whether they are held on a hold or sale basis. Deferred tax assets are only recognised on equity accounted associates if they are held on a sale basis and if the deferred tax asset is deemed to be recoverable.

	2022 \$'000	2021 \$'000
a) Deferred tax assets comprises temporary differences attributable to:		
Provisions	12,777	104,672
Accrued expenses	726	44
Impairment losses	1,403	–
Capitalised exploration	–	750
Property, plant and equipment	811	15,673
Tax value of losses carried-forward	137,182	6,736
Lease liabilities	3,468	33,035
Other	6,027	6,041
Long term equity investments	308,706	1,331
Share issue costs	–	10
Total deferred tax assets	471,100	168,292
Set-off of deferred tax liabilities pursuant to set-off provisions	(288,386)	(137,968)
Net deferred tax assets	182,714	30,324
Movements:		
Opening balance at 1 August	168,292	221,795
Credited/(debited) to profit or loss from continuing operations	66,096	(2,083)
Credited/(debited) to profit or loss from discontinued operations	32,912	(9,612)
Credited/(debited) to equity	21,141	(41,808)
Business combinations	322,608	–
Deconsolidation of New Hope	(139,949)	–
Closing balance at 31 July	471,100	168,292

08 Deferred tax assets and deferred tax liabilities (continued)

KEY ESTIMATE

Recoverable value of deferred tax assets

Deferred tax assets have been recognised relating to carried forward capital losses, income losses and temporary differences, based on current tax rates. Utilisation of capital tax losses and income losses requires the realisation of capital gains and taxable income respectively, in subsequent years and the ability to satisfy certain tests at the time the losses are recouped. The actual tax results in future periods may differ from the estimates made at the time the deferred taxes are recognised.

	2022 \$'000	2021 \$'000
b) Deferred tax liabilities comprises temporary differences attributable to:		
Property, plant and equipment	5,492	108,890
Inventories	3,311	16,387
Capitalised exploration	–	12,966
Investment in associates	500,320	118,195
Long term equity investments	440,667	488,340
Cashflow hedges	–	2,923
Intangibles	12,336	2,036
Other	5,754	7,798
Total deferred tax liabilities	967,880	757,535
Set-off of deferred tax liabilities pursuant to set-off provisions	(288,386)	(137,968)
Net deferred tax liabilities	679,494	619,567
Movements:		
Opening balance at 1 August	757,535	798,729
Debited to profit or loss from continuing operations	419,876	60,309
Debited to profit or loss from discontinued operations	5,058	1,948
Credited to equity	(104,923)	(103,451)
Business combinations	15,489	–
Deconsolidation of New Hope Corporation Limited	(125,155)	–
Closing balance at 31 July	967,880	757,535

It is important to note that the deferred tax liability recognised above does not represent the total tax that would be incurred if all assets of the Group were to be sold. This is predominately due to subsidiaries and the associate entities not being carried at their market value in the consolidated financial statements.

09 Trade and other receivables

ACCOUNTING POLICY

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less any allowance for expected credit losses (ECL). Trade receivables are due for settlement between 30 and 60 days from the date of recognition.

Sales contracts for commodities often incorporate provisional pricing. Under provisional pricing arrangements, the price to be received on the sales of commodity is provisionally priced using either the 'expected value' or 'most likely amount' method. Subsequently, provisionally priced sales are repriced at each reporting period until final pricing and settlement is confirmed based on final quality of products delivered and testing at its destination. The period between provisional pricing and final invoice is generally between 30 and 180 days.

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

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

The amount of any allowance for expected credit loss is recognised in the profit or loss. When a trade receivable for which an allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss.

Measurement

Loans to external parties

Loans to external parties are held at amortised cost, less any allowance for ECL.

Other receivables

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

	2022 \$'000	2021 \$'000
Current assets		
Trade receivables	60,282	107,819
Trade receivables – provisionally priced	–	1,990
Loans to external parties – secured	2,964	2,815
Other receivables	16,555	33,188
Prepayments	3,260	18,175
	83,061	163,987
Non-current assets		
Loans to external parties – secured	231,190	153,936
Loans to external parties – unsecured	–	79,454
Other receivables and prepayments	121	2,791
	231,311	236,181
Allowance for expected credit losses	(923)	(2,667)
	230,388	233,514

09 Trade and other receivables (continued)

	2022 \$'000	2021 \$'000
Allowance for expected credit losses movements		
Opening balance at 1 August	(2,667)	–
Reversal of prior year expected credit loss to the profit or loss	2,667	–
Provision for allowance for expected credit losses	(923)	(2,667)
Closing balance at 31 July	(923)	(2,667)
Disclosed as:		
Current assets	–	–
Non-current assets	(923)	(2,667)
	(923)	(2,667)

Credit, foreign exchange, fair value and interest rate risk

Information about the Group's exposure to these risks in relation to trade and other receivables is provided in Note 29.

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

Trade receivables

The balance at 31 July 2022 mainly relates to Ampcontrol of \$45.11 million (2021: \$nil), a newly acquired subsidiary in 2022.

At 31 July 2021, the balance mainly related primarily to New Hope (2021: \$88.21 million) and Round Oak (2021: \$12.71 million), which were deconsolidated or sold during the reporting period. As at reporting date, trade receivables past due but not impaired were \$nil (2021: \$nil).

Trade receivables – provisionally priced

Prior year balance of \$1.99 million related to Round Oak.

Loans to external parties – secured

During the reporting period, the Consolidated Entity provided loans to external parties at commercial rates. The total balance of loans at 31 July 2022 was \$234.15 million (2021: \$156.75 million). These loans are secured by general security deeds that provide fixed and floating charges over all assets and/or property mortgages.

Loans to external parties – unsecured

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

10 Inventories

ACCOUNTING POLICY

Inventories are measured at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate portion of variable and fixed overheads, the latter being allocated on the basis of normal operating capacity. Where applicable, work in progress also includes attributable profit to date (based on stage of completion of each contract) less progress billing. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

	2022 \$'000	2021 \$'000
Current assets		
Raw materials and stores	27,271	41,407
Work in progress	21,025	17,899
Finished goods	11,310	71,043
Provision for obsolescence	(1,377)	(3,383)
	58,229	126,966

Inventory at 31 July 2022 primarily relates to Ampcontrol whereas at 31 July 2021 they related mainly to New Hope which was deconsolidated from 29 July 2022 (refer to Note 35a).

Inventory expense

Inventories recognised as an expense during the year ended 31 July 2022 amounted to \$911.04 million (2021: \$700.67 million).

The write-down of inventory to net realisable value recognised as an expense during the current reporting period amounted to \$nil (2021: \$4.70 million).

KEY JUDGEMENTS AND ESTIMATES

Recoverable value of inventories

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

11 Biological assets

ACCOUNTING POLICY

The Group only recognises biological assets when:

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

Biological assets are measured at fair value less cost to dispose at each reporting date. The fair value is determined as the risk adjusted value of cash flows expected to be generated by the crops (including costs to bring the crop to a saleable condition). Where the fair value cannot be measured reliably, biological assets are measured at cost.

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

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

Finally, and integral to management's internal valuation process for biological assets, where the present condition of the assets are immature and fair value cannot be reliably measured within a market, the fair value of the biological assets may be calculated using the present value of the expected net cash flows from the assets.

Net increments and decrements in the fair value of the growing assets are recognised as income or expense in the Consolidated Statement of Comprehensive Income, determined as:

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

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

	2022 \$'000	2021 \$'000
Current assets		
Opening balance	4,658	2,062
Additions	–	663
Sale or transfer to inventory	(17,811)	(9,181)
Change in fair value due to biological transformation	22,463	11,114
	9,310	4,658

12 Assets classified as held for sale

ACCOUNTING POLICY

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

	Notes	2022 \$'000	2021 \$'000
Current assets			
<i>Assets classified as held for sale at carrying amount</i>			
Trade and other receivables		–	267
Inventory		–	697
Equity accounted associates	15	–	5,642
Investment property	17b	88,480	–
Property, plant and equipment	18	18,798	21,210
Intangible assets	21	1,065	5
<i>Liabilities classified as held for sale at carrying amount</i>			
Provisions	24	–	(14,166)
		108,343	13,655

Investment Property

On 11 May 2022, the Group entered into a contract for sale of an investment property for \$88.48 million, with settlement of the sale expected in November 2022. The property was consequently reclassified as held for sale. A gain of \$49.25 million has been recognised in the Consolidated Statement of Comprehensive Income on remeasurement of this asset to fair value less costs to sell.

Property, plant and Equipment

Milton

On 28 April 2022, Milton entered into a contract for the sale of its former corporate office for \$6.25 million. A net gain of \$0.46 million has been recognised in the Consolidated Statement of Comprehensive Income on remeasurement of this property to fair value less costs to sell. The sale was settled in August 2022.

Ampcontrol

During the year ended 31 July 2022, Ampcontrol commenced an active process to sell a number of properties. As at 31 July 2022, Ampcontrol reclassified \$0.48 million of property as held for sale with settlement expected in early 2023.

WHSP Agriculture Holding Trust (Ag Trust)

As at 31 July 2022, the Ag Trust, reclassified one of its agricultural properties to held for sale following approval from the majority shareholder (WHSP) and the Ag Trust's Investment Committee to commence a formal sale process. Subsequent to year end, a sale contract for the property was executed, with settlement expected in November 2022. The carrying value of the property's assets, including property, plant and equipment and water rights, was adjusted to \$14.20 million resulting in a loss of \$0.20 million recognised in the Consolidated Statement of Comprehensive Income.

New Hope

As at 31 July 2021, New Hope reclassified land with a net book value of \$7.12 million from property, plant and equipment to assets classified as held for sale following the execution of an unconditional contract for sale on 8 June 2021.

On 28 July 2021, New Hope entered a contract for sale of their old corporate office at Brookwater, Queensland. The sale was subject to a put and call option with New Hope intending to exercise their put option within 30 days of the contract date in line with the contract for sale. New Hope reclassified this building with a net book value of \$3 million from property, plant and equipment to assets classified as held for sale.

The above two sale transactions were completed by New Hope during the current reporting period.

12 Assets classified as held for sale (continued)

Round Oak

Various entities within the Round Oak group entered into an agreement on 31 July 2021 to sell various assets and associated liabilities collectively referred to as the 'Cloncurry operations'. As at 31 July 2021, the Cloncurry operations was classified as a disposal group held for sale, with a net book value of negative \$2.05 million. The assets within the disposal group had a gross value of \$12.11 million and represented various classes of property, plant and equipment. The liabilities within the disposal group had a gross value of \$14.17 million, representing environmental liabilities associated with mining leases and tenements being disposed. The sale was settled in June 2022.

Souls Private Equity

In the prior reporting period, Souls Private Equity Limited was in negotiations to sell its shares in Seven Miles Roasters Pty Limited (Seven Miles), and consequently the Group's investment in Seven Miles was reclassified to assets classified as held for sale, with a book value of \$5.64 million as at 31 July 2021. Settlement was finalised in October 2021.

13 Financial assets held for trading

ACCOUNTING POLICY

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

Recognition

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

Classification

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

Subsequent measurement

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

Derecognition

Financial assets held for trading are derecognised on trade date and when the rights to receive cash flows from the investments have expired or have been sold and the Group has transferred substantially all the risks and rewards of ownership.

	2022 \$'000	2021 \$'000
Current assets		
Financial assets held for trading – listed	497,410	383,319
Financial assets held for trading – unlisted	75,577	14,263
	572,987	397,582

Fair value and price risk

The Consolidated Entity has adopted fair value accounting to determine the carrying value of these investments.

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

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

14 Other financial assets/liabilities

ACCOUNTING POLICY

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

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

Cash flow hedges

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

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

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

Fair value hedges

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

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

Financial assets held for trading

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value, and are also remeasured to fair value at subsequent reporting dates.

14 Other financial assets/liabilities (continued)

	2022 \$'000	2021 \$'000
Current assets		
Derivatives	78,204	9,068
Forward foreign exchange contracts	–	9,746
	78,204	18,814
Non-current assets		
Derivatives	77,071	–
Loans to external parties (secured) – measured at fair value	10,686	19,669
Other financial assets – listed	–	8,563
Other financial assets – unlisted	–	21,289
	87,757	49,521
Current liabilities		
Derivatives	7,304	335
	7,304	335

The classification between current and non current other financial assets has been amended in this Financial Report from the version presented in the Preliminary Final Report.

New Hope

During the financial year New Hope was deconsolidated (refer to Note 35a) from the Group. In the prior period, New Hope held foreign exchange contracts representing assets with a fair value of \$9.75 million in the normal course of business in order to hedge exposure to fluctuations in exchange rates and commodity prices.

At 31 July, the details of notional amounts of outstanding foreign exchange contracts are:

	Sell US dollars Buy Australian dollars		Average exchange rate	
	2022 \$'000	2021 \$'000	2022 USD:AUD	2021 USD:AUD
Maturity				
0 to 6 months	–	46,319	–	0.5829
	–	46,319		

Fair value measurement

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

Credit risk exposures of derivative financial instruments

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. In the prior period, \$46.32 million was receivable relating to forward foreign exchange contracts and New Hope was exposed to losses in the event that counterparties failed to deliver the contracted amount. Refer to Note 29 for additional information.

Parent Entity

The Parent Entity provides secured loans to unrelated external parties (hedged items) of \$14.3 million and \$23.5 million in Canadian dollars (CAD) and New Zealand dollars (NZD) respectively. The Parent Entity has entered into cross currency interest rate swaps (hedged instrument) to hedge changes in fair value.

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

At the reporting date the cross-currency interest rate swaps represent liabilities with a fair value of \$0.37 million (2021: \$0.34 million).

At the reporting date the details of outstanding contracts are:

	2022 \$'000	2021 \$'000	2022 CAD:AUD	2021 CAD:AUD
Maturity				
6 to 12 months	15,297	–	0.8986	–
12 to 18 months	–	15,297	–	0.9452
	15,297	15,297		

	2022 \$'000	2021 \$'000	2022 NZD:AUD	2021 NZD:AUD
Maturity				
6 to 12 months	22,113	–	1.1123	–
12 to 18 months	–	22,113	–	1.0627
	22,113	22,113		

15 Equity accounted associates

ACCOUNTING POLICY

Associates are all entities over which the Group has significant influence and are neither subsidiaries nor jointly controlled. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss and its share of post-acquisition other comprehensive income is recognised in the Consolidated Statement of Comprehensive Income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received/receivable from associates are recognised in the consolidated financial statements by reducing the carrying amount of the investment. As the accounting policy for Investments in associates is considered key to understanding the Group's results and financial position, the detailed accounting policy is set out in the Basis of consolidation in Note 35.

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

	2022 \$'000	2021 \$'000
Non-current assets		
Equity accounted associates	2,643,174	899,236
a) Movement in equity accounted carrying values		
Opening balance at 1 August	899,236	810,407
New investments during the period	168,514	6,041
Reclassification of a subsidiary to an associate	1,456,147	–
Reclassification of a long term equity investment to equity accounted associate	36,300	14,272
Reclassification of equity accounted associate to an asset held for sale	–	(5,642)
Reclassification of equity accounted associate to a long term equity investment	(24,065)	–
Reclassification of equity accounted associate to a subsidiary	(53,239)	–
(Loss)/gain on deemed disposal of equity accounted associates	(2,019)	7,373
Share of results from equity accounted associates	201,144	67,212
Net impairment (expense)/reversal of equity accounted associates	(14,374)	25,322
Dividends received/receivable	(60,318)	(49,417)
Add back share of dividends paid to Brickworks	26,514	25,003
Share of associates' increments/(decrements) in reserves	9,334	(1,335)
Closing balance at 31 July	2,643,174	899,236

b) Details of investments and results in associates

Year ended 31 July	Reporting Date	Place of incorporation	Group's percentage of holding at balance date ¹		Contribution to Group result for the year ²		Equity accounted carrying value ³	
			31 July 2022 %	31 July 2021 %	31 July 2022 Total \$'000	31 July 2021 Total \$'000	31 July 2022 Total \$'000	31 July 2021 Total \$'000
Ampcontrol Limited⁴ <i>Integrated electrical, electronic and control solutions provider</i>	30-Jun	Australia	N/A ¹	42.9	5,389	3,620	–	49,629
Apex Healthcare Berhad⁵ <i>Pharmaceutical manufacturer and distributor</i>	31-Dec	Malaysia	29.8	29.8	7,281	5,176	49,176	47,130
Aeris Resources Limited⁶ <i>Mining and exploration activities</i>	30-Jun	Australia	30.3	N/A ¹	–	–	98,269	–
Brickworks Limited⁷ <i>Manufacturer of building products and investor</i>	31-Jul	Australia	43.3	43.3	164,313	74,230	746,335	588,584
Ironbark Investment Partners Pty Limited⁸ <i>Investment management services</i>	30-Jun	Australia	33.5	30.5	4,909	590	52,828	36,070
New Hope Corporation Limited⁹ <i>Mining and exploration activities</i>	31-Jul	Australia	39.9	N/A ¹	14,511	–	1,470,658	–
Pengana Capital Group Limited¹⁰ <i>Funds management</i>	30-Jun	Australia	37.0	38.6	6,943	3,367	68,827	68,017
Palla Pharma Limited¹¹ <i>Manufacturer of narcotic concentrate from poppy straw</i>	31-Dec	Australia	19.9	19.9	–	(11,702)	–	11,915
Tuas Limited¹² <i>Telecommunications provider</i>	31-Jul	Australia	25.4	25.3	(6,818)	(7,558)	67,861	72,208
Other associates	various	Australia	various	various	4,616	(511)	89,220	25,683
Total contributions from equity accounted associates					201,144	67,212	2,643,174	899,236
Fair value gain on reclassification of associate to subsidiary ⁴					22,091	–		
Fair value gain on reclassification of subsidiary to associate ⁹					490,621	–		
(Loss)/gain on deemed disposal of equity accounted associates, net of tax					(1,413)	5,161		
Deferred tax expense on deconsolidation of New Hope					(334,276)	–		
Deferred tax expense recognised on equity accounted associates					(20,125)	(28,952)		
Net impairment (expense)/reversal of associates					(14,374)	25,322		
Net contribution from equity accounted associates					343,668	68,743		

15 Equity accounted associates (continued)

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

- 1 The percentage holding represents the Consolidated Entity's total holding in each associate. N/A indicates the entity was not classified as an associate at period end.
- 2 Contribution to the Group result represents the amount included in share of results from equity accounted associates as shown on the Consolidated Statement of Comprehensive Income.
- 3 Equity accounted carrying value is the carrying value of the associate in the Consolidated Statement of Financial Position.
- 4 On 31 May 2022, the Group purchased the remaining 57.1% of shares it previously did not own of Ampcontrol to take its shareholding to 100%. From this date, the Group controlled Ampcontrol and it has been classified as a subsidiary. Refer to Note 35b.
- 5 During the current reporting period, Apex Healthcare issued shares under Apex Healthcare's employee share option scheme. As a result, the Group's shareholding decreased by 0.05% to 29.83%.
- 6 As part of the Round Oak transaction, the Group acquired 30.3% of the issued shares of AIS (Refer to Note 35c). This holding was measured at fair value at the date of initial recognition, being 1 July 2022, and has subsequently been equity accounted by the Group.
- 7 During the current reporting period, Brickworks issued shares under its employee incentive plan. As a result, the Group's shareholding in this investment has reduced by 0.05% to 43.25%.
- 8 During the current reporting period, the Parent Entity purchased additional shares in Ironbark for \$11.8 million. The Group's shareholding increased by 3.0% to 33.5%.
- 9 On 29 July 2022, the Group determined that it no longer controlled New Hope. As the Group retains significant influence, the investment in New Hope has been equity accounted from that date. Refer to Note 35a.

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

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

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

The parties have exchanged evidence and the discovery of documents is substantively completed but remains ongoing. The Court has set down the matter for hearing to commence on 13 February 2023 with a six-week period reserved.

New Hope denies the claims made by the Liquidators and intends to vigorously defend the proceedings. The current position has been considered by New Hope, determining that no provision is required to be made as at 31 July 2022.

These matters are not anticipated to have a material effect on the financial position of the Consolidated Entity.

- 10 During the current reporting period, the Parent Entity purchased additional shares in Pengana for \$0.8 million. Also during the current period, Pengana issued shares under Pengana's Employee Share Plan, Non-Executive Directors Plan, and from the conversion of preference shares. This was partly offset by Pengana's share buy-back program being reintroduced during the period. The Group did not participate in the conversion of preference shares or the share buy-back program. The net result of these changes was a decrease of 1.6% in the Group's shareholding in Pengana Group to 37.0%.
- 11 On 17 December 2021, Palla Pharma Limited entered voluntary administration. As a result of this event, the Group has impaired its investment to \$nil. On 9 June 2022, the liquidators made a Declaration of Worthless Shares.
- 12 On 5 October 2021, the Parent Entity acquired Milton, which had an existing investment in Tuas Limited. The combined shareholding of the Parent Entity and its subsidiary, Milton, after the acquisition was 25.6%. Subsequently post-acquisition, the Parent Entity has sold down its shareholding in Tuas Limited by 0.2% to 25.4%.

KEY JUDGEMENTS AND ESTIMATES

Recoverable value of investments in associates

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

Equity accounting of Brickworks

The Directors of the Parent Entity have concluded that the Consolidated Entity has significant influence over Brickworks and equity accounts this investment. This is due to the cross holding structure whereby the Consolidated Entity owns 43.3% of the equity in Brickworks and in turn Brickworks owns 26.1% (2021: 39.4%) of the Consolidated Entity. The remaining shares in the Parent Entity and Brickworks are widely dispersed.

Equity accounting of New Hope

Refer to Note 35a for details on the key judgements and estimates with respect to Equity accounting of New Hope.

c) Extract of financial information as reported by associates that are material to the Group

The information disclosed reflects the total amounts reported in the financial statements of Brickworks and New Hope amended to reflect adjustments made by the Group in applying the equity method.

	Brickworks Limited		New Hope Corporation ¹	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Current assets	626,258	579,863	1,377,429	641,142
Non-current assets	2,895,411	2,029,422	2,049,606	2,134,725
Current liabilities	(325,689)	(268,282)	(537,205)	(167,766)
Non-current liabilities	(1,518,383)	(1,033,942)	(574,299)	(861,488)
Net assets	1,677,597	1,307,061	2,315,531	1,746,613
Group's percentage holding	43.3%	43.3%	39.9%	N/A²
Group's share of total net assets	726,400	565,991	922,745	N/A ²
Goodwill and identifiable assets	19,935	22,593	547,913	N/A ²
Equity accounted carrying value	746,335	588,584	1,470,658	N/A²
Revenue	1,093,154	850,922	2,552,395	1,048,239
Profit after tax attributable to members	377,444	171,067	983,009	79,350
Other comprehensive income	40,026	3,012	(106,969)	(31,501)
Total comprehensive income	417,470	174,079	876,040	47,849
Dividends received by the Parent Entity from the associate	40,700	39,387	122,728	14,628
Group's share of capital commitment	16,475	14,731	39,956	N/A²
Group's share of contingent liabilities	26,177	25,020	5,860	N/A²
Market value of shares	1,380,517	1,591,895	1,456,147	N/A²

¹ New Hope results were consolidated through 29 July 2022 (refer to Note 35a) when it became an associate. Its net assets were deconsolidated at that date. New Hope amounts are provided for both periods in full for comparative purposes.

² Group's share is not applicable as New Hope was not an associate in 2021.

15 Equity accounted associates (continued)

d) Extract of financial information as reported by other associates in aggregate

	2022 \$'000	2021 \$'000 Restated
Group's aggregate share of other associates' expenditure commitments		
Capital commitments	11,540	3,005
Group's aggregate share of other associates' contingent liabilities		
Share of contingent liabilities incurred jointly with other investors of the associate	9,393	2,973
Group's aggregate share of other associates' financial information		
Profit after income tax	14,855	2,486
Other comprehensive income	2,651	819
Total comprehensive income	17,506	3,305

The comparative numbers above for other associates have been restated to correctly reflect aggregated amounts relating to individually immaterial associates.

16 Long term equity investments

ACCOUNTING POLICY

Long term equity investments are initially recognised at fair value plus any transaction costs. These investments are intended to be held for the long term for capital growth and dividend income. These investments are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date, at which time they are transferred to and disclosed as held for sale equities.

Recognition

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

Classification

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

Subsequent measurement

At each reporting date, long term equity investments are remeasured to fair value. Changes in the fair value of long term equity investments are recognised in equity through the asset revaluation reserve after allowing for deferred capital gains tax. All long term equity investments are subject to capital gains tax.

Derecognition

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

When securities classified as long term equity investments are sold, the accumulated fair value adjustments previously recognised in the asset revaluation reserve in equity are transferred to the capital gains reserve in equity.

	2022 \$'000	2021 \$'000
Non-current assets		
Long term equity investments – listed	4,661,496	2,244,687
Long term equity investments – unlisted	142,004	118,151
Total long term equity investments	4,803,500	2,362,838
Dividends		
Dividends from long term equity investments held at FVOCI recognised in profit or loss in other income:		
Related to investments sold during the year	18,141	219
Related to investments held at the end of the year	149,390	45,095
Total dividends	167,531	45,314

At 31 July 2022, the Parent Entity held \$4.80 billion (2021: \$2.36 billion) of long term equity investments which includes investments acquired as part of the Milton acquisition during the reporting period. Refer to Note 35b.

16 Long term equity investments (continued)

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

Long term equity investments with a fair value of \$433.56 million (2021: \$653.37 million) have been transferred to various Parent Entity's financiers as security for the \$195.77 million (2021: \$289.81 million) equity finance loans. As the Parent Entity retains the risks and benefits of ownership of the transferred long term equity investments, including the right to receive dividends, these long term equity investments continue to be included as an asset on the Consolidated Statement of Financial Position.

Fair value and price risk

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

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

17 Investment properties

ACCOUNTING POLICY

Investment properties consist of properties held for long term rentals and/or capital appreciation and properties being constructed or developed for future use as investment properties.

Recognition

Investment properties are initially recognised at cost including transaction costs. Other costs capitalised into the carrying value of investment properties include development, construction, redevelopment, refurbishment (other than repairs and maintenance) and interest (until the property is ready for its intended use).

Classification

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

Subsequent measurement

Valuations are obtained periodically (at a minimum every three years) from independent Registered Property Valuers who hold recognised and relevant qualifications and have recent valuation experience in the location and categories of each property held.

At the end of each reporting period, the Directors update their assessment of the fair value of each property, taking account of the most recent independent valuations.

Amounts provided to customers as lease incentives and assets relating to fixed rental income increases in operating lease contracts are included within investment property values. Lease incentives are amortised over the term of the lease on a straight line basis. The amortisation is applied to reduce gross rental income. Rental income is recognised on a straight line basis within revenue.

Derecognition

On disposal of an investment property, a gain or loss is recognised in the profit or loss in the year of disposal. It is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds received.

	2022 \$'000	2021 \$'000
Non-current assets		
Investment properties		
Industrial property	–	34,301
Commercial property	45,750	46,666
Property under development	39,826	6,191
Total investment properties	85,576	87,158
Reconciliation		
Opening balance at 1 August	87,158	75,724
Acquisitions	35,724	8,002
Disposals	–	(277)
Transfer to held for sale assets	(88,480)	–
Net fair value gain on investment properties	51,918	3,600
Impairment	(1,073)	–
Other	329	109
Closing balance at 31 July	85,576	87,158

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

	2022 \$'000	2021 \$'000
Rental revenue	2,516	4,715
Direct operating expenses from property that generated rental income*	(1,758)	(3,152)
Profit arising from investment properties	758	1,563

* Direct operating expenses includes finance costs of \$nil (2021: \$0.13 million).

b) Measuring investment properties at fair value

The basis of valuations for investment properties is fair value, being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The fair value hierarchy, as discussed in Note 30 to this report, provides an indication about the reliability of the inputs used in determining fair value. All investment properties have been categorised within the Level 3 fair value basis as some of the inputs required to value property are not based on 'observable market data'.

Two investment properties were independently valued as at 31 July 2022.

The revaluations resulted in a fair value gain of \$2.67 million and an impairment expense of \$1.07 million respectively.

On 11 May 2022, the Group entered into a contract for the sale of an investment property in New South Wales for \$88.48 million. Settlement is scheduled for November 2022. In the current reporting period, the carrying value of the investment property was revalued to its fair value, before being re-classified as a held for sale asset, resulting in the recognition of a fair value gain of \$49.25 million.

17 Investment properties (continued)

c) Non-current assets pledged as security

As at 31 July 2022, none of the Group's investment properties were pledged as security.

d) Leasing arrangements

	2022 \$'000	2021 \$'000
The Group is entitled to receive rental income from non-cancellable operating leases on investment properties. The amounts have not been recognised in the financial statements and are receivable as follows:		
Within one year	1,337	1,580
Later than one year but not later than five years	3,035	4,173
Later than five years	687	775
	5,059	6,528

KEY JUDGEMENTS AND ESTIMATES

Fair value of investment properties

In determining the fair value of a property, appropriate valuation techniques are used, including the discounted cashflow, capitalisation and direct comparison methods. Discount rates and capitalisation rates are determined based on industry experience and knowledge and where possible, a direct comparison to third party rates for similar assets in comparable locations.

Rental revenue from current leases and assumptions about future leases, as well as any expected operational cash outflows in relation to the property, are reflected in fair value.

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

18 Property, plant and equipment

ACCOUNTING POLICY

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

Property, plant and equipment (excluding investment properties, refer to Note 17) are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Cost may also include transfers from equity relating to any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate where relevant, of the cost of dismantling and removing the items and restoring the site under which they are located and an appropriate portion of production overhead.

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

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

Depreciation is calculated so as to write off the cost of each item of property, plant and equipment during its expected economic life to the Group. Each item's useful life has due regard both to its own physical life limitations and to present assessments of economically recoverable resources (when related to mining activities). Estimates of residual values and remaining useful lives are made on an annual basis. Both the straight line and diminishing methods are used (Copper float and solvent extraction plants are depreciated on the units of production method). The expected useful life of plant and equipment is 2.5 to 20 years, buildings is 20 to 40 years and motor vehicles is 4 to 8 years. Land is not depreciated.

ACCOUNTING POLICY (CONTINUED)

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

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

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

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

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

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

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

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

Farmland assets and bearer plants

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

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

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

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

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

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

Impairment of non-current assets

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

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

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

The valuation of hire equipment (included as part of plant, fixtures and motor vehicles) is assessed by management for any indicators of impairment. This takes into consideration utilisation of equipment, revenue hire contracts in place and future forecasts of usage. Where indicators exist, management estimates the recoverable value, generally based on the discounted present value of future cash flows relating to the assets and compares this with their existing carrying value to determine the impairment amount, if any. Future cash flow estimates are based on management budgets and forecasts and where applicable the fair value of the equipment.

18 Property, plant and equipment (continued)

	Land \$'000	Buildings \$'000
At 1 August 2021		
Cost	171,308	66,484
Accumulated depreciation/amortisation and impairment	–	(45,297)
Net book value	171,308	21,187
Opening net book value	171,308	21,187
Acquisition of subsidiaries (refer to Note 35b)	7,207	25,181
Additions	–	3,066
Mining and restoration and rehabilitation	–	–
Transfers in/(out)	534	21,489
Transfer to held for sale asset	–	(5,705)
Transfer from Right-of-use assets	–	–
Disposal of assets	–	(13,288)
Disposal – Discontinued operations (refer to Note 35c)	(514)	(7,095)
Deconsolidation of New Hope (refer to Note 35a)	(166,715)	(10,716)
Fair value adjustments	–	–
Reversal of Impairment	–	–
Depreciation/amortisation	–	(1,947)
Depreciation/amortisation – Discontinued operations	–	(1,137)
Closing net book value	11,820	31,035
At 31 July 2022		
Cost	11,820	38,238
Accumulated depreciation/amortisation and impairment	–	(7,203)
Net book value	11,820	31,035
At 1 August 2020		
Cost	180,458	95,862
Accumulated depreciation/amortisation and impairment	–	(32,149)
Net book value	180,458	63,713
Opening net book value	180,458	63,713
Additions	–	2,590
Mining and restoration and rehabilitation	–	–
Transfers in/(out)	–	(22,206)
Transfer to exploration and evaluation assets	–	–
Transfer to held for sale asset	(3,719)	(8,343)
Transfer from Right-of-use assets	–	–
Disposal of assets	(5,431)	(2,102)
Fair value adjustments	–	–
(Impairment)/reversal of Impairment	–	(9,053)
Depreciation/amortisation	–	(3,412)
Closing net book value	171,308	21,187
At 31 July 2021		
Cost	171,308	66,484
Accumulated depreciation/amortisation and impairment	–	(45,297)
Net book value	171,308	21,187

Farmland assets \$'000	Plant, fixtures, motor vehicles \$'000	Oil producing assets \$'000	Mining reserves and leases \$'000	Mine development \$'000	Bearer plants \$'000	Total \$'000
74,334 (3,206)	1,531,973 (934,713)	204,969 (159,674)	1,245,869 (263,297)	501,781 (303,421)	32,740 (2,784)	3,829,458 (1,712,392)
71,128	597,260	45,295	982,572	198,360	29,956	2,117,066
71,128	597,260	45,295	982,572	198,360	29,956	2,117,066
–	52,321	–	–	–	–	84,709
45,390	82,611	3,562	–	40,837	–	175,466
–	7,084	(6,945)	–	(29,160)	–	(29,021)
(2,355)	(19,644)	–	–	–	(24)	–
(13,057)	(284)	–	–	–	–	(19,046)
–	186	–	–	–	–	186
(2)	(77,333)	–	–	–	(1,028)	(91,651)
–	(43,445)	–	–	(91,200)	–	(142,254)
–	(446,685)	(36,966)	(923,715)	(75,550)	–	(1,660,347)
15,908	–	–	–	–	–	15,908
1,208	–	–	–	–	–	1,208
(2,082)	(63,488)	(4,946)	(58,857)	(4,968)	(2,399)	(138,687)
–	(19,818)	–	–	(38,319)	–	(59,274)
116,138	68,765	–	–	–	26,505	254,263
120,448 (4,310)	160,269 (91,504)	– –	– –	– –	31,242 (4,737)	362,017 (107,754)
116,138	68,765	–	–	–	26,505	254,263
40,144 (426)	1,455,625 (812,170)	199,972 (154,145)	1,245,869 (201,633)	457,908 (252,496)	17,725 (958)	3,693,563 (1,453,977)
39,718	643,455	45,827	1,044,236	205,412	16,767	2,239,586
39,718	643,455	45,827	1,044,236	205,412	16,767	2,239,586
33,159	46,569	4,942	–	47,477	13,571	148,308
–	25,097	55	–	(2,605)	–	22,547
(1,371)	22,133	–	–	–	1,444	–
–	–	–	–	(992)	–	(992)
–	(9,832)	–	–	–	–	(21,894)
–	4,868	–	–	–	–	4,868
(316)	(12,487)	–	–	(7)	–	(20,343)
2,718	–	–	–	–	–	2,718
(1,908)	(30,191)	–	–	3,325	–	(37,827)
(872)	(92,352)	(5,529)	(61,664)	(54,250)	(1,826)	(219,905)
71,128	597,260	45,295	982,572	198,360	29,956	2,117,066
74,334 (3,206)	1,531,973 (934,713)	204,969 (159,674)	1,245,869 (263,297)	501,781 (303,421)	32,740 (2,784)	3,829,458 (1,712,392)
71,128	597,260	45,295	982,572	198,360	29,956	2,117,066

18 Property, plant and equipment (continued)

Valuation of farming land and buildings

During the current reporting period ended 31 July 2022, the Group obtained a number of external valuations of farming land and buildings from an independent, properly qualified external valuer. Due to COVID-19, and the ongoing Ukraine conflict, the external valuer has indicated that there is some market instability and uncertainty in determining the fair value of farming property, plant and equipment. This resulted in the inclusion of a "significant valuation uncertainty" clause in each independent valuation report. The standard valuation reliance periods incorporated in these external valuations have shortened to match the uncertainties in the rapidly changing economic environment.

Impairments of property plant and equipment

During the current reporting period ended 31 July 2022, the impairment benefit to property, plant and equipment was \$1.21 million attributable to the reversal of a previous impairment of farmland assets. In the prior reporting period, the impairment charge was \$37.83 million. Refer to Note 6 for details.

Deconsolidation of New Hope

On 29 July 2022, the Group determined that it no longer controlled New Hope. As a result, the balances of New Hope were derecognised from the Group from that date. Refer to Note 35a for details.

Disposals – Discontinued Operations

The Group disposed of Round Oak effective 1 July 2022. As a result, the balances of Round Oak were derecognised from the Group from that date. The financial performance of Round Oak (including depreciation, amortisation, and impairment expenses) has been classified as discontinued operations in the Consolidated Statement of Comprehensive Income. Refer to Note 35c for details.

Acquisitions through business combinations

Acquisitions through business combinations relates to acquisitions of Milton, Ampcontrol, and a Swim School as described in Note 35b.

KEY JUDGEMENTS AND ESTIMATES

Impairment assessments of property, plant and equipment

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

Due to the derecognition of New Hope and Round Oak as subsidiaries during the year ended 31 July 2022, the following paragraphs are in relation to the year ended 31 July 2021 and prior years.

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

New Hope and Round Oak estimate their coal and ore reserves and resources based on information compiled by Competent Persons as defined in accordance with the JORC Code, which is produced by the Australasian Joint Ore Reserves Committee (JORC). New Hope oil reserves and resources are equivalently calculated by appropriately qualified persons in accordance with the Society of Petroleum Engineers Petroleum Reserves Management System (SPE-PRMS) (updated May 2022).

The estimation of reserves and resources requires judgement to interpret available geological data and then to select an appropriate mining method and establish an extraction schedule. It also requires assumptions about future commodity prices, exchange rates, production costs, recovery rates and discount rates and, in some instances, the renewal of mining licences. There are many uncertainties in the estimation process and assumptions that are valid at the time of estimation may change significantly when new information becomes available. In particular, the increasing global focus on climate change and associated policy and regulatory risks may impact on future coal demand and prices which could impact reserves and resource estimations, including the commercial viability of their extraction.

Changes in coal, ore and oil reserves could have an impact on the calculation of depreciation, amortisation and impairment charges; the timing of the payment of closedown and restoration costs; and the recovery of deferred tax assets. Changes in coal and oil resources could have an impact on the recoverability of exploration and evaluation costs capitalised. Refer to Note 6 for details on impairment of assets.

Assessment of recoverable value of New Hope Queensland coal mining operations

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

Refer to Note 6 for additional details on impairment of assets.

Assessment of recoverable value of New Hope Port operations CGU

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

Refer to Note 6 for additional details on impairment of assets.

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

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

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

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

19 Exploration and evaluation assets

ACCOUNTING POLICY

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

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

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

Where a decision is made to proceed to the development of a mine, the relevant exploration and evaluation costs for that area of interest are transferred to mine development (disclosed within Note 18 – Property, plant and equipment).

	2022 \$'000	2021 \$'000
Non-current assets		
Exploration and evaluation assets at cost	–	124,181
Movement		
Opening net book value	124,181	109,422
Additions	20,074	14,686
Disposals	(325)	–
Disposal – Discontinued operation	(25,030)	–
Deconsolidation of New Hope	(71,043)	–
Impairment expenses (refer to Note 6)	(4,989)	(1,248)
Impairment expenses – Discontinued operation	–	(424)
Transfer from property, plant and equipment	–	992
Transfer to held for sale asset and subsequently disposed	(42,591)	–
Movement in rehabilitation	(277)	753
Closing net book value at 31 July	–	124,181

Deconsolidation of New Hope

On 29 July 2022, the Group determined that it no longer controlled New Hope. As a result, the balances of New Hope were derecognised from the Group at that date. Refer to Note 35a for details.

Disposal – Discontinued Operation

The Group disposed of Round Oak effective 1 July 2022. As a result, the balances of Round Oak were derecognised from the Group at that date. The financial performance of Round Oak (including depreciation, amortisation, and impairment expenses) has been classified as discontinued operations in the Consolidated Statement of Comprehensive Income. Refer to Note 35c for details.

KEY JUDGEMENTS AND ESTIMATES

Exploration and evaluation expenditure

During the current financial period, the subsidiaries of New Hope and Round Oak capitalised various items of expenditure to exploration and evaluation assets. The relevant items of expenditure were deemed to be part of the capital cost of developing future mining operations, which would then be amortised over the useful life of the mine.

The key judgement applied in considering whether the costs should be capitalised, is that costs are expected to be recovered through either successful development (through mining operations) or sale of the relevant mining interest.

Factors that could impact the exploration and evaluation costs being transferred to future mine operations include the level of reserves and resources, changes in commodity prices and foreign exchange rates, future legal changes, future technology changes and climate changes.

If information becomes available suggesting the recovery of capitalised costs is unlikely, the amount capitalised is recognised in the profit or loss in the period when the new information becomes available. Refer to Note 6 for the details of the impairment assessments performed at 31 July 2022 and related impairment charge to the profit or loss.

20 Lease assets and liabilities

ACCOUNTING POLICY

Lease assets or right-of-use assets

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

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

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

Lease liabilities

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

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

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

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

20 Lease assets and liabilities (continued)

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

	2022 \$'000	2021 \$'000
Right-of-use assets		
Carrying amount of lease assets, by class of underlying asset:		
Buildings (primarily relates to office premises and swimming pool sites)	29,007	24,673
Plant, fixtures and motor vehicles	3,066	94,667
Water leases	5,232	5,984
Total carrying amount of right-of-use assets	37,305	125,324

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

	Land and Buildings \$'000	Plant, fixtures and motor vehicle \$'000	Water rights \$'000	Total \$'000
As at 1 August 2020	33,276	80,264	3,972	117,512
Additions	1,579	38,450	2,509	42,538
Depreciation	(3,239)	(19,179)	(497)	(22,915)
Impairment	(2,136)	–	–	(2,136)
Remeasurement of assets ¹	(4,807)	–	–	(4,807)
Transfer out	–	(4,868)	–	(4,868)
As at 31 July 2021	24,673	94,667	5,984	125,324
Acquisition of businesses	10,971	3,518	–	14,489
Additions	5,235	812	60	6,107
Disposals	(14)	(9)	–	(23)
Disposal – Discontinued operation	(442)	(872)	–	(1,314)
Deconsolidation of New Hope	(6,825)	(89,083)	–	(95,908)
Depreciation	(4,426)	(6,784)	(1,069)	(12,279)
Depreciation – Discontinued operation	(165)	(5,629)	–	(5,794)
Remeasurement of assets ¹	–	6,631	258	6,889
Transfer out	–	(186)	–	(186)
As at 31 July 2022	29,007	3,065	5,233	37,305

¹ Remeasurement of assets relates to remeasurement of right-of-use assets due to a change in lease terms.

The Consolidated Entity recognised the following lease liabilities:

	2022 \$'000	2021 \$'000
Lease liabilities		
The present value of lease liabilities is as follows:		
Current	9,024	18,596
Non-current	33,665	112,816
Recognised as lease liabilities	42,689	131,412
Opening carrying amount	131,412	121,366
Acquisition of businesses	15,954	–
Additions	7,297	42,538
Disposals	(302)	–
Disposal – Discontinued operation	(1,406)	–
Deconsolidation of New Hope	(97,280)	–
Accretion of interests	5,597	6,909
Payments	(25,403)	(33,863)
Remeasurement of leases ¹	6,820	(5,538)
Closing balance at 31 July	42,689	131,412

¹ Remeasurement of leases relates to remeasurement of lease liabilities due to a change in lease terms.

	2022 \$'000	2021 \$'000
Lease liabilities (undiscounted) maturity analysis		
Within one year	11,217	24,089
Later than one year but not later than five years	23,138	65,215
Greater than five years	15,385	86,285
Total	49,740	175,589

Secured liabilities

Lease liabilities are effectively secured as the rights to the leased assets recognised in the consolidated financial statements revert to the lessor in the event of default. No other assets are pledged as security for the lease liabilities. The total cash outflow for leases for the reporting period ended 31 July 2022 was \$25.40 million (2021: \$33.86 million).

21 Intangible assets

ACCOUNTING POLICY

Goodwill

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

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

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the operation disposed, which may be an allocation from its respective CGU.

Water rights and mining information

The Group benefits from water rights associated with its mining operations through the efficient and cost effective operations of the mine. These rights are amortised on a straight line basis over the life of the mine. The value of exploration, pre-feasibility and feasibility costs necessary for regulatory, reporting and internal control purposes have been recognised as a mining information intangible asset. The total value is amortised over the estimated life of the mine.

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

Software

Software is stated at historical cost less applicable amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of software. Amortisation is calculated so as to write off the cost of each item of software during its expected economic life to the Group.

Brands and Tradenames

Brands and Tradenames are stated at cost less any impairment losses. They have an indefinite life, and are not subject to amortisation. They are tested annually for impairment.

Development

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following initial recognition, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected benefit from the related project. The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

Other intangible assets

Other intangible assets including curriculum, software, customer contracts and relationships, product certification costs and sale and buyback assets that are acquired by the Group. These assets are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure

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

Amortisation of intangible assets

Amortisation is charged to the profit or loss on a straight line basis, unless otherwise stated, over the estimated useful lives of intangible assets.

ACCOUNTING POLICY (CONTINUED)

Class of intangible assets	Useful life
Goodwill	Indefinite life
Water rights and mining information	Estimated life of mine
Water rights (agriculture)	Indefinite life
Brands and Tradenames	Indefinite life
Development	3–10 years
Other intangible assets – Curriculum	Indefinite life
Other intangible assets – Software	2–5 years
Other intangible assets – Customer contracts and relationships	10 years
Other intangible assets – Product certification costs	3–10 years
Other intangible assets – Sale and buyback assets	Life of contract

Impairment

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they may be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Refer to Note 6 for details on impairment testing.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Intangible assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Goodwill impairments are not reversible.

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

21 Intangible assets (continued)

	Goodwill \$'000	Water rights \$'000	Mining information \$'000	Other intangibles \$'000	Brands and Tradenames \$'000	Development costs \$'000	Total \$'000
At 31 July 2021							
Cost	22,220	51,765	70,809	24,090	1,430	–	170,314
Accumulated amortisation and impairment	(4,157)	(3,444)	(11,636)	(17,738)	–	–	(36,975)
Net book value	18,063	48,321	59,173	6,352	1,430	–	133,339
Year ended 31 July 2022							
Opening net book value	18,063	48,321	59,173	6,352	1,430	–	133,339
Acquisition of a subsidiary	1,037,337	–	–	10,957	7,200	19,721	1,075,215
Additions	–	541	–	220	–	948	1,709
Disposals	–	(10)	–	(757)	–	–	(767)
Disposal – Discontinued operation	–	–	–	(26)	–	–	(26)
Deconsolidation of New Hope	(5,595)	(10,337)	(55,295)	(400)	–	–	(71,627)
Transfers out to assets held for sale	–	(1,065)	(909)	–	–	–	(1,974)
Transfers out to cost of sales	–	(254)	–	–	–	–	(254)
Impairment charged to profit or loss (refer to Note 6)	(984,565)	589	–	–	–	–	(983,976)
Amortisation charged to the profit or loss (refer to Note 6)	–	(555)	(2,969)	(554)	–	(287)	(4,365)
Amortisation charged to the profit or loss – Discontinued operation	–	–	–	(79)	–	–	(79)
Closing net book value	65,240	37,230	–	15,713	8,630	20,382	147,195
At 31 July 2022							
Cost	1,049,804	37,922	–	20,192	8,630	20,669	1,137,217
Accumulated amortisation and impairment	(984,564)	(692)	–	(4,479)	–	(287)	(990,022)
Net book value	65,240	37,230	–	15,713	8,630	20,382	147,195

	Goodwill \$'000	Water rights \$'000	Mining information \$'000	Other intangibles \$'000	Brands and Tradenames \$'000	Total \$'000
At 31 July 2020						
Cost	20,184	32,170	70,809	23,862	1,430	148,455
Accumulated amortisation and impairment	(4,157)	(1,624)	(8,667)	(16,821)	–	(31,269)
Net book value	16,027	30,546	62,142	7,041	1,430	117,186
Year ended 31 July 2021						
Opening net book value	16,027	30,546	62,142	7,041	1,430	117,186
Additions	–	20,099	–	1	–	20,100
Disposals	–	(72)	–	(15)	–	(87)
Transfers out to assets held for sale	–	–	–	(5)	–	(5)
Transfers out to cost of sales	–	(782)	–	–	–	(782)
Transfers in from deferred tax liability	2,036	–	–	–	–	2,036
Impairment charged to profit or loss (refer to Note 6)	–	(915)	–	–	–	(915)
Amortisation charged to the profit or loss (refer to Note 6)	–	(555)	(2,969)	(551)	–	(4,075)
Amortisation charged to the profit or loss – Discontinued operation	–	–	–	(119)	–	(119)
Closing net book value	18,063	48,321	59,173	6,352	1,430	133,339
At 31 July 2021						
Cost	22,220	51,765	70,809	24,090	1,430	170,314
Accumulated amortisation and impairment	(4,157)	(3,444)	(11,636)	(17,738)	–	(36,975)
Net book value	18,063	48,321	59,173	6,352	1,430	133,339

21 Intangible assets (continued)

Classification

During the current reporting period, management determined that it was appropriate to introduce a new category of Intangible Asset, being 'Brands and Tradenames'. Amounts relating to this category were previously included within 'Other Intangibles'.

In addition, management also determined that it was appropriate to re-classify 'Software' to 'Other Intangibles', effective 1 July 2020.

Deconsolidation of New Hope

On 29 July 2022, the Group determined that it no longer controlled New Hope. As a result, the balances of New Hope were derecognised from the Group at that date. Refer to Note 35a for details.

Disposal – Discontinued Operation

The Group disposed of Round Oak effective 1 July 2022. As a result, the balances of Round Oak were derecognised from the Group at that date. The financial performance of Round Oak (including depreciation, amortisation, and impairment expenses) has been classified as discontinued operations in the Consolidated Statement of Comprehensive Income. Refer to Note 35c for details.

Recoverable amount of goodwill

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

A segment summary of the goodwill allocation is presented below:

	Country of operation	2022 \$'000	2021 \$'000
New Hope¹			
Opening balance at 1 August	Australia	5,595	5,595
Deconsolidation of New Hope	Australia	(5,595)	–
Closing balance at 31 July	Australia	–	5,595
Aquatic Achievers²			
Opening balance at 1 August	Australia	12,468	10,432
Transfers in from Deferred Tax Liability	Australia	–	2,036
Goodwill acquired as part of business acquisition	Australia	2,672	–
Closing balance at 31 July	Australia	15,140	12,468
Milton³			
Opening balance at 1 August	Australia	–	–
Goodwill acquired as part of business acquisition	Australia	984,565	–
Impairment	Australia	(984,565)	–
Closing balance at 31 July	Australia	–	–
Ampcontrol⁴			
Opening balance at 1 August	Australia	–	–
Goodwill acquired as part of business acquisition	Australia	50,100	–
Closing balance at 31 July	Australia	50,100	–
Closing net book value		65,240	18,063

The recoverable amount of goodwill is determined based on the FVLCD or VIU method. Assumptions and methodology applied to each segment are as follows:

1 New Hope

New Hope was derecognised as a subsidiary during the current reporting period ended 31 July 2022. As a result, the closing net book value of goodwill is \$nil.

The below information is in relation to the year ended 31 July 2021:

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

The recoverable amount to which the exploration asset's goodwill is attributable has been based on the FVLCD method using a comparable resource transaction multiple multiplied by the resources attributable to this segment. This assessment is determined under Level 2 of the fair value hierarchy based on observable external market data for reserve and resources transaction multiples, rather than quoted prices (refer to Note 30 for an explanation on fair value hierarchy). Observable transactions included in the assessment of an appropriate multiple are comparable transactions in the previous four years for Australian coal exploration projects with the same coal type. The estimation of the resources used to determine the recoverable amount requires judgement and assumptions as detailed in Note 18.

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

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

2 Aquatic Achievers

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

During the current financial period, Aquatic Achievers acquired a Swim School which resulted in an addition to Goodwill of \$2.7 million. Refer to Note 35b for details.

The recoverable amounts of intangibles assets, including brand and curriculum, have been determined based on FVLCD and VIU calculations. These calculations require the use of assumptions, including estimated discount rates based on current cost of capital and growth rates of the estimated future cash flows. The resulting income stream was used in the discounted cash flow model over a 5 year period at the post-tax discount rate of 12.6% per annum. This assessment is determined under level 3 of the fair value hierarchy.

3 Milton

On 5 October 2021, WHSP completed its acquisition of the remaining 97% (which it did not previously own) of the issued equity of Milton. The acquisition resulted in an addition to goodwill of \$984.6 million. The goodwill arising from the acquisition was subsequently impaired to \$nil. Refer to Note 6 and Note 35b for details.

4 Ampcontrol

On 31 May 2022, WHSP completed the acquisition of the remaining 57.1% (which it previously did not own) of the issued equity of Ampcontrol. This resulted in an addition to goodwill of \$50.1 million. Refer to Note 35b for details.

KEY ESTIMATES

Impairment of intangible assets

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

22 Trade and other payables

ACCOUNTING POLICY

Trade and other payables are stated at their amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of the year and are unpaid. The amounts are unsecured and usually paid within 30 to 45 days of recognition.

Non-current trade and other payables are stated at the present value of the future expected cash flows. These amounts are contractually due for settlement at least 12 months after the reporting date.

	2022 \$'000	2021 \$'000
Current liabilities		
Trade and other payables	69,636	112,382
Non-current liabilities		
Trade and other payables	12	143

Current trade and other payables

The balance at 31 July 2022 mainly relates to Ampcontrol of \$30.30 million, a newly acquired subsidiary in 2022 and WHSP of \$25.30 million (2021: \$8.70 million). The prior reporting period balance mainly relates to New Hope (2021: \$78.79 million) and Round Oak (2021: \$22.82 million), which were deconsolidated or sold during the reporting period.

23 Contract liabilities

ACCOUNTING POLICY

A contract liability is recognised if a payment is received or a payment is due or outstanding (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are subsequently recognised as revenue when the Group performs under the contract (i.e. transfers control or performs its obligation of the related goods or services to the customer).

	2022 \$'000	2021 \$'000
Current liabilities		
Contract liabilities	26,729	1,031

Contract liabilities include short term advances received prior to the provision of swimming lessons over time and the construction or hire of electrical and electronic engineering equipment.

Set out below are the movements in contract liabilities during the year:

Movements	2022 \$'000	2021 \$'000
Opening balance at 1 August	1,031	829
Acquired through business combinations	21,531	–
Payments received in advance	5,198	1,031
Recognised as revenue during the year	(1,031)	(829)
Closing balance at 31 July	26,729	1,031

Unsatisfied performance obligations

The transaction price allocated to the remaining performance obligations at 31 July 2022 that is expected to be recognised as revenue in future periods as follows:

	2022 \$'000	2021 \$'000
Within 6 months	20,134	1,031
6 to 12 months	5,374	–
12 to 18 months	933	–
18 to 24 months	288	–
	26,729	1,031

24 Provisions

ACCOUNTING POLICY

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Restoration, rehabilitation and environmental expenditure

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

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

Employee entitlements

Short term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave, vesting sick leave and redundancy expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period. These are measured at the amounts expected to be paid when the liabilities are settled. The liability of annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Other long term employee benefit obligations

The liabilities for long service leave and annual leave which are not expected to be settled within 12 months of reporting date are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on a high quality corporate bond rate with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

	2022 \$'000	2021 \$'000
Current liabilities		
Mining restoration and site rehabilitation ^(a)	–	906
Employee benefits	16,994	46,310
Onerous contracts ^(b)	–	16,487
Other	3,414	–
	20,408	63,703
Non-current liabilities		
Mining restoration and site rehabilitation ^(a)	–	308,779
Employee benefits	3,704	7,963
Other	2,664	614
	6,368	317,356

a) Mining restoration and site rehabilitation

Movements	2022 \$'000	2021 \$'000
Opening balance at 1 August	309,685	287,273
Provisions (recognised)/capitalised	(28,955)	23,411
Disposals	(50,327)	(970)
Disposal – Discontinued operation	(65,291)	–
Deconsolidation of New Hope	(164,870)	–
Provisions credited to profit or loss	(5,381)	10,104
Transfer to assets held for sale	–	(14,166)
Unwinding of discount charged to profit or loss	5,139	4,033
Closing balance at 31 July	–	309,685
Disclosed as:		
Current liabilities	–	906
Non-current liabilities	–	308,779
Total provision for mining restoration and site rehabilitation	–	309,685

During the financial year, New Hope was deconsolidated from the Group (refer to Note 35a) and Round Oak was sold (refer to Note 35c), leaving nil balance of mining restoration and rehabilitation provisions at 31 July 2022 (2021: \$267.96 million and \$41.73 million respectively).

New Hope

During the prior reporting period, New Hope recognised a mining restoration and rehabilitation provision of \$267.96 million for Bengalla, New Lenton, New Acland, New Oakley, and Jeebropilly coal tenements and Bridgeport oil fields.

Round Oak

During the prior reporting period, Round Oak recognised a mining restoration and site rehabilitation provision of \$41.73 million. The provision is the net present value of the estimated cost of rehabilitating the Jaguar, Mount Colin, and Barbara sites in compliance with future regulations and practices at the end of commercial production.

KEY ESTIMATES

Determination of reserves estimates and rehabilitation costs

Provision is made for rehabilitation, restoration and environmental costs when the obligation arises, based on the net present value of estimated future costs. The ultimate cost of rehabilitation and restoration is uncertain, and management uses its judgement and experience to provide for these costs over the life of the operations.

The Group makes estimates about the future cost of rehabilitating tenements which are currently disturbed, based on legislative requirements and current costs. There are policy change risks, in particular with the growing global focus on climate change, which may impact on rehabilitation obligations. Cost estimates take into account past experience and expectations of future events that are expected to alter past experiences. Any changes to legislative requirements could have a significant impact on the expenditure required to restore these areas.

The estimation of reserves and resources are also a key judgement that affects the timing of the payment of closedown and restoration costs as detailed in Note 18.

b) Onerous contracts (New Hope)

During the prior reporting period, New Hope recognised a provision for an onerous take or pay rail contract as a result of the ramp down of its Qld Mining operations with \$37.28 million charged to the Statement of Comprehensive Income of which \$16.48 million remained accrued as at 31 July 2021. The contract ended in December 2021.

25 Cash and short term deposits

ACCOUNTING POLICY

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

	2022 \$'000	2021 \$'000
Current assets		
Cash at bank and on hand	484,956	610,202
Short term deposits	21,371	122
	506,327	610,324

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

Cash at bank and short term deposits attract interest at rates between 0% and 1.35% per annum (2021: 0% and 0.60%).

Cash and short term deposits in the Consolidated Statement of Financial Position at reporting date includes cash and short term deposits held by the Parent Entity and its subsidiaries. At 31 July 2022, the balances were predominately held by the Parent Entity of \$471.21 million. Prior year balances were predominately held by New Hope of \$424.66 million, WHSP of \$134.63 million and Round Oak of \$37.54 million.

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

	2022 \$'000	2021 \$'000
Profit after tax for the year from continuing operations	492,443	255,470
Profit after tax for the year from discontinued operations	64,001	64,969
Adjustments for non-cash items:		
Depreciation and amortisation	220,476	247,036
Amortisation of transaction costs	185	2,076
Gain on loss of control of New Hope	(490,884)	–
Tax benefit on recycled reserves	(17,000)	–
Gain on deemed disposal of equity accounted associates	(20,072)	(7,373)
Gain on disposal of associates	(6,131)	–
Gain on associate reserves recycled back through profit and loss	–	(3,643)
Gain on revaluation of investment property	(51,918)	(3,600)
Loss on sale of investment property	–	873
Net gain on sale of non-current asset	(1,771)	(8,257)
Gain on sale of controlled entity/joint venture	(10,101)	(1,567)
Gain on fair value of biological assets	(22,463)	(11,114)
Loss/(gain) on trading equities fair value through profit or loss	147,133	(80,327)
(Reversal)/provision for expected credit loss allowance	(1,890)	2,667
Impairment expense	1,003,452	17,911
Write off loan and interest to external party	3,684	16,500
Provision for Onerous contract	3,918	16,477
Net foreign exchange (gain)/loss	(3,577)	3,343
Non-cash in-specie dividend	(40,604)	–
Non-cash share based payments	(289)	2,094
Unwinding of interest on deferred purchase consideration	–	905
Share of profits of associates not received as dividends or distributions	(140,826)	(17,794)
Other non-cash items	(486)	37
Changes in operating assets and liabilities, net of effects from purchase and sales of business:		
Increase in trade debtors, other debtors and prepayments	(303,758)	(76,557)
Decrease/(increase) in inventory	32,781	(13,442)
Increase in financial assets held for trading	(140,365)	(67,190)
Increase in trade creditors and accruals	65,670	3,558
(Decrease)/increase in employee entitlements and provisions	(564)	14,160
Increase/(decrease) in current tax asset	(9,266)	16,283
Decrease in deferred tax asset	36,458	55,451
Increase in current tax liability	466,353	56,345
(Decrease)/increase in deferred tax liability	(82,067)	29,424
Net cash inflow from operating activities	1,192,522	514,715

26 Interest bearing liabilities

ACCOUNTING POLICY

Interest bearing liabilities are initially recognised at fair value, net of any transaction costs incurred. These balances are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the term of the liability using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the term of the facility to which it relates.

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

Convertible notes

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

	2022 \$'000	2021 \$'000
Current liabilities		
<i>Secured</i>		
Bank overdraft (WHSP Agriculture Trust) ¹	–	3,085
Equity finance loans (Parent Entity) ²	195,770	289,810
Secured loans (New Hope) ³	–	953
Equipment finance loans (WHSP Agriculture Trust) ¹	1,871	879
	197,641	294,727
Non-current liabilities		
<i>Unsecured</i>		
Convertible notes (Parent Entity) ²	218,247	216,282
Convertible notes (New Hope) ³	–	189,193
<i>Secured</i>		
Market rate loan (WHSP Agriculture Trust) ¹	70,950	33,000
Equipment finance loans (WHSP Agriculture Trust) ¹	3,788	2,329
Secured loans (Ampcontrol) ⁴	14,590	–
Secured loans (New Hope) ³	–	307,101
	307,575	747,905
Total interest bearing liabilities	505,216	1,042,632
Less: cash and cash equivalents	(506,327)	(610,324)
Net (cash)/debt	(1,111)	432,308
Financing facilities	525,595	1,186,460
Less: facilities utilised at reporting date		
Convertible bonds	(218,247)	(405,475)
Equity finance and other loan facilities	(286,969)	(637,157)
Facilities unutilised at reporting date	20,379	143,828

The fair values of interest bearing liabilities materially approximate their respective carrying values as at 31 July 2022.

Financing facilities

As at 31 July 2022, the Consolidated Entity had the following financing facilities in place:

1 WHSP Agriculture Holding Trust

The WHSP Agriculture Holding Trust maintains a five year secured loan facility which expires on 30 July 2025.

On 25 October 2021, this facility was increased to \$83.2 million from \$40 million. The facility comprises a \$4 million bank overdraft, a \$72 million market rate facility (an increase from \$33 million) and a \$7.2 million asset finance facility (an increase from \$3.3 million).

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

To finance the purchase of various pieces of agricultural equipment, the WHSP Agricultural Holding Trust entered into various financing agreements with a financier. These credit contracts are specific to the agricultural equipment and are secured with a mortgage over the equipment for a term ranging between 35 to 60 months.

As at 31 July 2022, WHSP Agriculture Holding Trust utilised:

- \$nil of the bank overdraft facility (2021: \$3.09 million) at an average interest rate of 4.10% pa (2021: 2.85% pa). The unutilised facility as at 31 July 2022 was \$4 million (2021: \$0.91 million).
- \$70.95 million of the market rate loan facility (2021: \$33 million) at an interest rate of 3.97% pa (2021: 1.87% pa). The unutilised facility as at 31 July 2022 was \$1.05 million (2021: \$nil).
- \$4.23 million of the asset finance facility (2021: \$2.33 million) at a weighted average interest rate of 3.72% pa (2021: 3.10% pa). The unutilised facility as at 31 July 2022 was \$2.92 million (2021: \$0.97 million).
- \$1.43 million of the agricultural equipment finance facility (2021: \$0.88 million) at a weighted average interest rate of 1.35% pa (2021: 0.93% pa). The unutilised facility as at 31 July 2022 was \$nil (2021: \$nil).

2 Parent Entity

(i) Equity finance facilities

As at 31 July 2022, the Parent Entity had access to secured financial asset finance with a number of financiers.

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

The tenor for each borrowing under these facilities ranges from 30 days to six months, and the average cost was 2.37% pa (2021: 0.88% pa).

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

26 Interest bearing liabilities (continued)

(ii) Convertible Notes

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

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

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

3 New Hope

New Hope was deconsolidated from the Group from 29 July 2022 – Refer to Note 35a.

In the prior period, the consolidated financial position reflected:

- The utilisation of \$310 million of secured facilities which included a \$600 million drawable amortising facility (amortised to \$450 million) and a \$300 million credit support facility. The secured facilities were provided by a syndicate of Australian and international banks which held a fixed and floating charge over all assets held by New Hope, except for certain excluded subsidiaries.
- Convertible notes issued with an aggregate principal amount of \$200 million at a coupon rate of 2.75% per annum. The liability component of \$189.2 million reflected net proceeds of \$195.2 million, interest of \$0.6 million, less \$6.6 million equity component.

4 Ampcontrol

Ampcontrol joined the Consolidated Group effective 31 May 2022. In June 2022, Ampcontrol entered into a \$40 million syndicated flexible working capital facility. As at 31 July 2022, the facility comprised \$22 million of cash advance facilities, a \$5 million bank overdraft and \$13 million allocated to bank guarantees. The facility is secured by fixed and floating charges over Ampcontrol's assets and subsidiaries and expires on 28 June 2025. As at 31 July 2022, Ampcontrol had utilised \$14.59 million of the cash advance facilities at a weighted average interest rate of 3.22% pa. The unutilised cash and overdraft facilities as at 31 July 2022 were \$12.41 million.

27 Share capital

ACCOUNTING POLICY

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

	Group and Parent Entity			
	31 July 2022		31 July 2021	
	Number of shares	\$'000	Number of shares	\$'000
Fully paid ordinary shares	360,967,863	4,686,012	239,395,320	43,232
Convertible notes		3,945		3,945
Treasury shares	245,078	(9,798)		–
		4,680,159		47,177

Ordinary shares

On 5 October 2021, the Scheme of Arrangement (Scheme) between the Company and Milton was implemented. In accordance with the terms of the Scheme, the Company issued 121,470,772 ordinary shares to Milton shareholders as consideration for all remaining shares in Milton not otherwise owned by the Company prior to the acquisition.

On 31 May 2022, the Company issued 101,771 shares under a share sale deed as part consideration for the acquisition of shares in Ampcontrol.

Total number of ordinary shares on issue at the end of the reporting period was 360,967,863 (31 July 2021: 239,395,320).

Convertible notes

On 29 January 2021, the Parent Entity issued convertible notes with an aggregate principal amount of \$225 million. The convertible notes are convertible into fully paid ordinary shares in the Company. The notes will mature on 29 January 2026 unless otherwise redeemed, repurchased, or converted. The fair value of the liability component of the convertible notes was estimated at the issuance date and is carried as a long term liability with the balance of \$3.9 million being reflected as equity.

There has been no movement in the number of these convertible notes since the issue date.

Treasury shares

In conjunction with the acquisition of Milton during the year ended 31 July 2022 (Refer to Note 35b), the Parent Entity acquired 263,242 shares under the Milton staff share plan. The number of shares at 31 July 2022 was 245,078.

Brickworks deemed treasury shares

Fully paid ordinary shares includes 94,314,855 shares held by Brickworks (2021: 94,314,855 shares). As Brickworks is 43.3% owned by WHSP, the resulting reciprocal interest is treated as treasury shares for the purpose of calculating earnings per share in the Consolidated Statement of Comprehensive Income.

Capital Management

The objective of the Group's capital management approach is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain the future development of the Group.

The Group's capital consists of total shareholders' equity, borrowings and other interest bearing liabilities. The movement in shareholders equity is shown in the Consolidated Statement of Changes in Equity.

For details of interest bearing liabilities, refer to Note 26.

The Parent Entity has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 financial years.

Securities purchased on market

WHSP purchased 82,693 shares (2021: 141,808 shares) on market to satisfy the rights that vested during the year under the WHSP Rights Plan. The average share price per share was \$31.16 (2021: \$28.98).

28 Reserves

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

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

	2022 \$'000	2021 \$'000
Reserves attributable to members		
Asset revaluation reserve	(367,876)	(214,602)
Capital gains reserve	168,513	52,294
Hedge reserve	4,169	6,747
Foreign currency translation reserve	(1,631)	(919)
Capital profits reserve	8,881	8,881
Share-based payments reserve	15,737	9,161
Equity reserve	(12,560)	(16,706)
Closing balance at 31 July	(184,767)	(155,144)
Major movements in reserves consist of:		
Asset revaluation reserve		
Opening balance at 1 August	(214,602)	(4,588)
Revaluation of long term equity investments, gross	(233,860)	(281,938)
Revaluation of long term equity investments, deferred tax	95,766	87,965
Transfer gain on sale of long term equity investments to capital gains reserve, gross	(43,873)	(21,481)
Transfer gain on sale of long term equity investments to capital gains reserve, deferred tax	6,760	5,768
Impairment of long term equity investments, gross	709	(2,374)
Impairment of long term equity investments, deferred tax	(213)	712
Share of associates – increments/(decrements)	6,135	1,334
Other revaluations	15,302	–
Closing balance at 31 July	(367,876)	(214,602)

Asset revaluation reserve

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

	2022 \$'000	2021 \$'000
Capital gains reserve		
Opening balance at 1 August	52,294	36,333
Transfer gain on sale of long term equity investment from Asset revaluation reserve, gross	43,873	21,481
Transfer gain on sale of long term equity investment from Asset revaluation reserve, deferred tax	(6,760)	(5,768)
Gains on sale of long term equity investments, net of tax	79,106	248
Closing balance at 31 July	168,513	52,294

Capital gains reserve

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

	2022 \$'000	2021 \$'000
Hedge reserve		
Opening balance at 1 August	6,747	20,566
Revaluation, gross	(64,734)	(45,943)
Revaluation, deferred tax	19,417	13,806
Transfer to profit, gross	3,762	26,091
Transfer to profit, deferred tax	(1,128)	(7,827)
Deconsolidation of New Hope	40,105	–
Share of associates – increments/(decrements)	–	54
Closing balance at 31 July	4,169	6,747

Hedge Reserve

Movements in the hedge reserve predominately relate to:

- New Hope's derivative financial instruments which are used to hedge exposures to foreign currency exchange rates.
- The Parent Entity cross currency interest rate swaps which are used to hedge exposures to foreign currency on secured loans to external parties.

	2022 \$'000	2021 \$'000
Equity reserve		
Opening balance at 1 August	(16,706)	(9,379)
Share of associates – increments/(decrements)	4,143	(3,377)
Transactions with non-controlling interest (New Hope)	–	(3,971)
Others	3	21
Closing balance at 31 July	(12,560)	(16,706)

Equity Reserve

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

29 Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, price risk and interest rate risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Entities within the Group have also developed their own risk management programs tailored to address their business specific risks. The Parent entity and certain group entities use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out in accordance with written policies approved by the boards of each relevant business within the Group. These written policies cover specific areas such as mitigating foreign exchange, interest rate and credit risks, use of forward exchange contracts and investment of excess liquidity.

The following tables summarise the financial assets and liabilities of the Group:

	Fair value through Other Comprehensive Income \$'000	Hedging Derivatives \$'000	Amortised cost \$'000	Fair Value through Profit or Loss \$'000	Total \$'000
Financial assets					
2022					
Cash and cash equivalents	–	–	506,327	–	506,327
Trade and other receivables	–	–	313,449	–	313,449
Financial assets held for trading	–	–	–	572,987	572,987
Other financial assets	–	–	–	165,961	165,961
Long term equity investments	4,803,500	–	–	–	4,803,500
Total financial assets	4,803,500	–	819,776	738,948	6,362,224
2021					
Cash and cash equivalents	–	–	610,324	–	610,324
Trade and other receivables	–	–	397,501	–	397,501
Financial assets held for trading	–	–	–	397,582	397,582
Other financial assets	–	9,746	19,669	38,920	68,335
Long term equity investments	2,362,838	–	–	–	2,362,838
Total financial assets	2,362,838	9,746	1,027,494	436,502	3,836,580
Financial liabilities					
2022					
Trade and other payables	–	–	96,377	–	96,377
Interest bearing liabilities	–	–	505,216	–	505,216
Lease liabilities	–	–	42,689	–	42,689
Other financial liabilities	–	368	–	6,936	7,304
Total financial liabilities	–	368	644,282	6,936	651,586
2021					
Trade and other payables	–	–	113,556	–	113,556
Interest bearing liabilities	–	–	1,042,632	–	1,042,632
Lease liabilities	–	–	131,412	–	131,412
Other financial liabilities	–	335	–	–	335
Total financial liabilities	–	335	1,287,600	–	1,287,935

a) Market risk

i. Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. There are two sources of exposure:

- The Group through its current and former subsidiaries, Ampcontrol, New Hope (deconsolidated in 2022) and Round Oak (discontinued operations), was exposed to foreign exchange risk arising from currency exposures to the US dollar.

Ampcontrol is exposed to foreign exchange risk arising from operational transactions in foreign currencies. Ampcontrol management regularly monitors foreign exchange exposures and did not engage in any foreign exchange hedging during the period as the exposure risk was deemed immaterial.

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

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

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

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

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

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

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

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

The following potential sources of hedge ineffectiveness are identified:

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

	2022 US\$'000	2021 US\$'000
US dollar exposure		
Cash and cash equivalents	1	51,410
Trade receivables	3,216	58,171
Trade payables	15	5,304
Forward exchange contracts – sell foreign currency (cash flow hedge)	–	27,000

29 Financial risk management (continued)

a) Market risk (continued)

New Zealand dollar exposure

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

2022	2021
NZ\$'000	NZ\$'000
194	431
23,500	23,500
23,500	23,500

Canadian dollar exposure

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

2022	2021
C\$'000	C\$'000
438	393
14,300	14,300
14,300	14,300

Sensitivity analysis

Based on the cash, trade receivables, and trade payables held at 31 July 2022, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, there would be \$0.30 million/(\$0.37 million) increase/(decrease) of the Group's post-tax profit for the year (2021: \$9.26 million/(\$10.82 million)) as a result of foreign exchange gains/(losses) on translation of US dollar receivables and cash balances as detailed in the above table. The Group's equity as at balance date would have increased/(decreased) by the same amounts.

Based on the forward exchange contracts held at 31 July 2022, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, there would be \$nil increase/(decrease) of the Group's equity (2021: \$3.32 million/(\$4.06 million)). There would be no effect on post-tax profits.

ii. Commodity hedge risk

The Group through its former subsidiaries, New Hope (deconsolidated in 2022) and Round Oak (discontinued operations), used commodity hedge contracts to manage price risk. Contracts are designated as cash flow hedges. Commodity price contracts are designated as hedges of price risk on specific future transactions.

iii. Price risk

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

Long term investments held for capital growth and dividend income are classified in the Consolidated Statement of Financial Position as long term equity investments. As the market value of individual equities fluctuate, the fair value of the portfolio changes. Fair value adjustments are recognised in the asset revaluation reserve within equity.

Investments held principally for the purpose of selling in the short to medium term are classified in the Consolidated Statement of Financial Position as financial assets held for trading. As the market value of individual companies fluctuate, the fair value of this portfolio changes with the movement being recognised through the profit or loss.

Investments in associates are not carried at fair value in the Consolidated Statement of Financial Position but are instead equity accounted. The initial investment is increased/(decreased) by the Group's share of the associate's profits/(losses) as recognised in the profit or loss, movements in their reserves (recognised in other comprehensive income) and decreased by dividends received. For listed associates, the market value is taken into consideration when assessing the recoverable value of an equity accounted associate.

Sensitivity analysis

The following table summarises the financial impacts of a 5% increase/(decrease) in the market value of publicly traded investments (to post-tax profit for financial assets held for trading and to other comprehensive income for long term equity investments, respectively) that are carried at fair value as at reporting date.

	Impact to post-tax profit		Impact on reserves	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Financial assets held for trading	22,179	13,716	–	–
Long term equity investments	–	–	168,123	78,585
	22,179	13,716	168,123	78,585

b) Credit Risk

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

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

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

The Group's derivative counterparties and term deposits are limited to financial institutions with a rating of at least BBB. The Group has policies that limit the maximum amount of credit exposure to any one financial institution.

Credit risk further arises in relation to financial guarantees given to certain parties. Such guarantees are only provided in exceptional circumstances and are subject to specific Board approval.

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

The maximum exposure to credit risk at the reporting date is the carrying amount of assets as stated in the Consolidated Statement of Financial Position. The following table summarises these assets:

	2022 \$'000	2021 \$'000
Cash and cash equivalents	506,327	610,324
Trade and other receivables ⁱⁱ	313,449	397,501
Other financial assets ⁱⁱⁱ	155,275	18,814
Long term equity investments ⁱ	195,770	289,810
	1,170,821	1,316,449

ⁱ The long term equity investments balance as stated above represents amounts that banks hold as security against short term debt. Refer to Note 26.

ⁱⁱ The trade and other receivables balance as stated above reflect the recoverable value and are net of allowances for expected credit losses. Refer to Note 9 for further description on the impairment of receivables.

ⁱⁱⁱ This amount includes only derivatives that are within other financial assets.

29 Financial risk management (continued)

c) Liquidity risk

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

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

The Group manages liquidity risk by continually monitoring forecast and actual cashflows and matching maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

Financing arrangements

Details of existing financing arrangements are set out in Note 26.

d) Maturity of financial liabilities

The Group has trade and other payables that are payable within 12 months (current liabilities) and greater than 12 months (non-current liabilities). Trade and other payables classified as current are predominately trade payables which are generally due or paid within 45 days of invoice date. Trade and other payables classified as non-current relate to term deposit held in relation to property rental operations (current period) and the purchase consideration for business acquisitions (prior reporting period). Non-current balances are calculated using the present value of the future expected cash flows.

The Parent Entity utilises short term bank financing. The balance at year end was \$195.77 million (2021: \$289.81 million). The debt is exposed to variable interest rates. The outstanding debt can be repaid by providing 30 day notice.

As security for the Parent Entity's short term bank financing, the Parent Entity transferred ownership of title over certain long term equity investments to the banks. Upon repayment of the debt, legal title of the equity investments are transferred back to the Parent Entity. As the Parent Entity retains the risks and benefits of ownership of the transferred equity investments, including the right to receive dividends, these securities continue to be included as assets on the Group's Statement of Financial Position.

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

e) Cash flow and fair value interest rate risk

The Group may from time to time have significant interest-bearing assets which are placed with reputable financial institutions for up to 12 months. The Group has treasury investment policies approved by each of the relevant entity's board of directors which stipulates the maximum exposure to each financial institution. Significant changes in market interest rates may have an effect on the Group's profit or loss and operating cash flows. Cash flow interest rate risk is managed by placing excess funds in at call deposits, term deposits and other fixed interest bearing assets. Refer to Note 25 for details.

Based on the deposits held at reporting date, the sensitivity to a 1% per annum increase or decrease in interest rates would increase/(decrease) after tax profit by \$3.54 million (2021: \$4.27 million). This scenario assumes all cash and term deposits at balance date continue to remain invested for the whole year.

f) Climate related risk

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

30 Fair value estimation

ACCOUNTING POLICY

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets and financial liabilities held by the Group is the last sale price.

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

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

The fair value of investment properties is discussed in Note 17b.

The fair value of biological assets is discussed in Note 11.

The fair value of farmland assets is discussed in Note 18.

Fair value hierarchy

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

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

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

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

Valuation techniques

Listed equities

The fair value of listed equities and hybrid instruments is based on quoted market prices, being the last sale price, at the reporting date. Listed equities are traded in an active market with most of the Consolidated Entity's investments being publicly traded on the Australian Securities Exchange.

KEY JUDGEMENTS AND ESTIMATES

Financial assets (level 3) – valuation techniques

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

Unlisted equities

In the absence of an active market for unlisted equities, the Consolidated Entity selects and uses one or more valuation techniques to measure the fair value of these unlisted equities.

The Consolidated Entity selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The following valuation techniques are used by the Consolidated Entity:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets including ongoing discussions with potential purchasers.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

30 Fair value estimation (continued)

KEY JUDGEMENTS AND ESTIMATES (CONTINUED)

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

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

Investment Properties

Refer to Note 17b for additional information on the valuation techniques used for investment properties.

Farmland assets

Refer to Note 18 for additional information on the valuation of farmland assets.

Fair value measurement

The following table represents the Group's assets and liabilities measured or disclosed at fair value as at 31 July 2022 and 31 July 2021.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 31 July 2022				
Financial assets measured at fair value				
Financial assets held for trading	452,256	45,154	75,577	572,987
Other financial assets	–	155,275	10,686	165,961
Long term equity investments	4,661,496	93,679	48,325	4,803,500
Non-financial assets measured at fair value				
Investment properties	–	–	85,576	85,576
Biological assets	–	–	9,310	9,310
Farmland assets	–	–	116,138	116,138
Assets for which fair values are disclosed				
Loan at amortised cost	–	–	234,154	234,154
Total assets	5,113,752	294,108	579,766	5,987,626
As at 31 July 2021				
Financial assets measured at fair value				
Financial assets held for trading	383,319	–	14,263	397,582
Other financial assets	8,564	40,102	19,669	68,335
Long term equity investments	2,244,687	81,982	36,169	2,362,838
Non-financial assets measured at fair value				
Investment properties	–	–	87,158	87,158
Biological assets	–	–	4,658	4,658
Farmland assets	–	–	71,128	71,128
Assets for which fair values are disclosed				
Loan at amortised cost	–	–	236,205	236,205
Total assets	2,636,570	122,084	469,250	3,227,904

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the change in level 3 items for the year ended 31 July 2022 and 31 July 2021:

	Financial assets held for trading	Other financial assets	Long term equity investments	Investment properties	Biological assets	Farmland assets	Loans at amortised cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 August 2020	4,314	13,034	38,464	75,724	2,062	39,718	59,505	232,821
Acquisitions	12,633	6,635	25	8,020	664	33,159	220,219	281,355
Disposals/repaid	–	–	–	–	–	(316)	(43,519)	(43,835)
Transfer to level 1 – Financial assets held for trading (listed)	(2,684)	–	–	–	–	–	–	(2,684)
Change in fair value due to biological transformation	–	–	–	–	11,113	–	–	11,113
Transfer to inventory	–	–	–	–	(9,181)	–	–	(9,181)
Transfer to Equity accounted associate	–	–	(11,971)	–	–	–	–	(11,971)
Transfer to Investment properties	–	–	(1,109)	–	–	–	–	(1,109)
Transfer to property, plant and equipment	–	–	–	–	–	(1,371)	–	(1,371)
Gain recognised in other income – unrealised	–	–	–	3,691	–	–	–	3,691
Impairment	–	–	–	–	–	(1,908)	–	(1,908)
Depreciation	–	–	–	–	–	(872)	–	(872)
Gain recognised in other comprehensive income – unrealised	–	–	10,760	–	–	2,718	–	13,478
Transfer to held-for-sale asset	–	–	–	(277)	–	–	–	(277)
Closing balance at 31 July 2021	14,263	19,669	36,169	87,158	4,658	71,128	236,205	469,250
Acquisitions	58,255	–	21,529	35,724	–	45,390	149,823	310,721
Acquisitions of a business	–	–	422	–	–	–	–	422
Disposals/repaid	(2,499)	–	–	–	–	(2)	(151,984)	(154,485)
Transfer to level 1 – Financial assets held for trading (listed)	(953)	(10,000)	–	–	–	–	–	(10,953)
Transfer from level 2 – other financial asset	6,511	–	–	–	–	–	–	6,511
Change in fair value due to biological transformation	–	–	–	–	22,463	–	–	22,463
Transfer to inventory	–	–	–	–	(17,811)	–	–	(17,811)
Transfer to property, plant and equipment	–	–	–	–	–	(2,355)	–	(2,355)
Return of capital from an unlisted investment	–	–	(10,080)	–	–	–	–	(10,080)
Gain recognised in other revenue	–	1,017	–	–	–	–	110	1,127
Gain recognised in other income	–	–	–	51,174	–	–	–	51,174
Gain recognised in other comprehensive income – unrealised	–	–	285	–	–	15,908	–	16,193
Impairment	–	–	–	–	–	1,208	–	1,208
Depreciation	–	–	–	–	–	(2,082)	–	(2,082)
Transfer to held-for-sale asset	–	–	–	(88,480)	–	(13,057)	–	(101,537)
Closing balance at 31 July 2022	75,577	10,686	48,325	85,576	9,310	116,138	234,154	579,766

30 Fair value estimation (continued)

Fair value measurement, valuation techniques and inputs

The following table summarises valuation techniques, inputs and sensitivities for classes of assets with significant level 3 inputs:

Class of assets	Asset	Valuation technique	Fair value hierarchy	Range	Inputs used to measure fair value	Sensitivity analysis
Long term equity investments	Unlisted investment	EBITDA multiple	Level 3	\$15.20 million to \$13.75 million	Discount rate multiple	An increase/decrease of 5% on discount rate multiple would increase/decrease the carrying value by \$0.72 million.
Investment properties	Industrial and commercial properties	Discounted cashflow approach	Level 3	6.50% to 7.00% and 6.75% to 7.25%	Discount rate and Terminal yield	An increase/decrease of 25 basis points in the adopted discount rate and terminal yield would increase/decrease the carrying value by \$2.53 million and \$2.34 million respectively.
	Development properties	Direct comparison approach	Level 3	\$1,900/m ² – \$2,100/m ²	Rate per square metre	An increase/decrease of 5% in the rate per square metre would increase/decrease the carrying value by \$1.68 million.
Farmland assets	Farming land and buildings	Direct comparison approach	Level 3	Varies by location	Rate per land unit	An increase/decrease of 5% in the rate per land unit would increase/decrease the carrying value by \$6.71 million.

The valuation techniques and inputs for other classes of assets with level 3 inputs includes:

Financial assets held for trading: unlisted financial assets held for trading included in level 3 fair value hierarchy are held for short term trading. Purchase price approximate fair value.

Other financial assets: loans at fair value have been included in level 3 fair value hierarchy. Fair value is anchored to the underlying net asset value of the underlying company.

Biological assets: included in level 3 fair value hierarchy and valued at a risk adjusted value of expected cash flows.

Loans at amortised cost: loans at amortised cost have been included in level 3 fair value hierarchy. Fair value is anchored to expected credit losses valuation technique.

31 Contingent liabilities

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

	2022 \$'000	2021 \$'000
Undertakings and guarantees issued by a subsidiary's bankers to the Department of Natural Resources and Mines, Statutory Power Authorities and various other entities	–	21,982
	–	21,982

Certain companies in the Group are recipients of complaints made or are defendants in certain claims and/or proceedings (either commenced or threatened).

In the opinion of the Directors, all such matters are not anticipated to have a material effect on the financial position of the Group or are at a stage which does not support a reasonable evaluation of the likely outcome of the matters.

There are no other material contingent liabilities of the Group as at 31 July 2022.

The Consolidated Entity had unrestricted access at 31 July 2022 to bank guarantee facilities of \$28 million (2021: \$335.10 million). At 31 July 2022, the Consolidated Entity had drawn down on these facilities by \$12.30 million (2021: \$125.50 million).

32 Commitments

	2022 \$'000	2021 \$'000
a) Lease commitments – operating		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	–	180
One to five years	–	–
More than five years	–	–
	–	180

b) Capital commitments

Capital expenditure contracted for at year end but not recognised as liabilities is as follows:		
Within one year	12,678	81,497
One to five years	9,811	8,225
More than five years	–	5,255
	22,489	94,977

Capital commitments include contracted management services for mining services, exploration permits and acquisition of property, plant and equipment.

33 Events after the reporting period

Dividends declared subsequent to 31 July 2022 are disclosed in Note 2.

New Hope advised that the Queensland Government Department of Regional Development, Manufacturing and Water has granted the New Acland Mine Stage 3 Associated Water Licence. New Hope now holds all the primary approvals required to enable the resumption of mining operations at the New Acland Mine.

No other matter or circumstance has arisen since 31 July 2022 that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

34 Parent Entity information

ACCOUNTING POLICY

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

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

The consolidated financial statements recognise the individual assets, liabilities, income and expenses of subsidiaries. Associates are equity accounted, with initial investment increased/(decreased) by profits/(losses) recognised in the Consolidated Statement of Comprehensive Income and decreased by dividends received. Dividends from both subsidiaries and associates are not recognised in the Consolidated Statement of Comprehensive Income.

	2022 \$'000	2021 \$'000
Statement of Financial Position		
Current assets	1,086,387	560,979
Non-current assets	6,304,661	3,474,586
Total assets	7,391,048	4,035,565
Current liabilities	306,722	332,524
Non-current liabilities	405,623	725,392
Total liabilities	712,345	1,057,916
Net assets	6,678,703	2,977,649
Shareholders' equity		
Issued capital	4,689,957	47,176
Reserves	(34,276)	(169,360)
Retained earnings	2,023,022	3,099,833
	6,678,703	2,977,649
Profit after tax for the year	(808,984)	320,226
Total comprehensive income	(809,699)	102,543

a) Interest bearing liabilities of the Parent Entity

The Parent Entity has complied with all the financial covenants of its borrowing facilities during the 2022 and 2021 reporting periods. Refer to Note 26(2) for details of interest bearing liabilities of the Parent Entity.

b) Guarantees entered into by the Parent Entity

The Parent Entity provides guarantees for leases of offices and swimming pool sites, and until its disposal, for environmental bonds that were required by Round Oak.

As at 31 July 2022, these guarantees totalled \$1.22 million (2021: \$9.21 million).

c) Contingent liabilities of the Parent Entity

The Parent Entity did not have any contingent liabilities at 31 July 2022 or 31 July 2021.

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

The Parent Entity did not have any contractual commitments for property, plant or equipment at 31 July 2022 (2021: \$nil).

35 Controlled entities and joint ventures

Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of Washington H. Soul Pattinson and Company Limited and its subsidiaries, and its equity accounted associates. A diagram is set out in Note 3, listing the main subsidiaries and associates.

i. Subsidiaries

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

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

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Financial Position respectively.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recorded in equity.

ii. Joint arrangements

A joint arrangement is an arrangement where two or more parties share control. Joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure.

Joint operations

A joint operation is a joint arrangement in which the parties share joint control, have rights to the assets, and obligations for the liabilities relating to the arrangement. The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated into the Group's financial statements under the appropriate headings.

Joint ventures

A joint venture is a joint arrangement in which the parties that share joint control have rights to the net assets of the arrangement. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost.

iii. Associates

Associates are all entities over which the Group has significant influence and are neither subsidiaries nor jointly controlled. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of its associates' post-acquisition profits or losses is recognised in the profit or loss and its share of post-acquisition other comprehensive income is recognised in the Consolidated Statement of Comprehensive Income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received/receivable from associates are recognised in the consolidated financial statements by reducing the carrying amount of the investment.

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

35 Controlled entities and joint ventures (continued)

iv. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with an associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Where practical, accounting policies of the associates have been changed to ensure consistency with the policies adopted by the Group.

a) Investments in subsidiaries

ACCOUNTING POLICY

Investments in subsidiaries are not recognised as individual investments in the consolidated financial statements. The assets and liabilities of each subsidiary are instead recognised in the Consolidated Statement of Financial Position. Dividends from subsidiaries are not recognised in the profit or loss, instead the results from each subsidiary are included in the relevant line items in the profit or loss.

Details of significant subsidiaries within the Group are as follows:

		Ownership interest ¹	
Name of entity	Principal place of business	2022	2021
Subsidiaries			
New Hope Corporation Limited	Australia	N/A	40%
Round Oak Minerals Pty Limited	Australia	N/A	100%
Round Oak Jaguar Pty Limited	Australia	N/A	100%
WHSP Stockman Pty Limited	Australia	N/A	100%
Exco Resources Pty Limited	Australia	N/A	100%
WHSP Aquatic Achievers Pty Limited	Australia	100%	100%
WHSP Agriculture Holding Trust	Australia	95%	95%
WHSP Water Holding Trust	Australia	100%	100%
Pitt Capital Partners Limited	Australia	100%	100%
Soul Private Equity Limited	Australia	100%	100%
Milton Corporation Limited	Australia	100%	N/A
Ampcontrol Limited	Australia	100%	N/A

¹ N/A: The entity was not classified as a subsidiary at 31 July.

Deconsolidation of New Hope

As at the reporting date, the Parent Entity's ownership interest in New Hope is 39.85% (2021: 39.85%).

The directors of the Parent Entity concluded that the Consolidated Entity lost control of New Hope on 29 July 2022. Circumstances giving rise to the loss of control are as follows:

On 29 July 2022, New Hope appointed an additional independent non-executive director bringing the New Hope board to six members. Three directors of New Hope are also directors of the Parent Entity with the other three directors being independent non-executive directors. The current New Hope Chairman (Robert Millner) provided a written undertaking that whenever chairing any board or members meeting of New Hope when the New Hope board comprises six directors where three directors are common to the Parent Entity, the Chairman undertakes not to exercise a casting vote in accordance with the relevant provisions in the New Hope constitution.

During the reporting period, the New Hope share price has, at times, traded at a premium to the current conversion price for the New Hope convertible notes. This has created substantive rights for the New Hope Convertible note holders to convert. Therefore, the Consolidated Entity considers it more likely than not that Convertible note holders will convert their notes into New Hope equity. If all New Hope convertible note holders converted into equity, the Parent Entity's relative equity interest in New Hope would reduce by approximately 4.53% to 35.32%. As at the date of this report, subsequent to year end, a number of notes have been converted, resulting in the issue of 34,692,566 New Hope ordinary shares, reducing the Parent Entity's relative equity interest in New Hope to 38.26%.

As a consequence of the above and consideration of other relevant factors, it has been concluded that from 29 July 2022, the Consolidated Entity has significant influence over New Hope and no longer has control for accounting purposes. The Consolidated Entity's investment in New Hope is recognised as an associate and the equity method of accounting is applied from this date. Refer to Note 15 for further details.

The financial impact of derecognising New Hope as a subsidiary is a non-cash gain of \$491 million, with a tax expense of \$313 million, resulting in an after tax gain of \$178 million. The gain reflects the initial recognition of the New Hope investment at fair value, partly offset by the creation of a deferred tax liability.

KEY JUDGEMENTS AND ESTIMATES

Deconsolidation of New Hope

The assessment of the point in time when the Consolidated Entity lost control of New Hope is considered to be an area of significant accounting judgement. The judgements include the combination of the shareholding size, shareholder composition, de-facto control, historical and expected voting patterns at general meetings, potential voting rights that are substantive, and the composition of the Board of Directors. The judgement assessing when control of New Hope is lost affects the net assets that are deconsolidated, the fair value of the retained interest, and the gain on disposal. It was concluded that 29 July 2022 best represented the point in time in which the combination of these factors resulted in the Consolidated Entity losing control of New Hope.

To assist users of the financial report, the following summarised financial information shows the standalone contribution of New Hope as a subsidiary in the Consolidated Statement of Comprehensive Income for the 2022 and 2021 reporting periods.

	Up to 29 July 2022 \$'000	2021 \$'000
Revenue	2,480,765	1,053,978
Expenses	(1,132,146)	(943,258)
Profit before income tax	1,348,619	110,720
Income tax	(402,023)	(31,370)
Profit after income tax	946,596	79,350
Profit for the year attributable to:		
Owners of Washington H Soul Pattinson and Company Limited	377,692	35,708
Non-controlling interests	568,904	43,642
	946,596	79,350

Net assets of New Hope at date of deconsolidation:

	29 July 2022 \$'000
Current assets	1,321,101
Non-current assets	2,049,606
Total assets	3,370,707
Current liabilities	517,290
Non-current liabilities	574,299
Total liabilities	1,091,589
Net assets	2,279,118

35 Controlled entities and joint ventures (continued)

b) Business combinations

ACCOUNTING POLICY

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

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured at fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain on bargain purchase.

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

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the Group recognises previously acquired deferred tax assets after the initial acquisition accounting is completed there will be no adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

During the year ended 31 July 2022, the Group acquired the following businesses:

- The remaining 97% of the Milton shares,
- The remaining 57.1% of the Ampcontrol shares, and
- 100% of a swim school.

A summary of the impact of these transactions is as follows:

	Milton (5 October 2021) \$'000	Swim school (19 November 2021) \$'000	Ampcontrol (31 May 2022) \$'000	Total \$'000
Purchase consideration	4,630,107	4,633	99,711	4,734,451
Add: Amounts previously recognised through investments	158,105	–	75,300	233,405
Less: Fair value of net assets acquired	(3,803,647)	(1,961)	(124,911)	(3,930,519)
Goodwill on acquisition	984,565	2,672	50,100	1,037,337
Net cash flows from the acquisition of subsidiaries	17,647	(4,848)	(95,556)	(82,757)

Acquisition of Milton

Milton was a listed investment company substantially invested in liquid Australian listed equities.

On 5 October 2021, WHSP completed its acquisition of the remaining 97% (which it did not previously own) of the issued and outstanding equity of Milton for consideration of \$4,630 million. The acquisition was completed through an all-share exchange which gave Milton shareholders 0.1863 WHSP shares for every Milton share. The consideration was valued using the closing price of WHSP shares on 5 October 2021 of \$38.20 per share. The value of net assets initially recognised in the 31 July 2022 financial statements is based on a provisional assessment of their fair value. The finalisation of the fair value of the acquired assets and liabilities at acquisition date will be completed within the 12 month measurement period in accordance with the Consolidated Entity's accounting policy.

Revenue and profit contributions

The acquired business contributed revenue of \$108.8 million and profit before tax of \$83.9 million for the period 5 October 2021 to 31 July 2022. If the acquisition had occurred on 1 August 2021, revenue and profit before tax would have been \$155.9 million and \$124.6 million respectively. The acquisition of Milton resulted in \$22.1 million of other comprehensive income associated with the fair value uplift of the previously held interest.

A summary of the assets and liabilities acquired is as follows:

	5 October 2021 \$'000
Cash	20,481
Trade and other receivables	8,530
Equity accounted associates	26,804
Long term equity investments	3,421,897
Property, plant and equipment	5,868
Deferred tax assets	320,905
Trade and other payables	(166)
Current tax liabilities	(269)
Provisions	(403)
Fair value of net identifiable assets	3,803,647
Provisional Goodwill on acquisition ^{1,2}	984,565
Less: amounts previously recognised through investments ³	(158,105)
Fair value of net assets acquired	4,630,107
Purchase consideration	
Fair value of ordinary shares issued	4,640,163
Treasury shares	(10,056)
Total purchase consideration	4,630,107
Cash flows from acquisition	
Cash balance acquired	20,481
Net cash flow from investing activities	20,481
Acquisition related costs ⁴	(2,834)
Net cash outflow expensed	(2,834)
Cash flows from the acquisition of Milton, net of cash acquired	17,647

¹ Goodwill arising on acquisition is not deductible for tax.

² Goodwill arising from the acquisition of Milton was impaired to \$nil. Refer to Note 6a for details.

³ Represents the fair value of the investment in Milton owned by WHSP prior to acquisition of the balance of remaining shares.

⁴ Costs relating to these acquisitions have been recognised as "Acquisition costs expensed" in the Statement of Comprehensive Income.

35 Controlled entities and joint ventures (continued)

b) Business combinations (continued)

Acquisition of Ampcontrol

Ampcontrol and its subsidiaries are engaged in the design, research and development, manufacture, repair, hire and sale of electrical and electronic engineering equipment, the provision of mining and industrial cable repair services, the sale and service of gas detection units, provision of oil testing, stand-alone power systems and certification of hazardous area equipment.

On 31 May 2022, a subsidiary of the Parent Entity, Souls Private Equity Limited, completed the acquisition of the remaining 57.1% (which it previously did not own) of the issued and outstanding equity of Ampcontrol for consideration of \$99.7 million. The acquisition was completed as cash consideration of \$97.1 million and scrip consideration of \$2.6 million through the issue of 101,771 WHSP shares. The value of net assets initially recognised in the 31 July 2022 financial statements are based on a provisional assessment of their fair value. The finalisation of the fair value of the acquired assets and liabilities at acquisition date and allocation to CGU will be completed within the 12 month measurement period in accordance with the Consolidated Entity's accounting policy.

Revenue and profit contributions

The acquired business contributed revenue of \$48.0 million and a loss before tax of \$(0.3) million for the period 1 June 2022 to 31 July 2022. If the acquisition had occurred on 1 August 2021, revenue and profit before tax would have been \$258.8 million and \$13.2 million respectively. Previously, Ampcontrol was recognised as an equity accounted associate.

In accordance with AASB 3 Business Combinations, the Group's previously held investment in Ampcontrol shall be remeasured at acquisition date and the resulting gain or loss should be recognised in the profit or loss statement or other comprehensive income, as appropriate. The acquisition of Ampcontrol resulted in a \$22.1 million gain recognised in the profit or loss statement associated with the fair value uplift of the previously held interest.

A summary of the assets and liabilities acquired is as follows:

	31 May 2022 \$'000
Cash	2,455
Trade and other receivables	48,190
Inventories	59,241
Equity accounted associates	1,976
Property, plant and equipment	76,579
Identifiable intangibles	37,878
Right of use assets	13,399
Current tax receivables	3,602
Trade and other payables	(25,686)
Provisions	(18,652)
Interest bearing liabilities	(22,786)
Lease liabilities	(15,954)
Contract liabilities	(21,531)
Deferred tax liabilities	(13,800)
Fair value of net identifiable assets	124,911
Provisional Goodwill on acquisition ¹	50,100
Less: amounts previously recognised through investments ²	(75,300)
Fair value of net assets acquired	99,711
Purchase consideration	
Cash paid at acquisition	97,095
Fair value of ordinary shares issued	2,616
Total purchase consideration	99,711
Cash flows from acquisition	
Cash paid at acquisition	(97,095)
Cash balance acquired	2,455
Net cash flow from investing activities	(94,640)
Acquisition related costs	(916)
Net cash outflow expensed	(916)
Cash flows from the acquisition of Ampcontrol, net of cash acquired	(95,556)

¹ Goodwill comprises primarily the value of the assembled workforce which does not meet the criteria for separate recognition under AASB 3.

² Represents the fair value of the investment in Ampcontrol owned by WHSP prior to acquisition of the balance of remaining shares.

35 Controlled entities and joint ventures (continued)

b) Business combinations (continued)

Acquisition of a Swim School

On 19 November 2021, a subsidiary of the Parent Entity, Aquatic Achievers Operations Pty Limited, acquired a 100% interest in a Swim School for a total purchase consideration of \$4.6 million. The fair values of the acquired assets and liabilities have been finalised and recognised in the 31 July 2022 financial statements.

Revenue and profit contributions

The acquired business contributed revenue of \$1.2 million and a profit before tax of \$0.3 million for the period 19 November 2021 to 31 July 2022. If the acquisition had occurred on 1 August 2021, revenue and profit before tax would have been \$1.8 million and \$0.3 million respectively.

A summary of the assets and liabilities acquired is as follows:

	19 November 2021 \$'000
Trade and other receivables	12
Inventories	6
Property, plant and equipment	2,263
Right of use assets	1,091
Deferred tax assets	428
Trade and other payables	(14)
Provisions	(35)
Interest bearing liabilities	(1,377)
Deferred tax liabilities	(413)
Fair value of net identifiable assets	1,961
Provisional Goodwill on acquisition ¹	2,672
Fair value of net assets acquired	4,633
Purchase consideration	
Cash paid at acquisition	4,633
Total purchase consideration	4,633
Cash flows from acquisition	
Cash paid at acquisition	(4,633)
Net cash flow from investing activities	(4,633)
Acquisition related costs ²	(215)
Net cash outflow expensed	(215)
Cash flows from the acquisition of Swim School, net of cash acquired	(4,848)

¹ Goodwill arising on acquisition is not deductible for tax.

² Costs relating to these acquisitions have been recognised as "Acquisition costs expensed" in the Statement of Comprehensive Income.

KEY JUDGEMENT AND ESTIMATES

Business combinations – acquisition fair value

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

c) Discontinued operations

A share purchase agreement between WHSP, Aeris HoldCo Pty Ltd (Aeris) and Aeris Resources Limited (AIS) was signed on 28 April 2022 whereby WHSP sold 100% of its shares in Round Oak to Aeris. The sale consideration comprised of an \$80 million cash payment, the issue of 1,466 million ordinary shares in AIS and a working capital adjustment. The sale transaction was completed on 1 July 2022, and consequently WHSP holds a 30.3% shareholding in AIS at year-end. This is classified as an investment in an associate and accounted for using the equity method.

On 12 July 2022, AIS performed a 1:7 share consolidation. From this date, the Group's holding in AIS was 209,523,810 ordinary shares.

Prior to its disposal, the Round Oak operations were included in the Private Equity Portfolio. The Round Oak business is presented as a discontinued operation and the results for the periods ending 1 July 2022 and 31 July 2021 are presented below:

	Up to 1 July 2022 \$'000	2021 \$'000
Revenue from contracts with customers	310,950	354,983
Expenses	(249,887)	(259,077)
Operating income	61,063	95,906
Finance costs	(355)	(1,065)
Profit before income tax expense from discontinued operations	60,708	94,841
Income tax expense	(18,079)	(29,872)
Profit before gain on disposal	42,629	64,969
Gain on disposal of Round Oak, net of tax	21,372	–
Profit after income tax expense for the year from discontinued operations	64,001	64,969

Assets and liabilities of Round Oak at date of sale:

	1 July 2022 \$'000
Assets	
Cash and cash equivalents	14,695
Trade and other receivables	8,521
Inventories	48,337
Current tax assets	1,861
Property, plant and equipment	142,254
Exploration and evaluation assets	25,030
Right-of-use assets	1,314
Intangible assets	26
Deferred tax assets	15,189
Total assets sold	257,227
Liabilities	
Trade and other payables	38,892
Lease liabilities	1,406
Provisions	73,399
Total liabilities sold	113,697
Net assets	143,530

35 Controlled entities and joint ventures (continued)

c) Discontinued operations (continued)

The net cash flows of Round Oak are as follows:

	Up to 1 July 2022 \$'000	2021 \$'000
Cash flows of discontinued operations		
Net cash from operating activities	151,003	148,531
Net cash used in investing activities	(53,631)	(64,156)
Net cash used in financing activities	(120,913)	(56,618)
Net cashflows for the period	(23,541)	27,757
Gain on disposal		
Cash consideration received	80,000	
Shares received in Aeris	98,269	
Working capital adjustment	(18,600)	
Total consideration received	159,669	
Carrying amount of net assets disposed	(143,530)	
Gain on disposal before income tax and transaction costs	16,139	
Income tax benefit	5,233	
Gain on disposal before transaction costs	21,372	
Transaction costs and other items	(4,250)	
Gain on disposal after income tax and transaction costs	17,122	

d) Deed of cross guarantee

ACCOUNTING POLICY

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

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

During 2012, the Parent Entity and a subsidiary, Souls Private Equity Limited, entered into a deed of cross guarantee under which each company guarantees the debts of the other.

Whilst party to this deed, wholly owned entities are relieved from the requirements to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The parties to this deed are referred to as the 'Closed Group'. The effect of the deed is that each party to it has guaranteed to pay any deficiency in the event of the winding up of any of the entities in the Closed Group.

The following table presents certain summarised financial information of the Closed Group:

	2022 \$'000	2021 \$'000
Consolidated statement of comprehensive income – closed group		
Profit before income tax	791,319	424,403
Income tax expense	(370,920)	(84,448)
Profit after tax attributable to closed group	420,399	339,955
Other comprehensive income – closed group		
Changes in the fair value of equity investments at fair value through other comprehensive income	128,776	(212,782)
Share of other comprehensive income movements, net of tax	9,767	10,891
Total other comprehensive income for the year, net of tax	138,543	(201,891)
Total comprehensive income for the year	558,942	138,064
Summary of movements in consolidated retained earnings – closed group		
Opening balance at 1 August	3,551,882	3,336,525
Profit for the year	420,399	339,955
Reclassification of a fair value investment to an associate	(22,659)	(3,570)
Dividends declared and paid	(208,063)	(121,028)
Closing balance at 31 July	3,741,559	3,551,882

35 Controlled entities and joint ventures (continued)

d) Deed of cross guarantee (continued)

	2022 \$'000	2021 \$'000
Consolidated statement of financial position of the closed group		
Current assets		
Cash and cash equivalents	471,229	135,095
Trade and other receivables	50,118	26,888
Financial assets held for trading	555,486	397,582
Other financial assets	–	9,068
Total current assets	1,076,833	568,633
Non-current assets		
Trade and other receivables	224,747	369,379
Equity accounted associates	2,616,726	900,557
Long term equity investments	5,455,375	2,667,086
Other financial assets	–	49,521
Property, plant and equipment	6,792	7,087
Right-of-use assets	9,954	11,102
Deferred tax assets	161,896	17,905
Total non-current assets	8,475,490	4,022,637
Total assets	9,552,323	4,591,270
Current liabilities		
Trade and other payables	1,278	10,137
Interest bearing liabilities	191,770	289,810
Lease liabilities	771	689
Current tax liabilities	59,794	30,260
Provisions	16,045	881
Total current liabilities	269,658	331,777
Non-current liabilities		
Trade and other payables	–	41
Interest bearing liabilities	218,247	216,282
Lease liabilities	10,787	11,559
Deferred tax liabilities	665,134	614,107
Provisions	641	649
Total non-current liabilities	894,809	842,638
Total liabilities	1,164,467	1,174,415
Net assets	8,387,856	3,416,855
Equity		
Share capital	4,689,956	47,176
Reserves	(43,659)	(182,203)
Retained profits	3,741,559	3,551,882
Total equity	8,387,856	3,416,855

e) Investments in joint arrangements

Through its subsidiaries, the Group holds interests in the following joint arrangements at 31 July 2022:

Name	Accounted for as:	Group's interest	Segment allocated to:
Ellenbrook Syndicate Joint Venture	Joint venture	33%	Property portfolio
The Mews Joint Venture	Joint venture	23%	Property portfolio
LWP Huntlee Syndicate No 2 Joint Venture	Joint venture	50%	Property portfolio
Boundary Power Pty Ltd	Joint venture	50%	Private Equity portfolio
Cronulla by Moran Partnership	Joint venture	50%	Structured yield portfolio

The Group concluded that from 29 July 2022, the Consolidated Entity has significant influence over New Hope and no longer has control for accounting purpose. Joint operations of New Hope in the prior reporting year included:

Name	Accounted for as:	Group's interest	Segment allocated to:
Bengalla Joint Venture	Joint operation	80%	Strategic portfolio
Lenton Joint Venture	Joint operation	90%	Strategic portfolio

KEY JUDGEMENT AND ESTIMATES

Classification of joint arrangements

The Group assesses whether it has the power to direct the relevant activities of the investee by considering the rights it holds with respect to the work programme and budget approval, investment decision approval, voting rights in joint operating committees and changes to the joint arrangement participant holdings. Where the Group has control, judgement is also required to assess whether the arrangement is a joint operation or a joint venture.

36 New or amended accounting standards and interpretations

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. Any new or amended Accounting Standards or interpretations that are not yet mandatory have not been early adopted.

The following amendments have been identified as those which may impact the Group in the period of initial application, and are effective for annual periods beginning after 1 August 2022:

Amendments to IAS 1 – Classification of liabilities as current or non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether the entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The potential effects on adoption of the amendment are yet to be determined.

AASB 9 Financial instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted. The potential effects on adoption of the amendment are yet to be determined.

AASB 2021-2 Amendments to Australian Accounting Standards – Definition of Accounting Estimates

The application of this amendment is effective from 1 January 2023, and will be adopted by the Group on 1 August 2023. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

37 Share based payments

ACCOUNTING POLICY

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

The fair value of options and rights granted under the scheme is recognised as an employee benefits expense with a corresponding increase in the share-based payment reserve within equity.

The fair value is measured at grant date and the total amount to be expensed is recognised over the period during which the employee becomes unconditionally entitled to the options and rights. The fair value of options and rights granted is based on the market price of the issuing company's shares, adjusted to reflect any market performance conditions and the impact of any non-vesting conditions. Non-market vesting conditions are included in assumptions about the number of options and rights that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options and rights that are expected to become exercisable. The employee benefits expense each period takes into account the most recent estimate. The impact of the revision to the original estimate is recognised in profit or loss with a corresponding adjustment to equity.

Washington H. Soul Pattinson and Company Limited – Long term incentive plan

The Parent Entity provides share based compensation benefits to its executive team and management team via a Long Term Incentive Plan (LTI plan) whereby rights to shares are granted for nil consideration. Rights are granted in accordance with the plan at the sole discretion of the Parent Entity's Board. Rights vest and automatically convert to ordinary shares in the Parent Entity following the satisfaction of the relevant performance and service conditions. Performance and service conditions applicable to each issue of rights are determined by the Board at the time of granting. Rights granted under the plan carry no dividend or voting rights until they have vested and have been converted into shares in the Parent Entity. Detailed vesting conditions are set out in the Remuneration Report.

The fair value of services received in return for performance rights granted is based on the fair value of the performance rights granted. The fair value of rights was independently determined by valuation specialists Lonergan Edwards & Associates Limited and was based on the market price of the Parent Entity's shares at the grant date, with an adjustment made to take into account the vesting period, expected dividends during that period that will not be received by the participants and the probability that the market performance conditions will be met.

37 Share based payments (continued)

Performance hurdle			Movement in number of performance rights granted					
Grant Date	Vest Date	TSR Hurdle or Non TSR Hurdle	Fair value	Balance at start of year	Granted during the year	Vested	Forfeited	Balance at year end
Apr-22	Sep-24*	Non-TSR	\$18.94	–	78,356	–	–	78,356
Apr-22	Sep-24*	TSR	\$7.90	–	78,372	–	–	78,372
Feb-21	Sep-23*	Non-TSR	\$13.10	57,917	–	–	–	57,917
Feb-21	Sep-23*	TSR	\$21.70	57,917	–	–	–	57,917
Dec-19	Sep-22*	Non-TSR	\$12.16	61,312	–	–	–	61,312
Dec-19	Sep-22*	TSR	\$13.52	61,311	–	–	–	61,311
Dec-18	Sep-21*	Non-TSR	\$17.28	49,182	–	(26,776)	(22,406)	–
Dec-18	Sep-21*	TSR	\$22.11	49,180	–	(49,180)	–	–
Dec-16	Aug-21	Non-TSR	\$13.10	5,086	–	(3,498)	(1,588)	–
Dec-16	Aug-21	TSR	\$2.56	5,086	–	(2,308)	(2,778)	–
				346,991	156,728	(81,762)	(26,772)	395,185

* Performance rights are subject to 're-testing dates' if nil rights vest on the original vesting date. Details of vesting conditions and performance hurdles are set out in the Remuneration Report.

During the current reporting period an expense of \$2.10 million (2021: \$2.01 million) was recognised in the profit or loss for the rights issued under the Parent Entity LTI plan. The total fair value of the performance rights outstanding at year end was \$1.57 million (2021: \$3.59 million).

Milton had a pre-existing Senior Staff Share Plan (SSSP) which was accounted for as a share-based payment in accordance with AASB 2. The SSSP was funded by an interest free non-recourse loan.

On 5 October 2021, on acquisition of Milton, the Milton shares held as part of the SSSP were exchanged for shares of WHSP. The pre-existing share-based payment obligations and associated non-recourse loan will be settled by WHSP. The related share-based payment expense for the period ended 31 July 2022 is \$0.16 million (2021: \$nil). This expense relates to the difference in the fair value of the share-based payment obligation upon the replacement of WHSP shares for Milton shares, and not from the grant of additional share-based payments under the SSSP.

38 Related party transactions

a) Parent Entity

The ultimate Parent Entity is Washington H. Soul Pattinson and Company Limited.

b) Subsidiaries and associates

Interest in subsidiaries are set out in Note 35 and associates in Note 15.

c) Key management personnel (KMP) compensation

	Paid to KMP of the Consolidated Entity		Paid to KMP of the Parent Entity	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Short term employee benefits	5,880	3,933	5,400	3,453
Post-employment benefits	200	185	152	139
Long term employee benefits	66	24	66	24
Termination benefits	–	–	–	–
Share-based payments	1,047	1,818	1,047	1,818
	7,193	5,960	6,665	5,434

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

Two employees were key management personnel for the period ended 31 July 2021, but not for the period ended 31 July 2022. The remuneration of these employees has therefore been removed from the 2021 comparatives.

i Subsidiaries

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

Transactions between members of the Group which are eliminated on consolidation are not disclosed in this note.

ii Associates

Transactions with associates are at normal commercial terms and conditions.

Transactions consist of advisory, consulting, underwriting, management fees, and rent received from/paid to associates as well as loans advanced and repaid, interest and dividend payments.

	2022 \$'000	2021 \$'000
Summary of transactions		
Advisory, consulting, underwriting, management and other fees:		
received by subsidiaries from associates	26	38
rent income received by Parent Entity from an associate	21	154
Management fees paid by Parent Entity to an associate	248	330
Interest income from associates	917	1,869

38 Related party transactions (continued)

Loans to associates

During the current reporting period, the Parent Entity advanced an additional \$4.73 million to Palla Pharma Limited. Interest on the facility was charged at commercial rates. The entire loan of \$22.73 million to Palla Pharma was repaid in November 2021.

The Parent Entity has provided two separate loan facilities to the Cronulla by Moran Partnership. One is a non-interest bearing property development loan with a facility limit of \$22.00 million. During the current reporting period, the Parent Entity has not made any advances under this facility (2021: \$17.89 million of advances made). The amount owed as at 31 July 2022 was \$20.14 million (2021: \$20.14 million). The other facility is a re-draw loan with a facility limit of \$4 million. Interest on this facility is charged at commercial rates and can be capitalised into the facility. During the current reporting period, the Parent Entity advanced \$2.50 million under this facility including capitalised interest (2021: \$2.33 million), and received \$4.72 million in loan repayments (2021: nil). Both facilities mature on 20 December 2024 and are secured.

During the current reporting period, the Parent Entity extended the repayment date applicable to a loan to Heritage Brands Limited, which would otherwise have been payable during the current reporting period. The amount owed at 31 July 2022 was \$1.25 million (2021: \$1.25 million). Interest is charged at commercial rates, and the facility is secured with a second ranking charge over all assets of the borrower. The loan was repaid in full in September 2022.

Director related entities

Transactions with Contact Asset Management Pty Limited (Contact)

Mr R D Millner and Mr T C D Millner are both Directors of the Parent Entity and are Directors of Contact Asset Management Pty Limited. Mr T C D Millner is also a 45% shareholder of Contact.

During the current reporting period, Contact was paid \$0.25 million (2021: \$0.33 million) to manage the Large Caps portfolio on behalf of the Parent Entity through 1 February 2022. No performance fees are payable to Contact.

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

Other transactions

During the current reporting period, the Parent Entity subscribed to units in the Pengana Seed Fund No.1. The trustee is a wholly owned subsidiary of Pengana Capital Group Limited, an associate of the Parent Entity. The investment was US\$8.0 million.

39 Other accounting policies

a) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Transaction differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss on the instrument. Translation differences on non-monetary items are included in the fair value reserve in equity.

Group companies

The results and financial position of all of the Group's foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the exchange differences are reclassified to the Consolidated Statement of Comprehensive Income, as part of the gain or loss on sale.

b) Deferred stripping costs

Stripping costs are costs incurred when removing overburden or waste materials in order to access mineral deposits.

Under AASB Interpretation 20: Stripping costs in the production phase of a surface mine, stripping costs incurred during the development phase are capitalised as part of the mine development costs. Stripping costs incurred during the production phase are generally accounted for as part of the cost of producing the ore inventory or recognised for stripping activity where the following criteria are met:

- It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- The entity can identify the component of the ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured reliably.

New Hope

New Hope does not recognise any deferred stripping costs. Based on the nature of New Hope's mining operations and the stripping ratio for the components of its operations, the recognition criteria of a deferred stripping asset are not satisfied. Further, it is anticipated that the operations will maintain a consistent stripping ratio at the component level and as such no overburden in advance should be recognised.

Round Oak

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

39 Other accounting policies (continued)

c) Finance costs

Finance costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other finance costs are expensed.

d) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the reporting period; and
- adjustment for treasury shares and for the reciprocal interest with Brickworks.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares;
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of dilutive potential ordinary shares; and
- adjustment for treasury shares and for the reciprocal interest with Brickworks.

Long term incentive plan rights that vest in future financial years are expected to be satisfied by purchasing shares on market and therefore not considered dilutive.

e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to the ATO is included with other receivables or payables in the Consolidated Statement of Financial Position.

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

f) Financial statements presentation

The Group has attempted to improve the transparency of its reporting by adopting 'plain English' where possible. Key 'plain English' phrases and their equivalent AASB terminology are as follows:

'Plain English' terminology	AASB terminology
Share capital	Contributed equity
Financial assets held for trading	Other financial assets at fair value through profit or loss
Other financial assets	Other financial assets at fair value through profit or loss
Long term equity investments	Financial assets at fair value through other comprehensive income
Equity accounted associates	Investments accounted for using the equity method
Term deposits	Financial assets at amortised cost

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

40 Remuneration of auditors

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

	2022 \$'000	2021 \$'000
Fees to Ernst & Young (Australia)		
Fees for the audit and review of the financial reports of the Group and any controlled entities	1,621	935
Fees for other assurance and agreed-upon-procedures services	69	165
Fees for other services		
– tax compliance	–	7
Total fees to Ernst & Young (Australia)	1,690	1,107
 Fees to Deloitte and related network firms and other auditors		
Fees for the audit and review of the financial reports of the Group and any controlled entities	905	666
Fees for other assurance and agreed-upon-procedures services	10	42
Fees for other services		
– tax compliance	–	113
– others	1,074	–
Total fees to Deloitte and related network firms and other auditors	1,989	821

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 July 2022 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Parent Entity will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 35d to the financial statements.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors



R D Millner

Director – Chairman



T J Barlow

Managing Director

24 October 2022



Independent Auditor's Report



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Independent Auditor's Report to the Members of Washington H. Soul Pattinson and Company Limited

Report on the audit of the Financial Report

Opinion

We have audited the financial report of Washington H. Soul Pattinson and Company Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 July 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 July 2022 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Direction, supervision and evaluation of the work of component auditors

Why significant	How our audit addressed the key audit matter
<p>As auditor of the Group, we are responsible for the direction, supervision, and performance of the Group audit and are required to obtain sufficient appropriate audit evidence on which to base our audit opinion.</p> <p>Given the size and structure of the Group, there are a number of significant components of the Group, which are audited by auditors, other than the Group auditors (Component Auditors). The direction, supervision and evaluation of the work of the Component Auditors was considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We assessed the significance and risks associated with each component of the Group and identified the components where audit procedures were required to be performed, to support our audit opinion on the financial report of the Group. • We communicated our requirements to the Component auditors, detailing the work to be performed, the use to be made of that work and the form and content of their communication to us as auditor of the Group. • Meetings with the Component Auditors during the planning stage, execution and when audit procedures were completed to discuss the extent and outcome of these procedures. • Review of the work performed by the Component Auditors focussing on selected areas, based upon our risk assessment. • Considered the results of this work on our audit opinion.

Classification of Equity investments

Why significant	How our audit addressed the key audit matter
<p>Refer to Note 13: Financial assets held for trading, Note 15: Equity accounted associates, Note 16: Long Term Equity Investments, and Note 35: Controlled entities and joint ventures.</p> <p>Equity Investments, excluding investments in controlled entities, amount to \$8.0 billion representing 81.1% of total assets.</p> <p>There are significant differences in how investments are accounted for depending upon whether they have been classified by the Group as fair value through profit or loss, fair value through other comprehensive income, an equity accounted associate or a consolidated controlled entity, in accordance with Australian Accounting Standards.</p> <p>Given the complexity and judgements involved in determining the appropriate classification of these equity investments and the significance to the financial report of the different accounting outcomes impacting revenue and income in particular, this was considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Evaluated the Group's assessment of the classification of investments against the requirements of Australian Accounting Standards. • Assessed whether subsidiaries, associates and listed financial assets were accounted for in accordance with Australian Accounting Standards, based upon the determined classification. • Assessed whether a sample of unlisted financial assets were classified in accordance with Australian Accounting Standards. • Considered the appropriateness of the disclosures in the financial report.

Acquisition of Milton Corporation Limited and subsequent impairment of goodwill

Why significant	How our audit addressed the key audit matter
<p>On 5 October 2021, the Group completed its acquisition of Milton Corporation Limited (Milton), for consideration of \$4,630 million resulting in goodwill on acquisition of \$984.6 million being recognised.</p> <p>The Group immediately assessed this goodwill for impairment and concluded that it was fully impaired as at the date of acquisition. Accordingly, an impairment charge of \$984.6 million was recorded.</p> <p>The acquisition was accounted for on a provisional basis at 31 July 2022 in accordance with Australian Accounting Standards.</p> <p>Significant judgement was exercised to allocate the purchase price to the acquired assets and liabilities and to determine that the recoverable amount of the goodwill was \$nil.</p> <p>Disclosure in relation to the acquisition can be found in Note 6.1a and Note 35b of the financial report.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ● Considered the terms and conditions of the scheme of arrangement between the Company and Milton that formed the basis of the acquisition. ● Evaluated the process that management and the directors have undertaken to perform the provisional purchase price allocation. ● With the assistance of our valuation specialists we assessed the valuation basis and assumptions used in the determination of the fair value of the acquired assets and liabilities and the subsequent impairment of goodwill on acquisition. ● Assessed the work of the Group's independent valuation specialists and considered their qualifications, competence and objectivity. ● With the assistance of our tax specialists, we considered the Group's assessment of the tax impacts of the acquisition. ● Assessed the adequacy of the financial report disclosures contained in Note 6.1a and Note 35b.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2022 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 56 to 72 of the directors' report for the year ended 31 July 2022.

In our opinion, the Remuneration Report of Washington H. Soul Pattinson and Company Limited for the year ended 31 July 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Ryan Fisk

Partner

Sydney

24 October 2022

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ASX Additional Information

Distribution of Equity Securities as at 12 October 2022

Size of Holding	Ordinary Shares		Performance Rights	
	Number of Holders	% of Total Ordinary Shares	Number of Holders	% of Total Issued Rights
1 – 1,000	37,721	3.5%	6	0.45%
1,001 – 5,000	16,753	10.87%	11	7.30%
5,001 – 10,000	3,063	6.02%	3	5.20%
10,001 – 100,000	2,131	13.68%	4	26.05%
100,001 and over	176	65.93%	1	61.00%
TOTAL	59,844	100%	25	100%
Holding less than a marketable parcel	1,292			

Top 20 Shareholders as at 12 October 2022

	Ordinary Shares Held	% of Issued Shares
1 BRICKWORKS LIMITED	94,314,855	26.13
2 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	30,369,562	8.41
3 J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	19,448,124	5.39
4 J S MILLNER HOLDINGS PTY LIMITED	10,043,906	2.78
5 DIXSON TRUST PTY LIMITED	8,749,192	2.42
6 CITICORP NOMINEES PTY LIMITED	4,928,102	1.37
7 HEXHAM HOLDINGS PTY LIMITED	3,664,206	1.02
8 T G MILLNER HOLDINGS PTY LIMITED	3,638,965	1.01
9 ARGO INVESTMENTS LIMITED	2,943,073	0.82
10 BNP PARIBAS NOMS PTY LTD <DRP>	2,490,228	0.69
11 HIGLETT PTY LTD	2,412,580	0.67
12 NATIONAL NOMINEES LIMITED	1,964,032	0.54
13 MUTUAL TRUST PTY LTD	1,882,706	0.52
14 MILLANE PTY LIMITED	1,477,680	0.41
15 BUTTONWOOD NOMINEES PTY LTD	1,378,940	0.38
16 BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	1,306,088	0.36
17 MARY MILLNER HOLDINGS PTY LIMITED	1,226,860	0.34
18 NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,172,063	0.32
19 BORTRE PTY LIMITED	1,132,612	0.31
20 DANWER INVESTMENTS PTY LTD	1,132,612	0.31

Substantial Shareholders as at 12 October 2022

As disclosed in notices received by the Company.

	Ordinary Shares Held	% of Issued Shares	Notice Received
Brickworks Limited and its subsidiaries	94,314,855	26.13%	5 Oct 2021
Mr Robert Dobson Millner	22,485,768	6.23%	5 Oct 2021
Mr Thomas Charles Dobson Millner	21,630,464	5.99%	5 Oct 2021

21,612,053 of the above ordinary shares in which Mr R Millner and Mr T Millner have an interest relate to holdings by the same entities. For further details refer to the notices lodged on 5 October 2021 with the ASX (ASX code: SOL).

Unquoted Equity Securities

As at 12 October 2022 the Company had the following unquoted equity securities on issue.

	Number of Rights	Number of Holders
Performance Rights – issued under the Long term Incentive Plan	395,185	25

Voting Rights

Ordinary shares:

- (a) on a show of hands, each member has one vote;
- (b) subject to section 250L(4) of the *Corporations Act 2001*, on a poll each member has:
 - (i) for each fully paid share held by the member, one vote; and
 - (ii) for each partly-paid share held by the member, a fraction of a vote equivalent to the proportion which the amount paid (not credited nor paid in advance of a call) is of the total amounts paid and payable (excluding amounts credited) for the share.

Performance Rights:

No voting rights.

Australian Securities Exchange Listing

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

WHSP Convertible Notes

On 29 January 2021, WHSP issued 1,125 senior convertible notes with an aggregate principal amount of \$225 million. WHSP Convertible Notes (Notes) are unsecured senior convertible notes due in 2026 (convertible bond investors have a put option in February 2024). They are convertible at the option of the noteholders into WHSP ordinary shares (ASX:SOL). There has been no movement in the number of Notes since the issue date. The Notes are listed on the Singapore Exchange Securities Trading Limited (SGX-ST).





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