



**New Hope**  
Corporation Limited

A.B.N. 38 010 653 844

DIRECTORS' ANNUAL REPORT  
and  
FINANCIAL STATEMENTS

2005

**New Hope Corporation Limited and Controlled Entities**  
**Financial Summary**

	2005 \$000	2004 \$000	2003 \$000
Total operating revenue	230,667	190,946	170,918
Operating profit before tax	536,510	107,994	60,738
Income tax expense	(65,293)	(27,425)	(12,919)
Net profit after tax	471,217	80,569	47,819
Outside equity interests	(7,934)	(21,163)	(11,123)
Net profit attributable to NHCL members	463,283	59,406	36,696
Total assets employed	814,584	442,083	440,773
Shareholders funds	700,046	253,214	196,882
Dividends paid during the financial year	32,077	5,311	13,806
Weighted average shares on issue	736,543,424	705,526,985	690,321,420
Net profit attributable to NHCL members as a % of shareholders funds	66.18%	23.46%	18.64%
Earnings per share (cents)	62.9	8.4	5.3
Earnings per share (cents) excluding non regular items	13.1	5.8	5.3
Earnings per share (cents) from the Australian operations	7.4	3.1	2.2
Dividends per share paid during the financial year (cents)	4.25	0.75	2.00
Net tangible asset backing per share (cents)	90.96	35.76	28.52

# New Hope Corporation Limited and Controlled Entities

## Corporate Directory

### DIRECTORS

**Robert D. Millner**

Chairman of Directors

Director since 1995

**Peter R. Robinson**

BCom

Non Executive Director

Director since 1997

**David J. Fairfull**

BCom, ACIS, CPA, ASIA

Non Executive Director

Director since 1997

**David C. Williamson**

BCom, FCA

Non Executive Director

Director since 1999

### SECRETARY

**Paul K. Mantell**

BCom, FCPA

### AUDITORS

**PricewaterhouseCoopers**

Level 17, Waterfront Place

1 Eagle Street

BRISBANE QLD 4000

### REGISTERED OFFICE

17 Lowry Street

IPSWICH QLD 4305

Telephone : (07) 3810 0500

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### WEBSITE ADDRESS

[www.newhopecoal.com.au](http://www.newhopecoal.com.au)

### SHARE REGISTER

Computershare Investor Services Pty Limited

Level 27, Central Plaza One

345 Queen Street

BRISBANE QLD 4000

Telephone : 1300 855 080

Website : [www.computershare.com](http://www.computershare.com)

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2005

Your Directors present their report on the consolidated entity consisting of New Hope Corporation Limited and the entities it controlled at the end of, or during, the year ended 31 July 2005.

### Directors

The following persons were Directors of New Hope Corporation Limited during the whole of the financial year and up to the date of this report.

Mr R.D. Millner  
 Mr P.R. Robinson  
 Mr D.J. Fairfull  
 Mr D.C. Williamson

Mr G.L. Robertson (up to 13 July 2005)

Consolidated results	2005 \$000	2004 \$000	% Change
Operating revenue	230,667	190,946	+ 20.8%
Operating profit of consolidated entity before income tax	536,510	107,994	+ 396.8%
Operating profit of consolidated entity after income tax	471,217	80,569	+ 484.9%
Profit attributed to the members of New Hope Corporation Limited	463,283	59,406	+ 679.9%
Earnings per share (cents)	62.9	8.4	+ 648.8%
Dividends per share paid during the year (cents)	4.25	0.75	+ 466.7%

### Principal activities

The principal continuing activities of the consolidated entity and associated companies consisted of:

- Mining and sale of coal, and port operations
- Investment in venture corporations relating to loading facilities and woodchip
- Exploration activities

### Dividends

Dividends paid to members during the financial year were:

	<b>\$000</b>
• A final ordinary dividend for the year ended 31 July 2004 of 1.5 cents per share paid on 16 November 2004	10,917
• An interim ordinary dividend for the year ended 31 July 2005 of 2.75 cents per share paid on 5 May 2005	21,160

In addition to the above dividends, since the end of the financial year, the Directors have declared a final ordinary dividend of 3.0 cents per share (fully franked), to be paid on 16 November 2005 out of retained profits at 31 July 2005, the record date for such dividend to be 2 November 2005. Also the Directors have declared a special dividend of 13.0 cents per share (fully franked) to be paid in November 2005 at the same time as the final ordinary dividend for 2005 is paid.

### Review of operations

Independent energy, coal mining and handling company, New Hope Corporation Limited, earned a profit after tax and outside equity interests of \$463.3 million for the year ended 31 July 2005. The result included a significant non-regular profit of \$366.6 million after tax from the sale of the Company's overseas operations in June 2005. Basic earnings per share for the year ended 31 July 2005 were 62.9 cents.

Excluding non-regular items, New Hope's profit after tax and outside equity interests was \$96.7 million for the year ended 31 July 2005, an increase of 136% over \$41.0 million earned in the previous corresponding period. Earnings per share before bringing to account the profit on sale of the overseas assets were 13.1 cents as compared to 5.8 cents per share before non-regular items in the previous year. The improved profit result was mainly driven by higher world coal prices in U.S. Dollar terms offset by the continuing appreciation in the Australian Dollar against the U.S. Dollar over the period.

The Directors have declared a final dividend of 3.0 cents per share, fully franked, and payable on 16 November 2005 to shareholders on the register as at 2 November 2005. This will provide shareholders with total dividend payments for the year of 5.75 cents per share (2.75 cents interim), compared with total dividends for the 2004 year of 2.25 cents per share.

## New Hope Corporation Limited and Controlled Entities

### Directors Report - 31st July 2005

(Continued)

#### Special dividend and proposed capital return

As a consequence of the sale of the overseas assets, the Directors:

- Have declared a special dividend of 13.0 cents per share, fully franked, to be paid at the same time the above final dividend is paid to shareholders. This special dividend returns a significant proportion of the profits arising from the sale to shareholders.
- Will, subject to the receipt of a favourable Class Ruling from the Australian Taxation Office (ATO), recommend that shareholders approve a capital return of 10.0 cents per share to all shareholders at the Company's AGM in November 2005. The capital return seeks to return New Hope's initial investment in the overseas assets to shareholders.

As mentioned above, the capital return component remains subject to the receipt of a favourable Class Ruling from the ATO. New Hope has lodged an application for the Class Ruling and has had discussions with the ATO, however a final response is yet to be received. Until a final Class Ruling is issued by the ATO, the Directors cannot confirm the precise amount and taxation impact of the capital return component for shareholders. It is envisaged that this will occur prior to the AGM in November.

Together, these special payments (23.0 cents per share in total) return an amount equivalent to approximately 50% of the net profit arising from the sale of the overseas operations to New Hope shareholders.

#### Australian operations

New Hope Coal Australia's profit after tax and outside equity interests was \$54.6 million for the year ended 31 July 2005 compared with \$21.9 million in the previous year. Apart from higher world coal prices mentioned above, the Australian operations also benefited from higher production at the Acland operations. Higher fuel costs adversely impacted the result, as did higher blasting costs in the mining process.

Earnings per share from the Australian operations in 2005 were 7.4 cents per share, as compared with 3.1 cents per share in 2004.

#### Coal production

Coal production for the year increased to 3.7 million tonnes (Mt) from 3.3 Mt last year, while coal sales from the Australian operations remained unchanged at 3.4 Mt. Approximately 61% of production was exported and 39% was sold domestically.

With the sale of the overseas assets, the Company's New Acland mine, located 50 km west of Toowoomba in South East Queensland, became the Company's main coal producer. Acland's production for the year was 2.6 Mt some 24% above the 2004 production of 2.1 Mt, and well above the mine's design capacity of 2.0 Mt per year.

The balance of the Company's Australian coal production of 1.1 Mt was from the Jeebropilly and New Oakleigh mines located in the Ipswich region of South East Queensland. Output from both sites was similar to the preceding period.

#### Coal exploration

New Hope has increased coal exploration efforts and drilling programs during the review period. Exploration to determine thermal coal resources in the Clarence Moreton and Surat Basins of South East Queensland continued in a number of exploration permit areas.

Several permit areas are also being investigated for coking coal resources in the Bowen Basin of Central Queensland. Preliminary drilling programs have intersected coal sequences, which will be followed up over the next twelve months. Exploration programs in the most promising of these EPC's will be expanded in the next twelve months.

#### Coal and bulk handling

New Hope's associate company, Queensland Bulk Handling Pty Ltd maintained satisfactory results and coal exports rose from 3.2 Mt to 3.7 Mt. Queensland Commodity Exports Pty Ltd contributed similar results to the previous year from its woodchip handling operations due to limited woodchip volumes available to be sold on world markets.

#### Overseas operations

New Hope completed the sale of its international coal assets in Singapore on 21 June 2005. The final settlement amount received by the Company was US\$406 million. The Company's profit after tax on the sale of the assets was \$366.6 million. Additionally, up until the date of settlement of the sale of the overseas assets, the Company's overseas associate operations contributed a profit after tax and outside equity interests of \$42.0 million, a 12% increase over \$37.5 million in the previous full year.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2005 (Continued)

### Coal production

Adaro produced 21.4 Mt of coal up until the company settled the sale of the entity in June 2005, as compared to 24.4 Mt produced in the previous full year. Coal sales were 21.8 Mt up to June 2005, compared with 24.5 Mt in the prior full year.

### Coal handling

IBT handled 6.9 Mt of coal up to June 2005 compared to 7.4 Mt in the previous full year.

### **Outlook**

It is expected that contract thermal coal prices will continue to be firm over the next twelve months, however spot coal prices have reduced from previous high levels and may continue to fall further. Increased competition in the international coal market and high supply levels from Chinese and Indonesian producers will exert downward pressure on prices over the medium term. New Hope's position is reasonable as a contractual coal supplier with significant tonnage fixed at reasonable US Dollar price levels for 2005/06.

New Hope has recently completed a strategic review of the business following the sale of its overseas operations, and as a result of this review the Company plans to return a significant proportion of the sale proceeds to shareholders by way of special payments, as detailed above. In the ensuing periods, the company will emphasise exploration activities to upgrade its resource base with new mine development potential over the medium term.

New Hope plans to maintain current Australian group production levels in the next year and in 2007 the stage two expansion at the Company's Acland operations will result in the mine increasing production to approximately 3.75 million tonnes per annum. Planning for a future possible stage three expansion following the stage two construction of the mine has also commenced. The Company will continue to evaluate opportunities in the energy business as well as port infrastructure possibilities.

The Company also has significant land holdings near and around its operations in South-East Queensland. Due to the recent buoyant real estate market in the region particularly around Ipswich, New Hope is evaluating medium to long term development opportunities for these land holdings over the next review period.

### **Indemnification of Directors**

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

### **Insurance of Directors**

Directors and officers of the entity are included in an insurance policy held by the ultimate controlling entity. The insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

### **Significant changes in the state of affairs**

Except as disclosed in the review of operations, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the parent entity, to affect substantially the operations or results of the consolidated entity in subsequent financial years.

### **Matters subsequent to the end of financial year**

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

### **Likely developments and expected results of operations**

The activities of the continuing operations in the consolidated entity in the next financial year are expected to be similar to those of the financial year just ended.

The consolidated entity will continue to pursue a policy of increasing its strength in its major business sectors including the development and operation of additional mineral resource projects in Australia and are regularly reviewing potential new opportunities.

The Company will disclose further information on likely developments in the operations of the consolidated entity and the expected results of operations as appropriate. However Directors are mindful that premature release of information may be prejudicial to the best interests of the Company and its shareholders.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2005

(Continued)

### Derivatives

Management of risk is an essential element of the Group's strategy. The Group utilises forward exchange contracts to manage its exposure to changes in exchange rates on export revenue which is denoted in foreign currency. Derivatives are not used for trading purposes. Key procedures have been established to provide effective internal control over the use of derivatives and include regular reporting of derivative positions to the Directors.

### Information on Directors

#### Mr R.D. MILLNER (Non executive Chairman)

##### Experience

Mr Millner is a grazier-director and Chairman of the company's holding company, Washington H. Soul Pattinson and Company Limited. Mr Millner joined the Board in 1995 and was appointed Chairman in 1998.

##### Other Current Directorships

Washington H. Soul Pattinson and Company Limited	Appointed 1984
SP Telemedia Limited	Appointed 2000
Souls Private Equity Limited	Appointed 2004
Brickworks Limited (including Bristle Limited)	Appointed 1997
Brickworks Investment Company Limited (incl PSI Limited)	Appointed 2003
Australian Pharmaceutical Industries Limited	Appointed 2000
Milton Corporation Limited	Appointed 1998
Choiseul Investments Limited	Appointed 1995

##### Former Directorships in last 3 years

Clover Corporation Limited	Appointed 1999 Resigned 2002
KH Foods Limited	Appointed 1994 Retired 2004

##### Special responsibilities

Chairman of the Board and a member of the Remuneration and Nomination Committee.

##### Interests in shares and options

2,134,287 ordinary shares in New Hope Corporation Limited  
1,206 options over ordinary shares in New Hope Corporation Limited

#### Mr P.R. ROBINSON (Non executive Director)

##### Experience

Mr Robinson is Executive Director of Washington H. Soul Pattinson and Company Limited. He commenced with Washington H. Soul Pattinson and Company Limited in 1978 and was appointed a Director in 1984. He joined the Board of New Hope Corporation in 1997.

##### Other Current Directorships

Washington H. Soul Pattinson and Company Limited	Appointed 1984
SP Telemedia Limited	Appointed 2000
KH Foods Limited	Appointed 1987
Clover Corporation Limited	Appointed 1997
Australian Pharmaceutical Industries Limited	Appointed 2000

##### Former Directorships in last 3 years

nil

##### Special responsibilities

Member of the Remuneration and Nomination Committee.

##### Interests in shares and options

57,357 ordinary shares in New Hope Corporation Limited  
Nil options over ordinary shares in New Hope Corporation Limited

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2005

(Continued)

### Information on Directors (continued)

#### Mr D.J. FAIRFULL (Non executive Director)

##### Experience

Mr Fairfull has extensive experience in finance, investment and merchant banking. He is joint Managing Director of Pitt Capital Partners Limited. He was appointed to the New Hope Corporation Board in 1997.

##### Other Current Directorships

Washington H. Soul Pattinson and Company Limited	Appointed 1997
SP Telemedia Limited	Appointed 2000
Souls Private Equity Limited	Appointed 2004
Australian Pharmaceutical Industries Limited	Appointed 2000
Stockland Limited	Appointed 1990
B Digital Limited	Appointed 2005

##### Former Directorships in last 3 years

Gazal Corporation Limited	Appointed 1987 Resigned 2004
KH Foods Limited	Appointed 1997 Retired 2004
Clover Corporation Limited	Appointed 2002 Resigned 2004

##### Special responsibilities

Chairman of the Audit Committee.

##### Interests in shares and options

10,000 ordinary shares in New Hope Corporation Limited  
1,000 options over ordinary shares in New Hope Corporation Limited

#### Mr D.C. WILLIAMSON (Non executive Director)

##### Experience

Mr Williamson has been registered as a Chartered Accountant for 28 years and is principal of his own firm, Williamson Chaseling Pty Ltd. He has been a Director of New Hope Corporation since 1999.

##### Other Current Directorships

Australian Health & Nutrition Association Limited

##### Former Directorships in last 3 years

Nil

##### Special responsibilities

Member of the Audit Committee.

##### Interests in shares and options

20,000 ordinary shares in New Hope Corporation Limited  
Nil options over ordinary shares in New Hope Corporation Limited

### Company Secretary

The Company Secretary is Mr Paul Mantell who was appointed to the position in December 1995. Mr Mantell is a Bachelor of Commerce from the University of Queensland and a fellow of CPA Australia. He holds the dual role of Chief Financial Officer & Company Secretary of the Company.



# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2005

(Continued)

### Remuneration report

#### Principles used to determine the nature and amount of remuneration

The Company aims to ensure remuneration packages properly reflect the persons duties, experience and responsibilities and are aligned so that management is rewarded in creating value for shareholders. Details of the principles used to structure remuneration packages are as disclosed in note 24 to the financial statements. During the year the Company made an additional cash payment to certain of its employees in recognition of their efforts and of the result achieved during the year. There is no requirement in existing employment contracts for compulsory payments of this nature.

#### Details of remuneration

Details of the nature and amount of each element of the emoluments of each Director of New Hope Corporation Limited and each of the five officers of the Company and the consolidated entity receiving the highest emoluments for the year ended 31 July 2005 are set out in the following tables.

	Primary			Post employment		Equity	Total
	Cash salary and fees	Cash bonus	Non cash benefits	Super-annuation	Termination	Options	
	\$	\$	\$	\$	\$	\$	\$
Directors' benefits							
Mr R.D. Millner	50,000	-	-	4,500	-	-	54,500
Mr G.L. Robertson (a)	50,000	-	19,274	4,500	253,846	230,096	557,716
Mr P.R. Robinson	25,000	-	-	2,250	-	-	27,250
Mr D.J. Fairfull	25,000	-	-	2,250	-	-	27,250
Mr D.C. Williamson	25,000	-	-	2,250	-	-	27,250

#### 5 most highly remunerated officers

Mr A.C. Buckler - Chief Operations Officer (a)	50,000	-	59,996	4,500	253,846	166,793	535,135
Mr M.T. Smith - Executive Officer (a)	25,000	-	29,563	2,250	251,923	166,793	475,529
Mr R.C. Neale - Chief Executive Officer	244,613	20,000	32,278	100,450	-	31,520	428,861
Mr P.K. Mantell - CFO & Company Secretary	210,010	15,000	32,118	34,150	-	28,631	319,909
Mr C.J. Vorias - Snr Site Executive Acland (b)	182,028	9,500	29,194	20,914	31,545	21,013	294,194

(a) up to 13 July 2005

(b) up to 3 June 2005

#### Share options granted to Directors and the most highly remunerated officers

There were no new options over unissued ordinary shares of New Hope Corporation Limited granted since the beginning of the financial year to any of the Directors or the five most highly remunerated officers of the Company and the consolidated entity as part of their remuneration.

#### Shares under option

Unissued ordinary shares of New Hope Corporation Limited under option at the date of this report are as follows:

Type of Option	Date option granted	Expiry date	Issue price of shares	Number under option
Shareholder Options	10 September 2003	10 September 2008	\$0.45	7,023,739
Management Options	5 September 2003	5 September 2008	\$0.45	1,722,500
Management Options	5 September 2003	5 September 2008	\$0.475	1,722,500
Management Options	5 September 2003	5 September 2008	\$0.50	1,722,500
Management Options	5 September 2003	5 September 2008	\$0.55	1,722,500
Management Options	31 August 2005	30 August 2010	\$1.298	800,000

There were 61,443,125 shares issued as a result of the exercise of shareholder options during the year at the exercise price of 45 cents.

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2005

(Continued)

### Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms in relation to non-audit services:

	Consolidated	
	2005	2004
	\$000	\$000
<b>Taxation services</b>		
PricewaterhouseCoopers Australian firm:		
Transaction advisory services	533	263
Tax compliance services	399	302
Research and development compliance services	190	226
<b>Total remuneration for non-audit services</b>	<b>1,122</b>	<b>791</b>

### Environmental compliance

The Company is conscious of its commitment to the environment and remains committed to maintaining a sound environmental performance record.

The Company's operations are subject to regulation under the Environmental Protection Act 1994 administered by the Environmental Protection Agency. The Company's activities are authorised by a series of environmental authorities and must comply with the conditions of these authorities to maintain compliance.

There were no fines or prosecutions incurred by the Company under environmental laws and regulations during the year. A small number of non-compliances were identified this year during routine inspections by the Environmental Protection Agency. The Company has worked diligently with the Environmental Protection Agency to quickly rectify these matters.

The Company is committed to continually improving its environmental management processes to eliminate the possibility of non-compliance and to minimise the risk of adverse environmental impact. As part of this commitment, the Company regularly conducts non-compulsory self-monitoring of its operations in an effort to proactively manage its environmental responsibilities. This monitoring extends across a broad spectrum of environmental impacts, including but not limited to dust emissions, noise emissions, water quality and soil quality. Where the results of this self monitoring suggest that the Company may be in breach of its authority, these results are shared with the Environmental Protection Agency, with a view to resolving the underlying issue and preventing any possible adverse environmental impact as a result of its operations.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2005

(Continued)

### Meeting of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 31 July 2005 and the number of meetings attended by each Director:

	Full meetings of Directors		Audit Committee		Remuneration and Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr R.D. Millner	15	15			1	1
Mr G.L. Robertson	14 *	11				
Mr P.R. Robinson	15	14			1	1
Mr D.J. Fairfull	15	12	2	1		
Mr D.C. Williamson	15	15	2	2		

\* denotes number of meetings held while a Director

### Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of New Hope Corporation Limited support and have adhered to the principles of corporate governance. The Company's Corporate Governance Statement immediately follows this Directors' Report.

Signed at Sydney this 26th day of September 2005  
in accordance with a resolution of Directors.

R.D. Millner  
Director

D.C. Williamson  
Director

**New Hope Corporation Limited and Controlled Entities**

**Directors Report - 31st July 2005**

**(Continued)**

**Auditors' Independence Declaration**

As lead auditor for the audit of New Hope Corporation Limited for the year ended 31 July 2005, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of New Hope Corporation Limited and the entities it controlled during the period.

PricewaterhouseCoopers

R.A. Baker  
Partner

Sydney  
26 September 2005

# New Hope Corporation Limited

## Corporate Governance Statement

This Corporate Governance Statement has been summarised into sections in line with the 10 essential corporate governance principles as specified in the Australian Stock Exchange (ASX) Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations".

### Role of the Board

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

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

Responsibilities of the Board include the following:

- Determining corporate strategies, policies and guidelines for the successful performance of the Company in the present and the future;
- Monitoring the Company's overall performance and financial results, adopting annual budgets and approving New Hope Corporation's financial statements;
- Accountability to shareholders;
- Ensuring that risk management procedures and compliance and control systems are in place and operating effectively;
- Monitoring the performance and conduct of senior management, and ensuring adequate succession plans are in place; and
- Ensuring the Company continually builds an honest and ethical culture.

### Board structure

- In accordance with the Company's Constitution, the Board should comprise no less than 3 or more than 10 Directors.
- The names of the Directors of the Company at the date of this statement are set out in the Directors' Report.
- At the date of this report the Board consists of 4 non executive Directors. Directors' details are contained in the Directors' Report.
- The Chairman of the Board should be a non executive Director.
- The non executive Chairman and Chief Executive Officer roles are separate.
- The Company has not strictly complied with ASX Best Practice Recommendations in that not all of the non executive Directors are independent. Mr Robert Millner (Chairman of Directors), Mr Peter Robinson and Mr David Fairfull are Directors of New Hope Corporation Limited's major shareholder, Washington H. Soul Pattinson and Company Limited.
- Whilst the non executive Directors cannot be considered "independent" in accordance with the ASX Best Practice Recommendations, all Directors are expected to bring their independent views and judgement to the Board and, in accordance with the Corporations Act 2001, must inform the Board if they have any interest that could conflict with those of the Company. Where the Board considers that a significant conflict exists, it may exercise its discretion to determine whether the Director concerned may be present at the meeting while the item is considered. Also, the Board considers that due to the extensive experience and knowledge that these Directors have of the business, it would be contrary to shareholders best interests if the Directors were precluded from holding the position of Director on these grounds.
- In the discharge of their duties and responsibilities, the Directors individually (as well as the Board) have the right to seek independent professional advice at the Company's expense. However, for advice to individual Directors prior approval of the Chairman is required, which is not to be unreasonably withheld.
- The Remuneration and Nomination Committee consists of non executive Directors who periodically review the membership of the Board having regard to the Company's particular needs, both present and future.
- Directors are initially appointed by the full Board, subject to election by shareholders at the next Annual General Meeting. Under the Constitution, one third of the Board (excluding any Managing Director) retire from office each year and if eligible submit themselves for re-election by shareholders at the Annual General Meeting.

### Ethical Standards

The Company has an established Code of Conduct dealing with matters of integrity and ethical standards. All Directors, executives and employees are expected to abide by the code of conduct and specific policies in place which cover:

- Professional conduct;
- Ethical standards;
- Standards of workplace behaviour and equal opportunity;
- Relationships with customers, suppliers and competitors;
- Confidentiality and continuous disclosure;
- Anti-discrimination and harassment;
- Trading in Company securities; and
- The environment.

## New Hope Corporation Limited

### Corporate Governance Statement (Cont)

A summary of the main principles of New Hope Corporation Limited's share trading policy is as follows:

- The policy relates to trading in shares of the Company;
- Trading is prohibited when Directors and employees are in possession of price sensitive information which is not available to the public;
- The Company has established the following share trading windows each for a period of 6 weeks commencing from:
  1. The release of the Company's annual result to the Australian Stock Exchange;
  2. The release of the Company's half yearly result to the Australian Stock Exchange;
  3. The date of the Annual General Meeting; and
  4. The release of a prospectus;
- At times other than those referred to above, Directors and senior executives may trade after giving the required notice to the Chairman, or in his absence, two Directors. Other employees may trade after giving the required notice to the Company Secretary, or in his absence the Chief Executive Officer.

#### **Financial reporting**

New Hope Corporation Limited has an established Audit Committee, which has its own charter outlining the committee's function, composition, authority, responsibilities and reporting. The current members of the Audit Committee are non executive Directors Mr D.J. Fairfull (Chairman) and Mr D.C. Williamson. The Company's non executive Chairman Mr R.D. Millner is not a member of the Audit Committee. The non executive Chairman and other Directors, Chief Executive Officer, Chief Financial Officer / Company Secretary and the internal auditor may attend Audit Committee meetings by invitation.

The Company does not comply with Best Practice Recommendation 4.3 in so far as the Audit Committee does not have a majority of independent Directors. Further details of the Directors' qualifications and attendance at audit committee meetings are set out in the Directors' report on pages 5 to 9.

The external auditors (PricewaterhouseCoopers) are requested by the Audit Committee to attend the appropriate meetings to report on the results of their review and audit for the half-year and full year respectively.

The external and internal auditors both have direct access to the Audit Committee if required.

The function of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:

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

The Chief Executive Officer and Chief Financial Officer are required to state in writing to the Board, by submission to the Audit Committee, that the Company's financial statements present a true and fair view, in all material respects, of the Company's financial position and operational results and that they are in accordance with relevant accounting standards.

#### **ASX Listing Rules compliance**

The Company has a Continuous Disclosure Policy to ensure compliance with the ASX Listing Rules and Corporations Act continuous disclosure requirements. The policy requires timely disclosure through the ASX companies' announcement platform of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities. The Board is responsible for determining disclosure obligations and the Company Secretary is the nominated Continuous Disclosure Officer for the Company.

#### **Communication with shareholders**

The Board is committed to ensuring that shareholders, the stock market and other interested parties are fully informed of all material matters affecting the Company. The dissemination of information is mainly achieved as follows:

- An annual report is distributed to shareholders in October each year;
- Where possible, significant information is posted on the Company's internet website as soon as it is disclosed to the market; and
- The external auditor is requested to attend the Annual General Meeting to answer shareholders questions about the conduct of their audit and the content of the auditor's report.

# New Hope Corporation Limited

## Corporate Governance Statement (Cont)

### **Risk management**

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

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

The Chief Executive Officer and Chief Financial Officer are required to state in writing to the Board, by submission to the audit committee, that the risk management and internal control compliance systems implemented by the Board are operating efficiently and effectively.

### **Board performance**

The performance of non executive Directors is reviewed by the Chairman with any unsatisfactory performance referred to the remainder of the Board.

The efficiency, effectiveness and operations of the Board are continuously subject to informal monitoring by the Chairman and the Board as a whole.

### **Remuneration**

The Remuneration and Nomination Committee consist of non executive Directors whose responsibility it is to make recommendations to the full Board on remuneration matters and other terms of employment for non executive Directors. Details of the attendance at meetings of the Remuneration and Nomination committee is included on page 9 of the Directors' report.

Non executive Directors fees are reviewed annually by the full board after taking into consideration the Company's performance, market rates, level of responsibility and the recommendations of the Remuneration and Nomination Committee. The aggregate amount of fees which may be paid to non executive Directors is subject to the approval of shareholders at the Annual General Meeting and is currently set at \$125,000 per annum.

Remuneration of senior executives is reviewed annually by the Remuneration and Nomination Committee, taking into consideration the Company's performance, market rates, and levels of responsibility.

Further information of Directors' and executives remuneration is set out in the notes to the financial statements.

### **Code of Conduct**

In this Corporate Governance Statement reference has already been made to the Code of Conduct under which the Company operates. The code is designed to comply with the legal and other obligations of legitimate stakeholders and other interested parties and to foster a culture of compliance.

New Hope Corporation Limited and Controlled Entities

Statement of Financial Performance  
for the year ended 31st July 2005

	Notes	Consolidated		Parent Entity	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
Revenue from ordinary activities	2	230,667	190,946	10,254	6,539
Cost of sales		(100,908)	(102,398)	(4,702)	(3,689)
<b>Gross profit</b>		<b>129,759</b>	<b>88,548</b>	<b>5,552</b>	<b>2,850</b>
Other revenue from ordinary activities	2,36	507,776	50,142	230,836	5,709
Other expenses from ordinary activities					
Marketing and transportation		(43,685)	(39,458)	(600)	(699)
Administration		(5,847)	(4,658)	(5,847)	(4,658)
Borrowing costs		(955)	(4,371)	-	-
Costs on disposal of non current assets	36	(89,644)	(729)	(2,447)	(47)
Other expenses		(829)	(753)	-	-
Share of profits of associates and partnerships	30,31	39,935	19,273	-	-
<b>Profit from ordinary activities before income tax</b>	3	<b>536,510</b>	<b>107,994</b>	<b>227,494</b>	<b>3,155</b>
Income tax expense	4	(65,293)	(27,425)	(41,177)	(846)
<b>Net profit after income tax</b>		<b>471,217</b>	<b>80,569</b>	<b>186,317</b>	<b>2,309</b>
Net profit attributable to outside equity interests		(7,934)	(21,163)	-	-
<b>Net profit attributable to New Hope shareholders</b>		<b>463,283</b>	<b>59,406</b>	<b>186,317</b>	<b>2,309</b>
Net exchange difference on translation of foreign controlled and associated entities	20.a	(11,862)	(1,883)	-	-
Total attributable to New Hope shareholders recognised directly in equity		(11,862)	(1,883)	-	-
<b>Total net profit and items recognised directly in equity</b>		<b>451,421</b>	<b>57,523</b>	<b>186,317</b>	<b>2,309</b>
<b>Earnings per share</b>					
Basic earnings per share (cents / share)	34	62.9	8.4		
Diluted earnings per share (cents / share)	34	59.1	7.4		

The above statements of financial performance should be read in conjunction with the accompanying notes.



New Hope Corporation Limited and Controlled Entities

Statement of Financial Position

as at 31st July 2005

	Notes	Consolidated		Parent Entity	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Current assets</b>					
Cash	33	590,499	26,818	590,349	18,766
Receivables	6	45,941	46,862	141,794	76,304
Inventories	7	15,146	10,593	-	-
Other	8	2,268	4,029	191	2
Total current assets		<u>653,854</u>	<u>88,302</u>	<u>732,334</u>	<u>95,072</u>
<b>Non current assets</b>					
Receivables	9	13,940	25,446	-	37,374
Investments accounted for using the equity method	10,30	3,740	55,603	-	-
Investments	10	3	3	17,116	17,217
Property plant and equipment	11	136,404	266,595	4,346	2,438
Deferred tax assets		6,643	6,134	6,643	6,121
Total non current assets		<u>160,730</u>	<u>353,781</u>	<u>28,105</u>	<u>63,150</u>
<b>Total assets</b>		<u><b>814,584</b></u>	<u><b>442,083</b></u>	<u><b>760,439</b></u>	<u><b>158,222</b></u>
<b>Current liabilities</b>					
Accounts payable	12	22,316	21,007	1,824	1,202
Interest bearing liabilities	13	79	39,214	-	-
Current tax liabilities		57,241	10,412	57,241	7,577
Provisions	15	6,584	6,209	954	785
Other	16	1,946	1,053	419,313	47,883
Total current liabilities		<u>88,166</u>	<u>77,895</u>	<u>479,332</u>	<u>57,447</u>
<b>Non current liabilities</b>					
Interest bearing liabilities	13	-	31,818	-	-
Deferred tax liabilities		3,366	8,116	3,366	4,762
Provisions	17	3,424	3,622	-	-
Other	18	19,582	23,416	-	-
Total non current liabilities		<u>26,372</u>	<u>66,972</u>	<u>3,366</u>	<u>4,762</u>
<b>Total liabilities</b>		<u><b>114,538</b></u>	<u><b>144,867</b></u>	<u><b>482,698</b></u>	<u><b>62,209</b></u>
<b>Net assets</b>		<u><b>700,046</b></u>	<u><b>297,216</b></u>	<u><b>277,741</b></u>	<u><b>96,013</b></u>
<b>Equity</b>					
Contributed equity	19	109,879	82,391	109,879	82,391
Reserves	20.a	9,974	7,841	2,800	2,800
Retained profits	20.b	580,193	162,982	165,062	10,822
Equity attributable to members of New Hope Corporation Limited		700,046	253,214	277,741	96,013
Outside equity interest in controlled entity	21	-	44,002	-	-
<b>Total equity</b>		<u><b>700,046</b></u>	<u><b>297,216</b></u>	<u><b>277,741</b></u>	<u><b>96,013</b></u>

The above statements of financial position should be read in conjunction with the accompanying notes.

**New Hope Corporation Limited and Controlled Entities**

**Statement of Cash Flows  
for the year ended 31st July 2005**

	Notes	Consolidated		Parent Entity	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Cash flows from operating activities</b>					
Receipts from customers inclusive of GST		256,850	245,627	18,219	11,327
Payments to suppliers and employees inclusive of GST		(154,357)	(121,496)	(10,429)	(8,755)
		<u>102,493</u>	<u>124,131</u>	<u>7,790</u>	<u>2,572</u>
Dividends received		48,088	10,012	-	-
Interest received		3,787	821	3,509	-
Borrowing costs paid		(976)	(4,822)	-	-
Income taxes paid		(19,279)	(19,676)	(10,489)	(681)
<b>Net cash inflow / (outflow) from operating activities</b>	32	<u>134,113</u>	<u>110,466</u>	<u>810</u>	<u>1,891</u>
<b>Cash flows from investing activities</b>					
Payments for property, plant & equipment and port development		(19,342)	(24,433)	(2,542)	(1,140)
Term deposit funds withdrawn / (placed)		(14,544)	4,800	(25,000)	-
Proceeds from sale of property, plant & equipment		1,699	992	41	49
Proceeds from sale of investment		488,891	876	175,099	-
Repayment of loans on sale of investment		26,887	-	-	-
Funds received from associated entities		3,677	2,825	-	-
Loans to related parties		-	-	(150,690)	(256,380)
Repayment of loans by related parties		-	-	577,724	273,992
<b>Net cash inflow / (outflow) from investing activities</b>		<u>487,268</u>	<u>(14,940)</u>	<u>574,632</u>	<u>16,521</u>
<b>Cash flows from financing activities</b>					
Proceeds from issue of equity		27,760	7,223	27,760	7,223
Costs on issue of equity		(272)	(1,818)	(272)	(1,818)
Proceeds from borrowings		-	9,693	-	-
Repayment of borrowings		(57,992)	(88,557)	-	(6,902)
Dividends paid		(32,077)	(5,311)	(32,077)	(5,311)
<b>Net cash inflow / (outflow) from financing activities</b>		<u>(62,581)</u>	<u>(78,770)</u>	<u>(4,589)</u>	<u>(6,808)</u>
<b>Net increase / (decrease) in cash held</b>		<b>558,800</b>	<b>16,756</b>	<b>570,853</b>	<b>11,604</b>
Cash at the beginning of the financial year		44,989	29,212	18,766	7,144
Reduction in cash on disposal of controlling interest in an equity investment		(11,883)	-	-	-
Effects of exchange rate changes on cash		(1,407)	(979)	730	18
<b>Cash at the end of the financial year</b>	33	<u>590,499</u>	<u>44,989</u>	<u>590,349</u>	<u>18,766</u>

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

# New Hope Corporation Limited and Controlled Entities

## Notes to and forming part of the financial statements for the year ended 31st July 2005

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, and the Corporations Act 2001.

#### a. Basis of preparation of accounts

The financial report is prepared in accordance with the historical cost convention. Unless otherwise stated, accounting policies adopted are consistent with those of the previous year.

#### b. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by New Hope Corporation Limited (Parent) as at 31st July 2005 and the results of all controlled entities for the year then ended. New Hope Corporation Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interest in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control exists.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits or losses of associates is recognised in the consolidated statement of financial performance, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

#### c. Investments

The consolidated entity's interests in entities, other than controlled entities and associates, are brought to account at cost and dividend income is recognised in the statement of financial performance when received. Interests in controlled entities are brought to account at cost.

Controlled entities and associates are accounted for as set out in note 1 (b).

The interest in a partnership is stated at the equity interest percentage of the consolidated entity in the net assets of that partnership. The same percentage is applied to the partnership's profit to determine the consolidated entity's share of that profit.

The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 29.

#### d. Exploration and evaluation expenditure

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

#### e. Depreciation

Depreciation is calculated so as to write off the net cost of each item of property, plant and equipment during its expected economic life to the consolidated entity. Each item's useful life has due regard both to its own physical life limitations and to present assessments of economically recoverable resources of the mine property at which the item is located. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. Straight line method is predominately used. The expected useful lives of plant and equipment are 4 to 20 years and buildings are 25 to 40 years.

# New Hope Corporation Limited and Controlled Entities

## Notes to and forming part of the financial statements for the year ended 31st July 2005

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

#### f. Mine properties, mine development costs, mining reserves and mining leases

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

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.

#### g. Restoration, rehabilitation and environmental expenditure

Restoration, rehabilitation and environmental expenditure to be incurred during the production phase of operations is expensed as part of the cost of production of the mine property concerned.

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

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

#### h. Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the profit and loss account is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on net cumulative timing differences is set aside to the deferred income tax and future tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

#### *Tax consolidation legislation*

New Hope Corporation Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation as of 1 August 2003. The Australian Taxation Office has been notified of this decision.

As a consequence, New Hope Corporation Limited, as head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement (TSA) with the tax consolidated entities are recognised separately as tax related amounts receivable or payable. Expenses and revenues arising under the TSA are recognised as a component of income tax expense / (benefit).

The deferred tax balances recognised by the parent entity in relation to wholly owned Australian controlled entities joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime, with one exception. The deferred tax balances relating to assets that had their tax values reset on joining the tax consolidated group have been remeasured based on the carrying amount of those assets at the tax consolidated group level and their reset tax values. The remeasurement adjustments to these deferred tax balances are also recognised in the consolidated financial statements as income tax expense or revenue. The impact on the income tax expense for the year is disclosed in note 4.

#### i. Maintenance and repairs

Maintenance, repair costs and minor renewals are charged as expenses as incurred.

#### j. Inventories

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

# New Hope Corporation Limited and Controlled Entities

## Notes to and forming part of the financial statements for the year ended 31st July 2005

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

#### j. Inventories (Cont)

Inventories of consumable supplies and spare parts expected to be used in production are valued at cost.

Work in progress is stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

#### k. Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to the collection of a debt exists.

#### l. Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and usually paid within 45 days of recognition.

#### m. Interest bearing liabilities

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

#### n. Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, other than where they form part of mine development costs (refer note 1.u).

#### o. Recoverable amount of non current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal. The expected net cash flows included in determining recoverable amounts of non current assets are not discounted to their present values.

Where the carrying amount of a non current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, the recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in the statement of financial performance in the reporting period in which the recoverable amount write down occurs. Where assets have been previously written down, and their recoverable amount now exceeds their carrying value, the write downs from prior periods are reversed and recorded in the current years profit, up to the lower of cost and the assets current recoverable amount.

#### p. Employee benefits

##### *Wages and salaries, annual leave and sick leave*

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

##### *Long service leave*

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, including related on costs, experience of employee departures and periods of service.

##### *Equity based compensation benefits*

Equity based compensation benefits are provided to employees via the New Hope Corporation Limited Employee Share Option Plan. No accounting entries are made in relation to the Employee Share Option Plan until options are exercised, at which time the exercise price is recognised in the statement of financial position as share capital. The amounts disclosed for the remuneration of Directors and executives include the assessed fair values of options at the date they were granted.

# New Hope Corporation Limited and Controlled Entities

## Notes to and forming part of the financial statements for the year ended 31st July 2005

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

#### q. Retirement benefits

Contributions made by the group to existing employee contributory superannuation funds (to provide benefits for employees and their dependants on retirement, disability or death) are charged to the profit and loss account.

#### r. Foreign currency translation

##### *Transactions*

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, amounts payable and receivable in foreign currencies have been translated to Australian currency at rates of exchange ruling at that date.

Resulting exchange differences are recognised in determining the profit or loss for the year, except as stated in note 1(u) for differences arising on foreign currency borrowings to fund mine development projects.

##### *Specific commitment*

Hedging is undertaken in order to avoid or minimise possible adverse effects of movements in exchange rates. Gains or costs arising upon entry into a hedging transaction, together with subsequent gains or losses resulting from those transactions are deferred in the statement of financial position from the inception of the hedging transaction up to the date of the purchase or sale and included in the measurement of the purchase or sale.

The net amount receivable or payable under the hedging transaction is also recorded in the statement of financial position. Any gains or losses arising on the hedging transaction after the recognition of the hedged purchase or sale are included in the statement of financial performance.

When anticipated sale transactions have been hedged, actual sales which occur during the hedged period are accounted for as having been hedged until the amounts of those transactions are fully allocated against the hedged amounts.

##### *General commitment*

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

##### *Foreign controlled entities*

As the foreign controlled entities are self sustaining, their assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while their revenues and expenses are translated at the weighted average of rates ruling during the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve. Upon sale of a foreign controlled entity the foreign currency translation reserve in respect of it is transferred to retained profits.

#### s. Leased non current assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of the leased property, and operating leases under which the lessor effectively retains all such risks and benefits.

Where non current assets are acquired by means of finance leases, the present value of minimum lease payments is established as a non current asset at the beginning of the lease term and amortised on a straight line basis over its expected useful life. A corresponding liability is also established and each lease payment is allocated between such liability and interest expense. Operating lease payments are charged to the profit and loss account in the periods in which they are incurred.

#### t. Benching and forward overburden removal

The costs of overburden removed in advance and establishment of work benches have been deferred and will be absorbed in subsequent years on the basis of saleable tonnes produced.

#### u. Capitalisation of interest and foreign exchange differences

Interest and foreign exchange differences are classified as part of mine development costs where they relate to funds borrowed specifically for developing those projects.

Interest earned on the temporary investment of such funds prior to the commencement of commercial production is deducted from the amounts so capitalised. Capitalised interest is amortised over the same period as the asset to which it relates is depreciated.

# New Hope Corporation Limited and Controlled Entities

## Notes to and forming part of the financial statements for the year ended 31st July 2005

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

#### v. Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non monetary assets acquired until the discount is eliminated.

#### w. Cash

For purposes of the statements of cash flows, cash includes deposits at call and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

#### x. Revenue recognition

Sales revenue represents gross proceeds receivable from the customer and is recognised when the goods are despatched to the customer.

Interest income, service fee income, and management fee income is recognised as it accrues.

Dividend income is taken into profit as received.

Revenue received from the sale of product during developmental phases of operations is offset against expenditure in respect of the area of mineral resource concerned.

#### y. Port development costs

Development expenditure incurred by the consolidated entity in respect to a port loading facility is accumulated. Direct development expenditure, pre-operating start-up costs, and an appropriate portion of related overhead expenditure are capitalised up until the facility is in commercial operation. Amortisation and depreciation commences when the facility is in commercial operation.

#### z. Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at balance date.

#### aa. Earnings per share

##### *Basic earnings per share*

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

##### *Diluted earnings per share*

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

#### ab. Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

# New Hope Corporation Limited and Controlled Entities

## Notes to and forming part of the financial statements for the year ended 31st July 2005

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

#### ac. International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS (AIFRS), and the Urgent Issues Group has issued abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 January 2006 and the year ending 31 July 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period.

The consolidated entity has established a project team to manage the transition to Australian equivalents to IFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team is chaired by the Chief Financial Officer and reports to the audit committee. The project team is managing the transition. The project team is analysing all of the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards.

The known or reliably estimable impacts on the financial report for the year ended 31 July 2005 had it been prepared using AIFRS are set out below. No material impacts are expected in relation to the statement of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, standards or interpretations reviewed to date may be amended or additional standards may be issued by the AASB and the IASB. Therefore, until the Company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

#### *Income Tax*

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity. At the time of this report the quantification of this change has not been sufficiently determined for inclusion in the financial statements.

#### *Tax consolidation legislation*

Under UIG 1052 *Tax Consolidated Accounting*, the parent entity, as the head entity in the tax consolidated group, will be required to recognise the current tax payable of the tax consolidated subsidiaries and deferred tax assets relating to tax losses of these subsidiaries. The net difference between these amounts and amounts receivable or payable under tax funding agreements will result in equity contributions or distributions being recognised in the head entity and other members of the tax consolidated group.

The parent entity's own tax amounts will be measured using one of the acceptable allocation methods in UIG 1052.

This differs from the current accounting policy, under which the parent entity recognises current and deferred tax amounts relating to transactions, events and balances of the tax consolidated subsidiaries as if those transactions, events and balances were its own, and measures its own tax amounts by applying the principles in AASB 1020. At the time of this report the quantification of this change has not been sufficiently determined for inclusion in the financial statements.

The consolidated tax balances will not change as a result of UIG 1052.



# New Hope Corporation Limited and Controlled Entities

## Notes to and forming part of the financial statements for the year ended 31st July 2005

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

#### ac. International Financial Reporting Standards (IFRS) (Cont)

##### *Financial Instruments*

The Group will be taking advantage of the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* only from 1 August 2005. This allows the Group to apply previous Australian generally accepted accounting principles (AGAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 31 July 2006 financial report.

Under AASB 139, foreign exchange contracts held for hedging purposes will be accounted for as cash flow hedges. Changes in the fair value of those contracts will be recognised directly in equity until the hedged transaction occurs, in which case the amounts recognised in equity will be included in the initial cost of the underlying transaction.

This will result in a change to the current accounting policy, under which the costs or gains arising under contracts together with any realised or unrealised gains from remeasurement are included in assets or liabilities as deferred losses or deferred gains.

As a result of the application of the exemption referred to above, there would have been no adjustment to classification or measurement of cash flow hedges from the application of AIFRS during the year ended 31 July 2005. Changes in classification and measurement will be recognised from 1 August 2005 as a result of the exemption.

##### *Impairment of Assets*

Under AASB 136 *Impairment*, assets are required to be reviewed annually for an indication of impairment. In the event that there is an indication of impairment, the asset will be subject to impairment testing. Where the carrying value of the asset exceeds the recoverable amount, the asset is required to be written down to that value. Where cashflows are used to determine recoverable amount, AASB 136 requires these cash flows to be discounted. Under AGAAP, these cash flows are not required to be discounted. No material impacts are expected as a result of this change in accounting policy.

##### *Asset dismantlement, removal and restoration costs*

Under AASB 116 *Property, Plant and Equipment*, the initial estimate of dismantlement, removal and restoration obligations associated with the retirement or disposal of an asset must be capitalised into the cost of the asset and depreciated over the assets useful life. This represents a change to the current accounting policy whereby New Hope has recognised asset dismantlement and removal costs for significant plant as an expense rather than included in the cost of the asset. At the time of this report the quantification of this change has not been sufficiently determined for inclusion in the financial statements.

##### *Assets held for sale*

Under AASB 5 *Non Current Assets Held for Sale*, assets held for sale shall be written down to their fair value and classified as current assets. This differs from the current policy where the treatment of assets remains unchanged when a decision is made to sell.

As a result of the decision to cease activities of one of the subsidiaries in the near future, if the policy required by AASB 5 had been applied, current assets would have increased and non-current assets decreased by \$233,000 in the 2005 statement of financial position of the consolidated entity. There would be no impact on the parent entity.

##### *Equity based compensation benefits*

Under AASB 2 *Share Based Payment*, the group is required to recognise an expense for those options that were issued to employees after 7 November 2002 but had not vested by 1 January 2005. This will result in a change to the current policy under which no expense is recognised for equity-based compensation.

If the policy required by AASB 2 had been applied during the year ended 31 July 2005, this would have resulted in an increase in share-based payment reserve and decrease in retained earnings of \$2,354,000 for the consolidated entity and parent entity as at 31 July 2005. There would have also been an increase in cost of sales expense of \$1,567,000 and a corresponding increase in the net movement in share-based payment reserve for the consolidated entity and parent entity.

# New Hope Corporation Limited and Controlled Entities

## Notes to and forming part of the financial statements for the year ended 31st July 2005

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

#### ac. International Financial Reporting Standards (IFRS) (Cont)

##### *Disclosure of discontinued operation*

Under AASB 121 *The Effects of Changes in Exchange Rates*, the cumulative amount of exchange differences of a foreign operation deferred in equity shall be recognised in profit or loss when the foreign operation is disposed. This represents a change from the current policy where the balance is transferred directly to retained earnings.

During the year ended 31 July 2005, the overseas coal interests of the Group were sold (refer note 36). Under AASB 5, the profit or loss relating to the discontinued operation, including both the post tax gain or loss on sale and the post tax operating profit or loss up until the date of sale, is required to be disclosed as a single amount on the face of the statement of financial performance. Under AGAAP, such disclosures may be made either on the face of the statement of financial performance or in the notes. The group elected to make the required disclosures in the notes in the year ended 31 July 2005, thereby resulting in a difference between AGAAP and AIFRS.

If the policy required under AIFRS had been applied during the year ended 31 July 2005, the consolidated revenue from ordinary activities would have been \$41,143,000 lower, the consolidated cost of sales \$21,947,000 lower, consolidated other revenue from ordinary activities \$496,994,000 lower, consolidated borrowing costs \$407,000 lower, consolidated costs on disposal of non-current assets \$89,189,000 lower and share of profits of associates \$36,441,000 lower. Consolidated profit from ordinary activities before income tax expense would have been \$463,035,000 lower, consolidated income tax expense \$46,443,000 lower, consolidated profit from discontinued operations \$394,664,000 higher and consolidated net profit attributable to outside equity interests would be zero. Consolidated net profit attributable to members of New Hope Corporation Ltd would have been \$13,995,000 lower as a result of applying AASB 121. There would have been no change to the consolidated statement of financial position.

If AASB 5 had been applied, other revenue from ordinary activities for the parent entity would have been \$177,404,000 lower, costs on disposal of non current assets \$2,400,000 lower and tax expense \$39,455,000 lower. Profit from discontinued operations for the parent entity would be \$135,549,000 higher and net profit after tax would remain unchanged. There would be no change to the statement of financial position for the parent entity.

New Hope Corporation Limited and Controlled Entities

Notes to and forming part of the financial statements  
for the year ended 31st July 2005

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
<b>2. REVENUE</b>				
Revenue from operating activities				
Sale of goods	189,523	141,597	-	-
Services	41,144	49,349	10,254	6,539
	<u>230,667</u>	<u>190,946</u>	<u>10,254</u>	<u>6,539</u>
Revenue from outside operating activities				
Sale of investments (note 36)	494,865	2,626	177,404	-
Sale of non current assets	1,699	992	41	49
Dividends received	-	-	46,500	1,544
Property rent received	651	626	6	5
Interest received	5,741	1,130	5,289	338
Management and service fees received	1,611	4,007	1,377	3,557
Settlement for breach of coal handling contract	-	38,785	-	-
Sundry income	3,209	1,976	219	216
	<u>507,776</u>	<u>50,142</u>	<u>230,836</u>	<u>5,709</u>
Revenue from ordinary activities (excluding share of partnerships and associates)	<u>738,443</u>	<u>241,088</u>	<u>241,090</u>	<u>12,248</u>
<b>3. OPERATING PROFIT</b>				
<b>(a) Net gains and expenses</b>				
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
<b>Net gains</b>				
Net gain on disposal				
Net gain on disposal of property plant and equipment	1,323	343	-	2
Net gain on sale of investments (note 36)	406,085	2,547	175,004	-
	<u>407,408</u>	<u>2,890</u>	<u>175,004</u>	<u>2</u>
<b>Expenses</b>				
Foreign exchange gains and losses				
Other net foreign exchange losses / (gains)	803	270	648	21
Depreciation				
Buildings	87	79	20	20
Plant and equipment	15,568	16,166	566	318
	<u>15,655</u>	<u>16,245</u>	<u>586</u>	<u>338</u>
Amortisation				
Mining reserves and mine development	5,755	5,108	-	-
Port development	1,039	1,438	-	-
	<u>6,794</u>	<u>6,546</u>	<u>-</u>	<u>-</u>
Other charges against assets				
Bad and doubtful debts	-	73	-	-
Borrowing costs				
Interest	955	4,371	-	-
Loss on disposal of non current assets	107	-	6	-
Exploration costs expensed	4,191	2,502	-	-

## New Hope Corporation Limited and Controlled Entities

### Notes to and forming part of the financial statements for the year ended 31st July 2005

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
<b>4. INCOME TAX</b>				
The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the operating profit. The differences are reconciled as follows.				
Profit from ordinary activities before income tax	<u>536,510</u>	<u>107,994</u>	<u>227,494</u>	<u>3,155</u>
Income tax calculated at 30%	160,953	32,398	68,248	947
Tax effect of permanent differences:				
Non-assessable interest received	(20)	(35)	-	-
Research and development	-	(4)	-	-
Non-deductible depreciation and amortisation	870	895	-	-
Rebateable dividends	-	-	(13,950)	(463)
Share of net profits of associates	(11,116)	(4,980)	-	-
Net capital gains	39,429	-	39,455	-
Book profit on sale of investment	(121,826)	(764)	(52,501)	-
Sundry items	(685)	398	(180)	(167)
Income tax adjusted for permanent differences	<u>67,605</u>	<u>27,908</u>	<u>41,072</u>	<u>317</u>
Under / (over) provided prior year	(2,312)	1,848	105	529
Effect of entry into tax consolidations regime	-	(2,331)	-	-
<b>Income tax attributable to operating profit</b>	<u><u>65,293</u></u>	<u><u>27,425</u></u>	<u><u>41,177</u></u>	<u><u>846</u></u>

#### 5. DIVIDENDS - New Hope Corporation Limited

##### Ordinary dividend paid

2004 interim dividend of 0.75 cents per share - 65% franked at a tax rate of 30%	-	5,311
2004 final dividend of 1.5 cents per share - 65% franked at a tax rate of 30%	10,917	-
2005 interim dividend of 2.75 cents per share - 65% franked at a tax rate of 30%	21,160	-
<b>Total dividends paid</b>	<u><u>32,077</u></u>	<u><u>5,311</u></u>

##### Franking credits

Franking credits available for subsequent financial years (tax rate of 30%)	<u>10,836</u>	<u>11,573</u>
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The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for franking credits that will arise from the payment of income tax payable as at the end of the year, and franking debits that will arise from the payment of dividends proposed as at the end of the year.

##### Proposed dividends

In addition to the above dividends, since the end of the financial year, the Directors have declared a fully franked final ordinary dividend of 3.0 cents per share, to be paid on 16 November 2005. The Directors have also declared a special dividend of 13.0 cents per share to be paid at the same time as the final ordinary dividend for 2005.

##### Dividend reinvestment plans

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

**New Hope Corporation Limited and Controlled Entities**

**Notes to and forming part of the financial statements  
for the year ended 31st July 2005**

	Consolidated		Parent Entity	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>6. CURRENT ASSETS - Receivables</b>				
Trade debtors	9,696	17,562	1,892	136
Provision for doubtful debts	(73)	(73)	-	-
Other debtors	1,506	2,260	1,032	29
Owing by controlled entities	-	-	96,431	68,008
Tax related amounts receivable from wholly owned entities	-	-	17,439	8,131
Short term deposits	-	18,171	-	-
Current hedge receivable (note 35)	9,812	5,942	-	-
Term deposits	25,000	-	25,000	-
Term deposits - secured *	-	3,000	-	-
	<u>45,941</u>	<u>46,862</u>	<u>141,794</u>	<u>76,304</u>
* This amount has been pledged as security for a loan to a third party.				
<b>7. CURRENT ASSETS - Inventories</b>				
The valuation policy in respect of the following is set out in note 1.j.				
Coal stocks at cost	13,363	6,517	-	-
Raw materials and stores at cost	1,678	4,017	-	-
Work in progress at cost	105	59	-	-
	<u>15,146</u>	<u>10,593</u>	<u>-</u>	<u>-</u>
<b>8. CURRENT ASSETS - Other</b>				
Prepaid forward overburden and stripping costs	13	1,101	-	-
Prepayments	2,136	2,828	189	-
Security deposits	119	100	2	2
	<u>2,268</u>	<u>4,029</u>	<u>191</u>	<u>2</u>
<b>9. NON CURRENT ASSETS - Receivables</b>				
Term deposits *	-	7,115	-	-
Deferred hedge receivable (note 35)	10,458	14,396	-	-
Advances to associates	256	526	-	-
Other receivables	3,226	3,409	-	-
Owing by controlled entities	-	-	-	37,374
	<u>13,940</u>	<u>25,446</u>	<u>-</u>	<u>37,374</u>
* This amount has been pledged as security for a loan to a third party				
<b>10. NON CURRENT ASSETS - Investments</b>				
<b>(a) Unlisted investments</b>				
Controlled entities at cost	-	-	17,116	17,217
Shares in associated companies - equity accounted amount (note 30)	3,740	55,603	-	-
Shares in other companies at cost	3	3	-	-
	<u>3,743</u>	<u>55,606</u>	<u>17,116</u>	<u>17,217</u>

**New Hope Corporation Limited and Controlled Entities**

**Notes to and forming part of the financial statements  
for the year ended 31st July 2005**

Name of Entity	Place of Incorporation	2005 %	Parent Entity		2004 %	2004 \$000
			2005 \$000	%		
<b>10. NON CURRENT ASSETS - Investments (Cont)</b>						
<b>(b) At cost are ordinary shares and comprise:</b>						
New Hope Collieries Pty Ltd *	Qld	100	1,448	100	100	1,448
Tivoli Collieries Pty Ltd *	Qld	100	806	100	100	806
Andrew Wright Holdings Pty Ltd and its controlled entity	Qld	100	160	100	100	160
- Tetard Holdings Pty Ltd *	Qld	100	-	100	100	-
Thor Earthmovers Pty Ltd *	Qld	100	3,935	100	100	3,935
Jeebropilly Collieries Pty Ltd	Qld	100	200	100	100	200
Fowlers Engineering Pty Ltd *	Qld	100	325	100	100	325
Consolidated Bulk Handling Pty Ltd and its 50% owned	Qld	100	1,000	100	100	1,000
- PT Indonesia Bulk Terminal ! ^	Indonesia	-	-	50	-	-
New Hope Finance Pty Ltd *	Qld	100	2	100	100	2
Indonesia Coal Pty Ltd ^	Qld	-	-	100	100	101
New Hope Energy Pty Ltd *	Qld	100	1	100	100	1
New Oakleigh Coal Pty Ltd	Qld	100	1	100	100	1
New Hope Exploration Pty Ltd *	Qld	100	1	100	100	1
Seven Mile Coal Pty Ltd *	Qld	100	-	100	100	-
New Acland Coal Pty Ltd	Qld	100	9,236	100	100	9,236
Tivoli Coal (Hawaii) Pty Ltd *	Qld	100	1	100	100	1
			17,116			17,217

\* Entity is a small proprietary company and therefore audited individual accounts have not been prepared.

! Prior to sale of the overseas operations, control over this entity existed on the basis that New Hope Corporation Limited, through its Directors, had the capacity to control a majority of the voting rights on the entity's board.

^ PT Indonesia Bulk Terminal and Indonesia Coal Pty Ltd were sold during the financial year ended 31 July 2005. Further details on the sale of the overseas operations are disclosed in note 36 of the accounts.

	Consolidated		Parent Entity	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>11. NON CURRENT ASSETS - Property, Plant and Equipment</b>				
Land and buildings - non mining				
Freehold land at cost	1,418	1,697	353	353
Buildings at cost	2,334	2,308	842	816
Accumulated depreciation	(734)	(700)	(326)	(305)
	1,600	1,608	516	511
Total land and buildings - non mining	3,018	3,305	869	864
Land and buildings - held for mining				
Freehold land at cost	36,707	34,746	-	-
Buildings at cost	3,012	2,995	-	-
Accumulated depreciation	(334)	(282)	-	-
	2,678	2,713	-	-
Total land and buildings - held for mining	39,385	37,459	-	-
Plant and Equipment				
Plant and equipment at cost	152,308	269,355	4,602	2,365
Accumulated depreciation	(83,818)	(110,523)	(1,592)	(1,199)
	68,490	158,832	3,010	1,166
Motor Vehicles at cost	1,879	1,683	700	644
Accumulated depreciation	(645)	(602)	(233)	(236)
	1,234	1,081	467	408

**New Hope Corporation Limited and Controlled Entities**

**Notes to and forming part of the financial statements  
for the year ended 31st July 2005**

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
<b>11. NON CURRENT ASSETS - Property, Plant and Equipment (Cont)</b>				
Mining reserves and leases	9,813	9,813	-	-
Accumulated amortisation	(3,118)	(1,817)	-	-
	6,695	7,996	-	-
Mine properties, mine development	27,292	41,444	-	-
Accumulated amortisation	(9,710)	(19,566)	-	-
	17,582	21,878	-	-
Port development at cost	-	20,143	-	-
Port infrastructure at cost	-	31,494	-	-
Accumulated amortisation	-	(15,593)	-	-
	-	36,044	-	-
Total property, plant and equipment	136,404	266,595	4,346	2,438

Valuations of land and buildings - non mining

The aggregate indicative market value of the Company's properties comprising non mining freehold land and buildings at 31 July 2005, based on independent estimated values during the year ended 31 July 2004 adjusted for any properties purchased or disposed of in the current financial year amounted to \$5,121,500 compared with \$3,018,000 recorded in the Company's financial statements. The Directors have not revalued properties during the current financial year.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
<b>Reconciliations</b>				
Land and buildings - non mining				
Carrying amount at beginning of year	3,305	3,339	864	884
Additions	26	-	25	-
Disposals	(278)	-	-	-
Depreciation	(35)	(34)	(20)	(20)
Carrying amount at end of year	3,018	3,305	869	864
Land and buildings - held for mining				
Carrying amount at beginning of year	37,459	32,619	-	-
Additions	2,189	5,141	-	-
Disposals	(211)	(257)	-	-
Depreciation	(52)	(44)	-	-
Carrying amount at end of year	39,385	37,459	-	-
Plant and equipment				
Carrying amount at beginning of year	158,832	165,409	1,166	474
Additions	16,489	16,328	2,286	924
Disposals	(108)	(753)	(7)	(13)
Depreciation	(14,486)	(14,974)	(435)	(219)
Foreign exchange differences	(7,784)	(7,178)	-	-
Disposal of controlled investment	(84,453)	-	-	-
Carrying amount at end of year	68,490	158,832	3,010	1,166
Motor Vehicles				
Carrying amount at beginning of year	1,081	851	408	323
Additions	480	536	231	217
Disposals	(48)	(68)	(40)	(33)
Depreciation	(279)	(238)	(132)	(99)
Carrying amount at end of year	1,234	1,081	467	408

**New Hope Corporation Limited and Controlled Entities**

**Notes to and forming part of the financial statements  
for the year ended 31st July 2005**

	Consolidated		Parent Entity	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>11. NON CURRENT ASSETS - Property, Plant and Equipment (Cont)</b>				
<b>Reconciliations (Cont)</b>				
Mining reserves and leases				
Carrying amount at beginning of year	7,996	9,064	-	-
Amortisation	(1,301)	(1,068)	-	-
Carrying amount at end of year	<u>6,695</u>	<u>7,996</u>	<u>-</u>	<u>-</u>
Mine properties and mine development				
Carrying amount at beginning of year	21,878	24,624	-	-
Additions	158	1,296	-	-
Amortisation	(4,454)	(4,042)	-	-
Carrying amount at end of year	<u>17,582</u>	<u>21,878</u>	<u>-</u>	<u>-</u>
Port development and infrastructure				
Carrying amount at beginning of year	36,044	40,179	-	-
Additions	-	85	-	-
Disposals	(69)	(8)	-	-
Amortisation	(1,842)	(2,391)	-	-
Foreign exchange differences	(2,005)	(1,821)	-	-
Disposal of controlled investment	(32,128)	-	-	-
Carrying amount at end of year	<u>-</u>	<u>36,044</u>	<u>-</u>	<u>-</u>
<b>12. CURRENT LIABILITIES - Accounts Payable</b>				
Trade creditors and accruals	12,504	15,065	1,824	1,202
Deferred exchange gains (note 35)	9,812	5,942	-	-
	<u>22,316</u>	<u>21,007</u>	<u>1,824</u>	<u>1,202</u>
<b>13. INTEREST BEARING LIABILITIES</b>				
Current				
Bank loans - secured	79	30,769	-	-
Other loans - secured	-	8,445	-	-
	<u>79</u>	<u>39,214</u>	<u>-</u>	<u>-</u>
Non current				
Other loans - secured	-	21,417	-	-
Loans from other entities - unsecured	-	10,401	-	-
	<u>-</u>	<u>31,818</u>	<u>-</u>	<u>-</u>

Loans are secured by a fixed and floating charge over the assets, uncalled capital and undertakings of various entities in the consolidated entity. Bills of sale are fully secured by charges over specific assets.

Bank loans consist of short term draw downs to meet cash flow requirements and long term capital project facilities. Interest rates are both fixed and variable and long term facilities are expected to be completed within five years.

In the previous financial year other loans consisted of chattel mortgages with varied terms of up to five years with a mix of fixed and variable interest rates, while loans from other entities consisted of advances with a fixed interest rate and the repayment to commence after the applicable secured facilities have been completed. This facility has no fixed term.



**New Hope Corporation Limited and Controlled Entities**

**Notes to and forming part of the financial statements  
for the year ended 31st July 2005**

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
<b>14. FINANCING ARRANGEMENTS</b>				
Unrestricted access was available at balance date to the following lines of credit:				
Total facilities				
Loan facilities	11,700	56,995	-	-
Bank loan facilities (a)	29,750	56,514	-	-
	41,450	113,509	-	-
Used at balance date				
Loan facilities	2,833	43,746	-	-
Bank loan facilities	7,014	35,370	-	-
	9,847	79,116	-	-
Unused at balance date				
Loan facilities	8,867	13,249	-	-
Bank loan facilities	22,736	21,144	-	-
	31,603	34,393	-	-
The bank loan facilities may be drawn at any time in either Australian or United States currency. Interest rates on facilities are both fixed and variable.				
(a) In 2004 this amount included \$25,043,000 which had been guaranteed by the ultimate Australian controlling entity.				
<b>15. CURRENT LIABILITIES - Provisions</b>				
Employee entitlements	6,584	6,209	954	785
Average number of employees of the group during the year were 529 (2004 - 501), and of the parent entity during the year were 47 (2004 - 40).				
Total employee entitlements - current and non-current (note 17)	10,008	9,831	954	785
<b>16. CURRENT LIABILITIES - Other</b>				
Loan from ultimate controlling entity - unsecured	-	229	-	-
Loans from controlled entities - unsecured	-	-	419,313	47,883
Accrued restoration costs (note 1.g)	1,946	824	-	-
	1,946	1,053	419,313	47,883
<b>17. NON CURRENT LIABILITIES - Provisions</b>				
Employee entitlements	3,424	3,622	-	-
<b>18. NON CURRENT LIABILITIES - Other</b>				
Deferred exchange gains (note 35)	10,458	14,396	-	-
Accrued restoration costs (note 1.g)	9,124	9,020	-	-
	19,582	23,416	-	-

## New Hope Corporation Limited and Controlled Entities

### Notes to and forming part of the financial statements for the year ended 31st July 2005

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
<b>19. CONTRIBUTED EQUITY - New Hope Corporation Limited</b>				
Issued and paid up capital - 769,611,156 (2004 - 708,168,031) ordinary shares fully paid	109,879	82,391	109,879	82,391

#### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote. As at 31 July 2005 there were 39,960,642 (2004 - 102,203,767) options over ordinary shares in the company.

#### Movements in share capital

Date	Details	Number of Shares	Issue Price	\$000
1 August 2003	Opening Balance	690,321,420		78,271
5 September 2003	Shares issued under the top up offer	16,198,171	\$0.40	6,479
30 September 2003	Exercise of 2003 options	90,838	\$0.45	41
14 October 2003	Exercise of 2003 options	24,487	\$0.45	11
23 October 2003	Exercise of 2003 options	47,374	\$0.45	21
30 October 2003	Exercise of 2003 options	10,335	\$0.45	5
10 November 2003	Exercise of 2003 options	8,346	\$0.45	4
26 November 2003	Exercise of 2003 options	18,907	\$0.45	9
3 December 2003	Exercise of 2003 options	15,002	\$0.45	7
16 January 2004	Exercise of 2003 options	12,544	\$0.45	6
18 March 2004	Exercise of 2003 options	21,610	\$0.45	10
7 April 2004	Exercise of 2003 options	6,014	\$0.45	3
21 April 2004	Exercise of 2003 options	1,304,335	\$0.45	587
14 May 2004	Exercise of 2003 options	10,025	\$0.45	5
5 July 2004	Exercise of 2003 options	70,960	\$0.45	32
30 July 2004	Exercise of 2003 options	7,663	\$0.45	3
	Transaction costs arising on share issues			(3,103)
<b>31 July 2004</b>	<b>Balance</b>	<b>708,168,031</b>		<b>82,391</b>
25 October 2004	Exercise of 2003 options	18,714,296	\$0.45	8,421
29 November 2004	Exercise of 2003 options	1,242,948	\$0.45	559
21 January 2005	Exercise of 2003 options	3,421,936	\$0.45	1,540
28 February 2005	Exercise of 2003 options	3,442,526	\$0.45	1,549
18 April 2005	Exercise of 2003 options	34,522,181	\$0.45	15,535
30 June 2005	Exercise of 2003 options	15,738	\$0.45	7
29 July 2005	Exercise of 2003 options	83,500	\$0.45	38
	Transaction costs arising on share issues			(161)
<b>31 July 2005</b>	<b>Balance</b>	<b>769,611,156</b>		<b>109,879</b>

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
<b>20. RESERVES</b>				
<b>(a) Reserves</b>				
Capital profits	1,343	1,343	-	-
Asset revaluation	5,831	5,831	-	-
Capital redemption	2,800	2,800	2,800	2,800
Foreign currency translation	-	(2,133)	-	-
	9,974	7,841	2,800	2,800

New Hope Corporation Limited and Controlled Entities

Notes to and forming part of the financial statements  
for the year ended 31st July 2005

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
<b>20. RESERVES (Cont)</b>				
<b>(a) Reserves (Cont)</b>				
<b>Movements</b>				
Capital profits				
Balance 1 August	1,343	1,343	-	-
Balance 31 July	1,343	1,343	-	-
Asset revaluation				
Balance 1 August	5,831	5,831	-	-
Balance 31 July	5,831	5,831	-	-
Capital redemption				
Balance 1 August	2,800	2,800	2,800	2,800
Balance 31 July	2,800	2,800	2,800	2,800
Foreign currency translation reserve (FCTR)				
Balance 1 August	(2,133)	(250)	-	-
Net exchange difference on translation of foreign controlled entity and associates	(11,862)	(1,883)	-	-
Transfer of FCTR to retained profits on sale of foreign controlled entity and associates	13,995	-	-	-
Balance 31 July	-	(2,133)	-	-

**Nature and purpose of reserves**

Capital profits

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

Asset revaluation

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

Foreign currency translation

The foreign currency reserve recorded the foreign currency differences which arise from the translation of self-sustaining foreign operations, and foreign exchange movements in USD loans designated as effective hedges in the net investment of those operations. This reserve was transferred to retained profits as a result of the sale of the overseas operations.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
<b>(b) Retained profits</b>				
Balance 1 August	162,982	108,887	10,822	13,824
Net profit after income tax	463,283	59,406	186,317	2,309
Transfer of FCTR on sale of foreign controlled entity and associates	(13,995)	-	-	-
Dividends paid (note 5)	(32,077)	(5,311)	(32,077)	(5,311)
Balance 31 July	580,193	162,982	165,062	10,822

**21. OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES**

Interest in:

	2005	2004	2005	2004
	\$	\$	\$	\$
Share capital	-	1,930	-	-
Reserves	-	(3,422)	-	-
Retained profits	-	45,494	-	-
	-	44,002	-	-

## New Hope Corporation Limited and Controlled Entities

### Notes to and forming part of the financial statements for the year ended 31st July 2005

<b>22. CONTINGENT LIABILITIES</b>	<b>2005</b>	<b>2004</b>
Details and estimates of maximum amounts of contingent liabilities for which no provisions are included in the accounts, are as follows:	<b>\$000</b>	<b>\$000</b>

#### New Hope Corporation Limited

The parent entity has given guarantees to third parties in respect of loans and leases to controlled entities. -                      34,464

Bank advances made from time to time to related companies are secured by a charge over the assets and undertakings of the parent entity for an amount not to exceed. 79                      5,726

#### Controlled entities

The bankers of the consolidated entity have issued undertakings and guarantees to the Department of Natural Resources and Mines, Statutory Power Authorities and various other entities. 9,768                      8,085

A controlled entity has given security in respect of a bank loan to a third party. -                      10,115

No losses are anticipated in respect of any of the above contingent liabilities.

	Consolidated		Parent Entity	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>23. COMMITMENTS FOR EXPENDITURE</b>				
Aggregate capital expenditure contracted for at balance date but not provided for in the accounts, payable				
Within 1 year	2,157	2,637	1,953	232
Within 1 - 2 years	-	-	-	-
Within 2 - 5 years	-	-	-	-
After 5 years	-	-	-	-
	2,157	2,637	1,953	232

## 24. DIRECTOR AND EXECUTIVE DISCLOSURES

### Directors

The following persons were Directors of New Hope Corporation Limited during the financial year:

#### Chairman - non Executive

Mr R.D. Millner

#### Executive Director

Mr G.L. Robertson - Managing Director & Chief Executive (up to 13th July 2005)

#### Non Executive Directors

Mr P.R. Robinson

Mr D.J. Fairfull

Mr D.C. Williamson

### Executives (other than Directors) with the greatest authority for strategic direction and management

The following persons were the executives with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the financial year. All of the specified executives were employed by New Hope Corporation Limited, and were specified executives during the year ended 31 July 2004.

#### Name

Mr A.C. Buckler - Advisor to the Chairman (up to 13th July 2005)

Mr M.T. Smith - Executive Officer (up to 13th July 2005)

Mr R.C. Neale - Chief Executive Officer

Mr P.K. Mantell - Chief Financial Officer & Company Secretary

Mr D. Brown-Kenyon - General Manager, Corporate Development & Government Relations

Mr C.C. Hopkins - General Manager, Marketing

# New Hope Corporation Limited and Controlled Entities

## Notes to and forming part of the financial statements for the year ended 31st July 2005

### 24. DIRECTOR AND EXECUTIVE DISCLOSURES (Cont)

#### Principles used to determine the nature and amount of remuneration

The Board of Directors is responsible for determining and reviewing remuneration arrangements for the Directors. The non executive Directors fees are determined within the aggregate Directors' fee pool limit which is periodically recommended for approval by shareholders.

The Remuneration and Nomination Committee is responsible for reviewing and setting the remuneration arrangements for the senior executives.

Remuneration packages include a mix of fixed remuneration and longer term incentives through the New Hope Corporation Limited Employee Share Option Plan. Remuneration packages are reviewed annually and take into account performance, market rates, and other relevant factors.

#### Details of remuneration of Directors and executives

Details of remuneration of Directors and the specified executives of the consolidated group in relation to their role with the consolidated entity are as follows:

	Primary		Post Employment		Equity	Total	
	Cash salary and fees	Cash Bonus	Non cash benefits	Super-annuation	Termination		Options
	\$	\$	\$	\$	\$	\$	
<b>Directors - 2005</b>							
Mr R.D. Millner	50,000	-	-	4,500	-	-	54,500
Mr G.L. Robertson - note (a)	50,000	-	19,274	4,500	253,846	230,096	557,716
Mr P.R. Robinson	25,000	-	-	2,250	-	-	27,250
Mr D.J. Fairfull	25,000	-	-	2,250	-	-	27,250
Mr D.C. Williamson	25,000	-	-	2,250	-	-	27,250
	<u>175,000</u>	<u>-</u>	<u>19,274</u>	<u>15,750</u>	<u>253,846</u>	<u>230,096</u>	<u>693,966</u>
<b>Directors - 2004</b>							
Mr R.D. Millner	46,668	-	-	4,200	-	-	50,868
Mr G.L. Robertson - note (a)	50,000	-	16,502	4,500	-	230,096	301,098
Mr P.R. Robinson	23,334	-	-	2,100	-	-	25,434
Mr D.J. Fairfull	23,334	-	-	2,100	-	-	25,434
Mr D.C. Williamson	23,334	-	-	2,100	-	-	25,434
Mr A.C. Buckler	50,000	-	15,006	4,500	-	166,793	236,299
	<u>216,670</u>	<u>-</u>	<u>31,508</u>	<u>19,500</u>	<u>-</u>	<u>396,889</u>	<u>664,567</u>
<b>Specified executives - 2005</b>							
Mr A.C. Buckler - note (a)	50,000	-	59,996	4,500	253,846	166,793	535,135
Mr M.T. Smith - note (a)	25,000	-	29,563	2,250	251,923	166,793	475,529
Mr R.C. Neale	244,613	20,000	32,278	100,450	-	31,520	428,861
Mr P.K. Mantell	210,010	15,000	32,118	34,150	-	28,631	319,909
Mr D. Brown-Kenyon	146,107	9,000	29,666	40,550	-	22,327	247,650
Mr C.C. Hopkins	178,497	9,000	20,954	11,350	-	13,133	232,934
	<u>854,227</u>	<u>53,000</u>	<u>204,575</u>	<u>193,250</u>	<u>505,769</u>	<u>429,197</u>	<u>2,240,018</u>
<b>Specified executives - 2004</b>							
Mr M.T. Smith	25,000	-	18,986	2,250	-	166,793	213,029
Mr R.C. Neale	212,209	-	64,275	90,850	-	31,520	398,854
Mr P.K. Mantell	179,653	-	23,499	34,900	-	28,631	266,683
Mr D. Brown-Kenyon	132,445	-	24,031	30,850	-	22,327	209,653
Mr C.C. Hopkins	112,804	-	22,568	64,292	-	13,133	212,797
	<u>662,111</u>	<u>-</u>	<u>153,359</u>	<u>223,142</u>	<u>-</u>	<u>262,404</u>	<u>1,301,016</u>

Note (a) Mr G.L. Robertson was a Director and executive of the parent entity up to 13 July 2005. Mr A.C. Buckler and Mr M.T. Smith were executives of the Group up to 13 July 2005. In the year ended 31 July 2004 Mr A.C. Buckler was a Director up to 2 January 2004. His total remuneration for that year has been included under Directors remuneration.

## New Hope Corporation Limited and Controlled Entities

### Notes to and forming part of the financial statements for the year ended 31st July 2005

#### 24. DIRECTOR AND EXECUTIVE DISCLOSURES (Cont)

##### Employment contracts

Remuneration and other terms of employment for the specified executives are formalised in individual contracts of employment.

The Managing Director, Advisor to the Chairman, and Executive Officer ceased employment with the company during the year. Their agreement terms were of no fixed term and included a base salary and superannuation. Provision of a motor vehicle while working in Australia was also applicable. All three officers had also been granted share options under the New Hope Corporation Limited Employee Share Option Plan.

The agreements for the other specified executives listed above are of no fixed term. The agreements allow for a salary, superannuation, and a fully maintained motor vehicle. These officers have also been granted options under the New Hope Corporation Limited Employee Share Option Plan. The contracts with Messrs Neale, Mantell and Brown-Kenyon include provision for a separation allowance if their employment is terminated by the Company or on their retirement from full time employment. The allowance is less than one years remuneration. Salary packages for specified executives are reviewed annually by the Remuneration and Nomination Committee.

##### Share based compensation - options

There were no new management options granted to any person during the year ended 31 July 2005 (2004 - 33,200,000 management options were granted). During the current year 800,000 management options lapsed due to the resignation of an executive. As at 31 July 2005 there was a total of 32,400,000 (2004 - 33,200,000) management options on issue to employees of the Group. No management options vested or were exercised during the year.

Details of management options over ordinary shares in the Company, as at 31 July 2005, provided as remuneration to each Director of New Hope Corporation Limited and each of the specified executives of the Company are set out below. When exercisable, each option is convertible into one ordinary share in New Hope Corporation Limited.

	Number of options
<b>Directors</b>	
Mr G.L. Robertson	8,760,000
<b>Specified executives</b>	
Mr A.C. Buckler	6,350,000
Mr M.T. Smith	6,350,000
Mr R.C. Neale	1,200,000
Mr P.K. Mantell	1,090,000
Mr D. Brown-Kenyon	850,000
Mr C.C. Hopkins	500,000

In August 2005, following the sale of the overseas operations, the Directors allowed for the full vesting of management options held by Messrs G.L. Robertson, A.C. Buckler, M.T. Smith, and certain employees of the overseas operations. Terms of management options held by employees of the continuing Australian operations remain unchanged.

##### Option holdings

The number of options (management and shareholder) over ordinary shares in the Company held during the financial year by each Director of New Hope Corporation Limited and each of the specified executives of the consolidated entity, including their personally related entities are as follows:

	Opening balance	Movements during the year			Closing balance	Vested & exercisable
		Granted / (Sold)	Exercised	Other		
<b>Directors</b>						
Mr R.D. Millner	194,136	-	(192,930)	-	1,206	1,206
Mr G.L. Robertson - note (a)	9,662,750	-	(901,750)	-	8,761,000	1,000
Mr P.R. Robinson	3,000	-	(3,000)	-	-	-
Mr D.J. Fairfull	1,000	-	-	-	1,000	1,000
Mr D.C. Williamson	10,000	-	(10,000)	-	-	-

**New Hope Corporation Limited and Controlled Entities**

**Notes to and forming part of the financial statements  
for the year ended 31st July 2005**

**24. DIRECTOR AND EXECUTIVE DISCLOSURES (Cont)**

**Option Holdings (Cont)**

	Opening balance	Movements during the year			Closing balance	Vested & exercisable
		Granted / (Sold)	Exercised	Other		
<b>Specified executives</b>						
Mr A.C. Buckler	6,520,000	(84,000)	(86,000)	-	6,350,000	-
Mr M.T. Smith	6,575,000	-	(225,000)	-	6,350,000	-
Mr R.C. Neale	1,200,500	-	(500)	-	1,200,000	-
Mr P.K. Mantell	1,091,000	-	(1,000)	-	1,090,000	-
Mr D. Brown-Kenyon	851,500	(1,500)	-	-	850,000	-
Mr C.C. Hopkins	500,500	-	(500)	-	500,000	-

**Share holdings**

The number of ordinary shares in the Company held during the financial year by each Director of New Hope Corporation Limited and each of the specified executives of the consolidated entity, including their personally related entities are as follows:

	Opening balance	Movements during the year			Closing balance
		Purchased / (sold)	Options exercised	Other	
<b>Directors</b>					
<u>Ordinary shares</u>					
Mr R.D. Millner	1,941,357	-	192,930	-	2,134,287
Mr G.L. Robertson - note (a)	9,033,000	382,485	901,750	-	10,317,235
Mr P.R. Robinson	30,000	24,357	3,000	-	57,357
Mr D.J. Fairfull	10,000	-	-	-	10,000
Mr D.C. Williamson	10,000	-	10,000	-	20,000
<b>Specified executives</b>					
<u>Ordinary shares</u>					
Mr A.C. Buckler	4,505,625	(425,614)	86,000	-	4,166,011
Mr M.T. Smith	2,250,000	(207,012)	225,000	-	2,267,988
Mr R.C. Neale	5,000	-	500	-	5,500
Mr P.K. Mantell	13,000	(1,000)	1,000	-	13,000
Mr D. Brown-Kenyon	15,000	(15,000)	-	-	-
Mr C.C. Hopkins	5,000	14,400	500	-	19,900

Note (a) Option holdings and share holdings listed above for Mr G.L. Robertson exclude options and shares held by Mr Robertson's father and brother, and their related entities. Details of option holdings of Mr Robertson's father and brother and their related entities during the year were as follows - opening balance 3,672,768, net sold 15,141, closing balance 3,657,627, vested and exercisable 3,657,627. Details of share holdings of Mr Robertson's father and brother and their related entities during the year were as follows - opening balance 27,192,472, net sold 7,049,331, closing balance 20,143,141.

**Other transactions of Directors and Director related entities**

Mr GL Robertson was a Director of New Hope Corporation Limited during the year. He had an interest in an entity which has had transactions with New Hope Corporation Limited. These transactions are for the reimbursement of costs. All transactions are based on normal commercial terms and conditions. Mr Robertson's father is governing Director of Farjoy Pty Ltd. New Hope Corporation Limited has had transactions with Farjoy Pty Ltd which include payment of dividends and repayment of loans. All transactions with Farjoy Pty Ltd are based on normal commercial terms and conditions.

The Directors' and their related entities received dividends during the year in respect of their shareholdings in the Company consistent with other shareholders.

## New Hope Corporation Limited and Controlled Entities

### Notes to and forming part of the financial statements for the year ended 31st July 2005

#### 24. DIRECTOR AND EXECUTIVE DISCLOSURES (Cont)

##### Other transactions of Directors and Director related entities (Cont)

Mr DJ Fairfull is a Director of New Hope Corporation Limited. He has an interest in Republic Securities Limited which provided consulting services to New Hope Corporation Limited in relation to the initial public offer in the year ended 31 July 2004. Mr Fairfull also has an interest in Pitt Capital Partners Limited which acted as Financial Advisor to the Company in the sale of the overseas assets in 2005. All transactions are based on normal commercial terms and conditions.

Mr KP Standish is a Director of certain subsidiaries of New Hope Corporation Limited. Mr Standish is a partner in the firm Campbell Standish Partners Solicitors which has provided legal services to New Hope Corporation Limited and its subsidiaries for several years. All transactions are based on normal commercial terms and conditions.

Aggregate amounts of each of the above types of transactions with Directors and their Director related entities were as follows:

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Dividends paid	1,553,335	320,381	1,553,335	320,381
Reimbursement of costs	168,927	219,527	168,927	219,527
Loan repayments to Director related entities	-	527,357	-	527,357
Legal advice	343,149	210,857	343,149	48,653
Consulting fees paid	-	805,615	-	805,615
Financial advice fees paid	5,772,297	-	5,772,297	-

#### 25. RELATED PARTIES

##### Wholly owned group

The wholly owned group consists of New Hope Corporation Limited and its wholly owned controlled entities as set out in note 10. Ownership interests in these controlled entities are set out in note 10.

Transactions between New Hope Corporation Limited and related parties in the wholly owned group during the years ended 31 July 2005, and 31 July 2004 consisted of:

- loans advanced by New Hope Corporation Limited;
- loans repaid to New Hope Corporation Limited;
- the payment of interest on the above loans;
- the receipt of interest on the above loans;
- management, supervision and service fees paid and received;
- purchase and sale of coal and other related services;
- dividends paid;
- dividends received; and
- transactions between New Hope Corporation Limited and members of the tax consolidated group under the TSA.

The above transactions were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms for the repayment of principal on loans.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with related parties in the wholly owned group were as follows:				
Interest revenue	-	-	620	830
Management and supervision fees received	-	-	9,633	5,708
Dividends received	-	-	46,500	1,544
Contributions received towards group tax expense under the TSA	-	-	17,128	8,158

Aggregate amounts receivable from and payable to related parties in the wholly owned group at balance date are as disclosed in notes 6, 9 and 16.



## New Hope Corporation Limited and Controlled Entities

### Notes to and forming part of the financial statements for the year ended 31st July 2005

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
<b>25. RELATED PARTIES (Cont)</b>				
<b>Other related parties</b>				
Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with associated entities were as follows:				
Handling and commission received	31,427	40,869	-	-
Interest received	15	28	-	-
Handling and commission expense	6,501	6,351	-	-
Management and service fees received	1,436	1,102	1,202	652
Partnership income received	2,882	2,499	-	-

Aggregate amounts brought to account in relation to other transactions with the controlling entity were as follows:

Repayment of loan advanced from controlling entity *	-	4,786	-	4,786
Dividends paid / payable	20,589	3,366	20,589	3,366

Aggregate amounts brought to account in relation to other transactions with associated entities were as follows:

Loan advanced to associated entities	2,882	2,499	-	-
Repayment of loan advanced to associated entities	2,950	2,550	-	-

The above transactions were made on normal commercial terms and conditions and at market rates.

All loans advanced from and made to related parties are expected to be repaid within 12 months of the advance.

\* These transactions represent interest free shareholder loans

#### Controlled entities

The ultimate controlling entity in the wholly owned group is New Hope Corporation Limited. The ultimate Australian controlling entity is Washington H. Soul Pattinson & Company Limited which at 31st July 2005 owns 61.16% (2004 63.38%) of the issued ordinary shares of New Hope Corporation Limited. This Company is also the ultimate controlling entity.

#### Ownership interests in related parties

Interests held in associated entities are set out in notes 30 and 31.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>26. REMUNERATION OF AUDITORS</b>				
During the year the auditor of the parent entity earned the following remuneration:				
Auditing services to the entity or any entity in the consolidated entity	140,590	121,000	140,590	121,000
Other services to the entity or any entity in the consolidated entity	1,122,264	791,457	1,122,264	791,457
	<u>1,262,854</u>	<u>912,457</u>	<u>1,262,854</u>	<u>912,457</u>
Remuneration of other auditors				
Auditing services to the entity or any entity in the consolidated entity	<u>22,417</u>	<u>44,601</u>	<u>-</u>	<u>-</u>

**New Hope Corporation Limited and Controlled Entities**

**Notes to and forming part of the financial statements  
for the year ended 31st July 2005**

<b>27. FINANCIAL REPORTING BY SEGMENTS</b>	<b>Australia \$000</b>	<b>Asia \$000</b>	<b>Consolidated \$000</b>
<b>Geographical segments</b>			
<b>2005</b>			
Sales to external customers	189,524	41,143	230,667
Other revenue	10,782	496,994	507,776
Total revenue	<u>200,306</u>	<u>538,137</u>	<u>738,443</u>
Segment result before tax	73,475	463,035	536,510
Segment result after tax	54,625	416,592	471,217
Segment assets	814,584	-	814,584
Segment liabilities	114,538	-	114,538
Acquisition of fixed assets	18,863	479	19,342
Depreciation and amortisation	16,710	5,739	22,449
Other non cash expenses	1,081	-	1,081
Share of net profits of associates and partnerships	3,494	36,441	39,935
Carrying value of equity accounted investments	3,740	-	3,740
<b>2004</b>			
Sales to external customers	141,597	49,349	190,946
Other revenue	10,320	39,822	50,142
Total revenue	<u>151,917</u>	<u>89,171</u>	<u>241,088</u>
Segment result before tax	30,955	77,039	107,994
Segment result after tax	21,951	58,618	80,569
Segment assets	221,784	220,299	442,083
Segment liabilities	98,722	46,145	144,867
Acquisition of fixed assets	24,042	397	24,439
Depreciation and amortisation	15,578	7,213	22,791
Other non cash expenses	189	-	189
Share of net profits of associates and partnerships	2,674	16,599	19,273
Carrying value of equity accounted investments	3,378	52,225	55,603

During the year the Company operated substantially in one industry segment being coal mining and support activities and in the geographical segments of Queensland, Australia and the Asian region.

Australian sales to external customers includes coal sales to Japan which originated from Australian companies. For the year ended 31 July 2005 this amounted to \$109,398,000 (2004 \$79,959,000).

**28. SUPERANNUATION COMMITMENTS**

The group contributes to two primary superannuation funds which exist to provide benefits for employees and their dependants on retirement, disability or death. The funds include Company sponsored funds and statutory retirement funds and are accumulation type funds. The details of the two primary funds are as follows:

<b>Name of fund</b>	<b>Type of benefit</b>	<b>Basis of contribution</b>	<b>New Hope Group legal obligations to contributions</b>
New Hope Superannuation Plan	Accumulation fund	Group companies contribute agreed sums to the fund	Enforceable
Auscoal	Accumulation fund	Percentage of an industry classification rate of pay contributed by members and New Hope Group	Enforceable

Under the choice of fund legislation, employees may alternatively have their contributions paid into a complying fund of their choosing under substantially the same terms as those funds listed above.

# New Hope Corporation Limited and Controlled Entities

## Notes to and forming part of the financial statements for the year ended 31st July 2005

### 29. JOINT VENTURE OPERATION

A controlled entity has an interest in a joint venture operation called Reorganic Energy Swanbank that operates a landfill gas project. The controlled entity has a 33.33% participating interest in the joint venture and is entitled to 33.33% of its output. The consolidated entity's interests in the assets employed in the joint venture are included on the consolidated statement of financial position.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
<b>Current assets</b>				
Cash	50	161	-	-
Other	318	170	-	-
	368	331	-	-
<b>Non current assets</b>				
Plant and equipment at cost	581	520	-	-
Accumulated depreciation	(171)	(105)	-	-
	410	415	-	-
Share of assets employed in the joint venture	778	746	-	-

### 30. INVESTMENTS IN ASSOCIATED COMPANIES

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. These investments are held by Andrew Wright Holdings Pty Ltd and Indonesia Coal Pty Ltd (up to June 2005), controlled entities of New Hope Corporation Limited. Information relating to the associates is as follows:

	Name of company	Year end	Principal activity	Ownership interest		Consolidated	
				2005	2004	2005	2004
Unlisted				%	%	\$000	\$000
	Queensland Bulk Handling Pty Ltd	June	Coal handling	50.00	50.00	2,946	2,569
	Queensland Commodity Exports Pty Ltd	June	Woodchip handling	33.33	33.33	794	809
	Vindoor Investments (Mauritius) Ltd	December	Investment	-	40.83	-	10,158
	PT Adaro Indonesia	December	Coal mining	-	40.83	-	42,067
						3,740	55,603

#### Movements in the carrying amounts of investments in associates

Carrying amount at the beginning of the financial year	55,603	51,858
Adjustment from the disposal of the interest in an equity investment	(35,635)	-
Share of profits after income tax	37,053	16,774
Dividends received / receivable	(48,088)	(10,012)
Share of foreign currency translation reserve	(5,193)	(3,017)
Carrying amount at the end of the financial year	3,740	55,603

#### Results attributed to associates

Operating profit before income tax	52,981	22,560
Income tax expense	(15,928)	(5,786)
Operating profit after income tax	37,053	16,774
Dividend received / receivable	(48,088)	(10,012)
	(11,035)	6,762
Retained profits attributable to associates at the beginning of the financial year	23,506	16,744
Disposal of investment in associates	(9,734)	-
Retained profits attributable to associates at the end of the financial year	2,777	23,506

**New Hope Corporation Limited and Controlled Entities**

**Notes to and forming part of the financial statements  
for the year ended 31st July 2005**

	Consolidated	
	2005	2004
	\$000	\$000
<b>30. INVESTMENTS IN ASSOCIATED COMPANIES (Cont)</b>		
<b>Reserves attributable to associates</b>		
Foreign currency translation reserve		
Balance at the beginning of the financial year	(16,483)	(13,467)
Net exchange differences on translation of foreign associate entities	(5,193)	(3,016)
Transfer to retained profits on disposal of foreign associate entities	21,676	-
Balance at the end of the financial year	-	(16,483)
 <b>Summary of the performance and financial position of associates</b>		
The aggregate profits, assets and liabilities of associates are:		
Profits from ordinary activities after related income tax expense	91,030	41,084
Assets	12,731	486,891
Liabilities	4,459	352,393
 <b>Share of associates' contingent liabilities</b>		
Coal sale contract performance bonds in the amount of Rp nil (2004 - Rp54,932,380,000)	-	8,563
Coal sale contract performance bonds in the amount of US\$ nil (2004 - US\$991,750)	-	1,420
 <b>Share of associates' expenditure commitments</b>		
Nil	-	-

**31. INTEREST IN BUSINESS**

Andrew Wright Holdings Pty Ltd, a controlled entity of New Hope Corporation Limited holds a 50% interest in a partnership named Bulk Terminal Services, whose principal activity is supply of services. The partnership's year end is 30 June. The consolidated entity did not receive any products or services directly from the partnership.

Contribution of the partnership to operating profit of the consolidated entity	2,882	2,499
--	-------	-------

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
<b>32. RECONCILIATION OF NET CASH INFLOW / OUTFLOW FROM OPERATING ACTIVITIES TO OPERATING PROFIT AFTER INCOME TAX</b>				
Operating profit after income tax	471,217	80,569	186,317	2,309
Depreciation and amortisation	22,449	22,791	586	338
Net (profit) / loss on sale of investment	(406,085)	(2,547)	(175,004)	-
Dividend received (non cash)	-	-	(46,500)	(1,544)
Net foreign exchange (gain) / loss	(2,560)	(198)	-	-
Net (profit) / loss on sale of non current assets	(1,323)	(343)	6	(2)
Share of (profits) / losses of associates not received as dividends	11,035	(6,762)	-	-
Partnership income	(2,882)	(2,499)	-	-
Interest, guarantee and management fees	-	(379)	(1,848)	(79)
Income taxes paid	(19,279)	(19,676)	(10,489)	(681)
Income tax expense in accounts	65,293	27,437	41,177	846
Changes in operating assets and liabilities				
(Increase) / decrease in debtors	8,339	(389)	20	(8)
Increase / (decrease) in creditors and employee entitlements	(10,960)	4,155	680	(712)
(Increase) / decrease in other operating assets	-	-	6,054	104
(Increase) / decrease in forward overburden and stripping costs	1,088	(243)	-	-
(Increase) / decrease in inventories	(5,128)	3,859	-	-
Increase / (decrease) in accrued restoration costs	1,226	3,200	-	-
(Increase) / decrease in prepayments	1,683	1,491	(189)	1,320
<b>Net cash provided by operating activities</b>	134,113	110,466	810	1,891

New Hope Corporation Limited and Controlled Entities

Notes to and forming part of the financial statements  
for the year ended 31st July 2005

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
<b>33. CURRENT ASSETS - Cash</b>				
Cash at bank and on hand	590,499	26,818	590,349	18,766
	<u>590,499</u>	<u>26,818</u>	<u>590,349</u>	<u>18,766</u>

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	590,499	26,818	590,349	18,766
Add short term deposits (note 6)	-	18,171	-	-
<b>Balances per statement of cash flows</b>	<u>590,499</u>	<u>44,989</u>	<u>590,349</u>	<u>18,766</u>

**34. EARNINGS PER SHARE**

During the current financial year the company completed the sale of its overseas operations. Details of the sale are contained in note 36 to the accounts. Adjusted earnings per share have been calculated to exclude this non regular item, and the non regular items disclosed in the previous financial year.

	Consolidated	
	2005	2004
	\$000	\$000
<u>Reconciliation of adjusted profits</u>		
Net profit attributable to New Hope shareholders	463,283	59,406
Gain on sale of overseas assets	(366,630)	-
Receipt from breach of coal handling contract	-	(13,575)
Effect of entry into tax consolidations	-	(2,331)
Gain on sale of Minerva Coal Pty Ltd	-	(2,547)
Adjusted net profit attributable to New Hope shareholders	<u>96,653</u>	<u>40,953</u>

	Weighted average number of shares used as the denominator		Earnings per share (cents)	
	2005	2004	2005	2004
<u>Unadjusted earnings per share</u>				
Basic earnings per share	736,543,424	705,526,985	62.9	8.4
Diluted earnings per share	784,413,067	797,926,376	59.1	7.4
<u>Adjusted earnings per share</u>				
Basic earnings per share	736,543,424	705,526,985	13.1	5.8
Diluted earnings per share	784,413,067	797,926,376	12.3	5.1

## New Hope Corporation Limited and Controlled Entities

### Notes to and forming part of the financial statements for the year ended 31st July 2005

#### 35. FINANCIAL INSTRUMENTS

##### (a) Off balance sheet derivative instruments

New Hope Corporation Limited and certain of its controlled entities are parties to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates.

##### Forward exchange contracts

The Australian originated export sales revenue of the consolidated entity is denominated in United States Dollars. In order to protect against adverse rate movements, a proportion of the anticipated sales revenue for future financial periods have been sold forward under forward exchange contracts. The contracts are timed to mature to match expected US Dollar revenue streams. For forward exchange contracts, the net fair value approximates the values disclosed in this note.

At balance date the details of outstanding contracts are (Australian Dollar equivalents):

Sell US Dollars	Buy Australian Dollars		Average exchange rate	
	2005	2004	2005	2004
Maturity	\$000	\$000		
0 to 6 months	23,681	30,149	0.63343	0.67995
6 to 12 months	30,897	37,345	0.61494	0.60250
1 to 2 years	39,937	32,047	0.62599	0.53048
2 to 5 years	41,621	33,881	0.69677	0.56078
	<u>136,136</u>	<u>133,422</u>		

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

The current unrecognised gain relating to these contracts at 31 July 2005 is A\$9,812,000 (2004 gain of A\$5,942,000). The non current unrecognised gain relating to these contracts at 31 July 2005 is A\$10,458,000 (2004 gain of A\$14,396,000).

##### (b) Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts. For deliverable off-balance sheet financial instruments, including derivatives, credit risk also arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. A material exposure arises from forward exchange contracts and the consolidated entity is exposed to loss in the event that counterparties fail to deliver the contracted amount. At balance date the following amounts are receivable (AUD equivalents).

	Consolidated	
	2005	2004
Australian Dollars	\$000	\$000
	136,136	133,422

**New Hope Corporation Limited and Controlled Entities**

**Notes to and forming part of the financial statements  
for the year ended 31st July 2005**

**35. FINANCIAL INSTRUMENTS (Cont)**

**(c) Interest rate exposure**

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets to maturity.

2005 - \$'000	Note	Floating interest rate	Fixed interest maturing in			Non-interest bearing	Total
			1 year or less	over 1 to 5 years	more than 5 years		
<b>Financial assets</b>							
Cash and deposits	33,8	13,737	576,734	-	-	147	590,618
Receivables	6,9	-	25,000	-	-	10,686	35,686
Other	6,9	-	-	-	-	3,921	3,921
		<u>13,737</u>	<u>601,734</u>	<u>-</u>	<u>-</u>	<u>14,754</u>	<u>630,225</u>
Weighted average interest rate		3.80%	5.61%	0.00%	0.00%	0.00%	5.44%
<b>Financial liabilities</b>							
Bank overdrafts and loans	13	-	79	-	-	-	79
Trade and other creditors	12	-	-	-	-	12,496	12,496
Other loans	13,18	-	-	-	-	-	-
		<u>-</u>	<u>79</u>	<u>-</u>	<u>-</u>	<u>12,496</u>	<u>12,575</u>
Weighted average interest rate		0.00%	4.08%	0.00%	0.00%	0.00%	0.03%
<b>Net financial assets / (liabilities)</b>		<u><u>13,737</u></u>	<u><u>601,655</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>2,258</u></u>	<u><u>617,650</u></u>

2004 - \$'000	Note	Floating interest rate	Fixed interest maturing in			Non-interest bearing	Total
			1 year or less	over 1 to 5 years	more than 5 years		
<b>Financial assets</b>							
Cash and deposits	33,8	26,783	18,171	-	-	135	45,089
Receivables	6,9	-	10,115	-	-	17,874	27,989
Other	6,9	-	3,935	-	-	1,861	5,796
		<u>26,783</u>	<u>32,221</u>	<u>-</u>	<u>-</u>	<u>19,870</u>	<u>78,874</u>
Weighted average interest rate		3.46%	2.54%	0.00%	0.00%	0.00%	2.02%
<b>Financial liabilities</b>							
Bank overdrafts and loans	13	1,526	30,769	28,336	-	-	60,631
Trade and other creditors	12	-	-	-	-	15,065	15,065
Other loans	13,18	229	-	10,401	-	-	10,630
		<u>1,755</u>	<u>30,769</u>	<u>38,737</u>	<u>-</u>	<u>15,065</u>	<u>86,326</u>
Weighted average interest rate		1.00%	2.14%	6.32%	0.00%	0.00%	3.64%
<b>Net financial assets / (liabilities)</b>		<u><u>25,028</u></u>	<u><u>1,452</u></u>	<u><u>(38,737)</u></u>	<u><u>-</u></u>	<u><u>4,805</u></u>	<u><u>(7,452)</u></u>

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

The net fair value of financial assets and liabilities of the consolidated entity approximates their carrying amounts.

## New Hope Corporation Limited and Controlled Entities

### Notes to and forming part of the financial statements for the year ended 31st July 2005

#### 36. DISCONTINUING OPERATIONS

On 7 February 2005, the company announced that it had entered into a Conditional Sale and Purchase Agreement for the disposal of its 40.83% interest in the Adaro coal mine in Indonesia, its 50% interest in PT Indonesia Bulk Terminal and its 40.83% interest in Vindoor Investments (Mauritius) Limited. Settlement of the transaction occurred on 22 June 2005, with total proceeds received by the Company on settlement of US\$406 million.

The following information details the effect of the disposal on the current operations of the company.

Reconciliation of profit on sale	A\$000
Consideration received	521,751
Liabilities extinguished	(26,887)
Carrying amount of net assets disposed	(82,348)
Costs on sale	<u>(6,431)</u>
<b>Gain on sale of overseas assets before tax</b>	<b>406,085</b>
Tax on sale	<u>(39,455)</u>
<b>Gain on sale of overseas assets after tax</b>	<b><u>366,630</u></b>

Statement of Financial Performance for the year ended 31st July	Continuing Operation		Discontinuing Operation		Consolidated	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Revenue from ordinary activities	189,524	141,597	41,143	49,349	230,667	190,946
Cost of sales	<u>(78,961)</u>	<u>(75,541)</u>	<u>(21,947)</u>	<u>(26,857)</u>	<u>(100,908)</u>	<u>(102,398)</u>
<b>Gross profit</b>	<b>110,563</b>	<b>66,056</b>	<b>19,196</b>	<b>22,492</b>	<b>129,759</b>	<b>88,548</b>
Other revenue from ordinary activities	10,782	10,320	496,994	39,822	507,776	50,142
Marketing and transportation	(43,685)	(39,458)	-	-	(43,685)	(39,458)
Administration	(5,847)	(4,658)	-	-	(5,847)	(4,658)
Borrowing costs	(548)	(2,497)	(407)	(1,874)	(955)	(4,371)
Costs on disposal of non current assets	(455)	(729)	(89,189)	-	(89,644)	(729)
Other expenses	(829)	(753)	-	-	(829)	(753)
Share of profits of associates and partnerships	3,494	2,674	36,441	16,599	39,935	19,273
<b>Profit from ordinary activities before income tax</b>	<b>73,475</b>	<b>30,955</b>	<b>463,035</b>	<b>77,039</b>	<b>536,510</b>	<b>107,994</b>
Income tax expense	<u>(18,850)</u>	<u>(9,005)</u>	<u>(46,443)</u>	<u>(18,420)</u>	<u>(65,293)</u>	<u>(27,425)</u>
<b>Net profit after income tax</b>	<b>54,625</b>	<b>21,950</b>	<b>416,592</b>	<b>58,619</b>	<b>471,217</b>	<b>80,569</b>
Net profit attributable to outside equity interests	<u>-</u>	<u>(21)</u>	<u>(7,934)</u>	<u>(21,142)</u>	<u>(7,934)</u>	<u>(21,163)</u>
<b>Net profit attributable to New Hope Shareholders</b>	<b><u>54,625</u></b>	<b><u>21,929</u></b>	<b><u>408,658</u></b>	<b><u>37,477</u></b>	<b><u>463,283</u></b>	<b><u>59,406</u></b>

#### Cash flow information for the year ended 31st July

Cash inflow / (outflow) from operating activities	120,482	56,608	13,631	53,858	134,113	110,466
Cash inflow / (outflow) from investing activities	(1,301)	(14,260)	488,569	(680)	487,268	(14,940)
Cash inflow / (outflow) from financing activities	<u>(39,381)</u>	<u>(24,168)</u>	<u>(23,200)</u>	<u>(54,602)</u>	<u>(62,581)</u>	<u>(78,770)</u>
<b>Net increase / (decrease) in cash held</b>	<b><u>79,800</u></b>	<b><u>18,180</u></b>	<b><u>479,000</u></b>	<b><u>(1,424)</u></b>	<b><u>558,800</u></b>	<b><u>16,756</u></b>



**New Hope Corporation Limited and Controlled Entities**  
**Directors Declaration**

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 14 to 46 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 July 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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

R.D. Millner  
Director

D.C. Williamson  
Director

Sydney  
26 September 2005

# New Hope Corporation Limited and Controlled Entities

## Financial Statements - 31st July 2005

### Independent Audit Report to the members of New Hope Corporation Limited

#### Audit opinion

In our opinion the financial report of New Hope Corporation Limited:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of New Hope Corporation Limited and the New Hope Corporation Group (defined below) as at 31 July 2005, and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001; and

This opinion must be read in conjunction with the rest of our audit report.

#### Scope

##### The financial report, remuneration disclosures and Directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration for both New Hope Corporation Limited (the Company) and the New Hope Corporation Group (the consolidated entity), for the year ended 31 July 2005. The consolidated entity comprises both the Company and the entities it controlled during that year.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

#### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

R.A. Baker  
Partner

Sydney  
26 September 2005

**New Hope Corporation Limited**  
**Shareholder Information as at 22 September 2005**

As at 22 September 2005 there were 4,772 holders of ordinary shares in the Company.

Voting entitlement is one vote per fully paid ordinary share

Distribution of equity securities	Number of shareholders	Fully paid ordinary shares	Number of optionholders	Ordinary options
1 - 1,000	898	362,412	3,450	1,087,332
1,001 - 5,000	2,187	9,486,294	67	168,040
5,001 - 10,000	942	6,651,120	23	171,566
10,001 - 100,000	696	18,259,935	23	636,924
100,001 and over	49	760,898,298	3	4,959,877
	<u>4,772</u>	<u>795,658,059</u>	<u>3,566</u>	<u>7,023,739</u>
Holding less than a marketable parcel	490		3,372	

The names of substantial shareholders as disclosed in substantial shareholder notices received by the Company:

Shareholder	Number of shares	%
Washington H Soul Pattinson and Company Limited	493,696,418	62.05%
Mitsubishi Materials Corporation	86,790,000	10.91%
Domer Mining Co Pty Limited	52,656,823	6.62%
Perpetual Trustees Australia Limited	62,753,203	7.89%

20 largest shareholders as disclosed on the share register as at 22 September 2005

1	Washington H Soul Pattinson and Company Limited	493,696,418	62.05%
2	Mitsubishi Materials Corporation	86,790,000	10.91%
3	Domer Mining Co Pty Limited	52,656,823	6.62%
4	RBC Global Services Australia Nominees Pty Limited (Pipooled A/C)	27,770,506	3.49%
5	Farjoy Pty Ltd	18,832,391	2.37%
6	RBC Global Services Australia Nominees Pty Limited (Piic A/C)	14,206,501	1.79%
7	Brickworks Investment Company Limited	14,060,452	1.77%
8	Taiheiyu Kouhatsu Inc	11,940,000	1.50%
9	National Nominees Limited	10,733,144	1.35%
10	J P Morgan Nominees Australia Limited	9,895,080	1.24%
11	Aspac Mining Limited	4,102,485	0.52%
12	AMP Life Limited	2,120,682	0.27%
13	RBC Global Services Australia Nominees Pty Limited (Bkcust A/C)	1,670,766	0.21%
14	Citicorp Nominees Pty Limited	1,373,922	0.17%
15	Westpac Custodian Nominees Limited	1,276,037	0.16%
16	Dixson Trust Pty Limited	1,160,251	0.15%
17	J S Millner Holdings Pty Limited	929,197	0.12%
18	Choiseul Investments Limited	584,607	0.07%
19	ANZ Nominees Limited (Cash Income A/C)	454,363	0.06%
20	T G Millner Holdings Pty Limited	425,277	0.05%
		<u>754,678,902</u>	<u>94.87%</u>

Unquoted equity securities	Number on issue	Number of holders
Options issued under the New Hope Corporation Limited Employee Share Option Plan to take up ordinary shares	7,690,000	13