



**New Hope**  
Corporation Limited

A.B.N. 38 010 653 844

Directors' Annual Report  
and  
Financial Statements

2008

# New Hope Corporation Limited and Controlled Entities

## Financial Summary

	2008 \$000	2007 \$000	2006 \$000	2005 \$000
Total revenue	329,787	248,754	251,317	241,879
Profit before tax	128,729	92,579	94,688	520,916
Income tax expense	(38,045)	(23,270)	(25,993)	(65,192)
Profit after tax	90,684	69,309	68,695	455,724
Net profit attributable to NHCL members	90,684	69,309	68,695	447,790
Profit after tax from continuing operations	90,684	69,309	68,695	53,127
Total assets employed	990,561	849,329	627,800	809,034
Shareholders' funds	827,607	731,198	568,290	697,862
Dividends paid during the financial year	62,661	73,549	144,003	32,077

	2008	2007	2006	2005
Weighted average shares on issue	808,539,516	806,975,625	798,043,955	736,543,424
Net profit attributable to NHCL members as a % of shareholders' funds	10.96%	9.48%	12.09%	64.17%
Earnings per share (cents)	11.2	8.6	8.6	60.8
Earnings per share (cents) from continuing operations	11.2	8.6	8.6	7.2
Normal dividends per share (cents)	5.75	4.60	4.50	3.75
Special dividends per share (cents)	8.00	3.00	4.50	13.00
Return of capital per share (cents)	-	-	-	10.00
Net tangible asset backing per share (cents)	101.11	90.07	70.57	90.41

New Hope Corporation Limited and Controlled Entities  
Corporate Directory

DIRECTORS

**Robert D. Millner**  
Chairman of Directors

**Peter R. Robinson**  
Non Executive Director

**David J. Fairfull**  
Non Executive Director

**David C. Williamson**  
Non Executive Director

**William H. Grant**  
Non Executive Director

CHIEF EXECUTIVE OFFICER

**Robert C. Neale**

SECRETARY

**Paul K. Mantell**

AUDITORS

**PricewaterhouseCoopers**  
Level 15, Riverside Centre  
123 Eagle Street  
BRISBANE QLD 4000

PRINCIPAL ADMINISTRATION & REGISTERED OFFICE

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WEBSITE ADDRESS

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SHARE REGISTER

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BRISBANE QLD 4000  
Telephone : 1300 552 270  
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ASX Code: NHC

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2008

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 2008.

### 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 W.H. Grant

Consolidated results	2008 \$000	2007 \$000	% Change
Total continuing revenue	329,787	248,754	+ 32.6%
Profit from continuing operations before income tax	128,729	92,579	+ 39.0%
Profit from continuing operations after income tax	90,684	69,309	+ 30.8%
Profit attributed to the members of New Hope Corporation Limited	90,684	69,309	+ 30.8%
Earnings per share (cents)	11.2	8.6	+ 30.2%
Final dividend (cents)	3.50	2.50	+ 40.0%
Interim dividend (cents)	2.25	2.10	+ 7.1%
Special dividend (cents)	8.00	3.00	+ 166.7%
Total dividends (cents)	13.75	7.60	+ 80.9%

### Principal activities

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

- Mining and sale of coal
- Operation of an export coal handling port facility
- Exploration and land management activities
- Investment in coal seam gas operations

### Dividends

Dividends paid to members during the financial year were:

	\$000
• A final ordinary dividend for the year ended 31 July 2007 of 2.5 cents per share paid on 13 November 2007	20,212
• A special dividend for the year ended 31 July 2007 of 3.0 cents per share paid on 13 November 2007	24,255
• An interim ordinary dividend for the year ended 31 July 2008 of 2.25 cents per share paid on 7 May 2008	18,194

In addition to the above dividends, since the end of the financial year, the Directors have declared a final ordinary dividend of 3.5 cents per share, and a special dividend of 8.0 cents per share. Both of these dividends are fully franked, to be paid on 11 November 2008 out of retained profits at 31 July 2008, the record date for such dividend to be 27 October 2008. This will provide shareholders of New Hope with total dividends for the year of 13.75 cents per share (2.25 cents interim) compared with total dividends for the 2007 year of 7.6 cents per share, including a special dividend of 3.0 cents per share.

### Review of operations

New Hope Corporation Limited (New Hope) has reported a net profit after tax from its coal mining, investments and port operations of \$90.684 million for the year ended 31st July 2008 (2007: \$69.309 million), a 31% increase over last year.

Basic earnings per share for the year ended 31 July 2008 were 11.2 cents which was 30% higher than the 8.6 cents per share earned in 2007.

Directors have declared a final ordinary dividend of 3.5 cents per share and a special dividend of 8.0 cents per share. Both of these dividends are fully franked, to be paid on 11 November 2008. The record date for such dividends to be 27 October 2008.

There is no impact on the 31 July 2008 New Hope financial year results due to the sale of the New Saraji Project to BHP Billiton Mitsubishi Alliance (BMA) which was completed on 10th September 2008. The benefit of the sale proceeds of this \$2.45 billion transaction will be reported in the 31 July 2009 New Hope financial year.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2008

(Continued)

The 2008 result benefited from:

- Higher coal sales prices for both export and domestic coal coupled with higher export coal sales tonnages;
- Continued saleable coal production growth, which was up 16% to 4.451 million tonnes for the year;
- Higher contribution from the Queensland Bulk Handling (QBH) operations at the Port of Brisbane, due to QBH becoming a 100% owned subsidiary of New Hope in August 2007.

offset by:

- A strengthening Australian dollar against the US dollar during the year;
- Lower interest revenue mainly due to expenditure on acquiring the remainder of QBH during the year, further investment in Arrow Energy Limited, and ongoing exploration and project expenditures;
- Increased mining costs.

### Operations

Total saleable coal production from New Hope's operations in the 2008 year was 4.451 million tonnes, 16% higher than in 2007. The Company's operations result which excludes interest income and non regular items increased by 65% from \$49.8 million in 2007 to \$82.3 million in 2008. This increase continues the trend over the past few years as production volumes and prices have continued to improve as have the operating margins, despite increasing costs.

Total coal sold during the year was 15% higher at 4.452 million tonnes, compared with 3.868 million tonnes sold in the 2007 year. Coal export volumes rose by 623,000 tonnes (or 24%) to 3.225 million tonnes while domestic sales were some 39,000 tonnes lower (or 3%) at 1.227 million tonnes.

### New Acland Mine

The New Acland Mine is located 16km north west of Oakey on the Darling Downs in South East Queensland and is the Company's major production source with some 3.92 million tonnes produced during the year. This reflects the benefits of the New Acland Stage 2 expansion of 1.2 million tonnes to the rate of 3.65 million tonnes per year which was completed in May 2007. Further efficiency improvements have enabled increased production capacity during the last quarter to the annualised rate of 4.2 million tonnes per annum. New Acland has also initiated the development of a second open cut pit south of the current operations to maximise coal qualities and operating flexibility. First coal from this southern pit is expected to be processed in mid September 2008. We also expect to see some of the benefits emerge from planned business improvement initiatives toward the end of this coming financial year.

Planning has commenced on the next incremental expansion at New Acland (New Acland Stage 3 expansion). The planning is expected to be completed in September 2008 and a decision considered in October 2008. If approved, this expansion could be completed in 12-18 months subject to construction contractor availability. The scale of this incremental expansion will maximise existing mining approvals and available rail capacity. Additionally, mine planning studies have also been initiated on assessing the preferred options for a potential New Acland Expansion Stage 4 which would optimise future production pathways. The supporting mining lease application is on track with a decision by the Queensland Government expected in early 2010. The draft terms of reference for the Environmental Impact Statement (EIS) have now been released for public comment, and background studies are well advanced.

### West Moreton Mines

The balance of coal production in the 2008 year of 531,000 tonnes came from the New Oakleigh mine in the West Moreton district, near Ipswich. Production from New Oakleigh was 5% higher than the prior year. The coal reserves of New Oakleigh are likely to be exhausted in calendar 2009, however we are re-evaluating the potential for remnant coal at the mine site that might be able to be economically recovered at current export prices albeit at higher operating costs. If successful, this possibility could add some 1-2 years of production capacity at current mining rates.

Previous mining operations at Jeebropilly ceased in February 2007 due to the consumption of all economic reserves at that time. Our interest in the Jeebropilly coal resource has been reignited in the current export pricing environment. Updated mine planning has indicated that there could be up to 3 to 5 million tonnes of additional economic reserves (non JORC criteria) subject to the sustainability of the current high prices, with an initially planned 500,000 tonnes per year production rate. This operation will be at a higher cost than in the past due to higher strip ratios, but would not be subject to the rail restrictions of the Toowoomba Range and is only 85 kms from the coal ship loading facilities at the Port of Brisbane. Overburden removal of the re-commissioned operations commenced in June 2008 with coal mining commencing in September 2008.

This re-commissioning project will be profitable, but with lower margins than New Acland and is estimated to have a low capital cost of about \$30-\$36 million over 3 years depending on final production rates. The existing wash plant at Jeebropilly which processes the New Oakleigh coal has a capacity of some 1.8 million tonnes per year which is able to process the additional Jeebropilly coal. Additional mobile equipment requirements will reflect the bringing forward of normally scheduled replacement units from Acland. Overall this is a low risk project that allows New Hope to take further advantage of the current export demand for coal.

## New Hope Corporation Limited and Controlled Entities

### Directors Report - 31st July 2008

(Continued)

#### Queensland Bulk Handling

On 1st August 2007, New Hope purchased the remaining 50% equity in Queensland Bulk Handling Pty Ltd (QBH), and now owns 100% of this coal ship loading facility. QBH's throughput was a new record in the 2008 year with 5.472 million tonnes loaded onto 82 ships through the facility, a 21% increase in exports over the previous year. The QBH facility continues to operate essentially demurrage free and is operating at about maximum throughput under existing stockyard capacity and rail constraints.

QBH has committed to an expansion of the coal handling facilities with the addition of new stockpiles and associated infrastructure to meet increased forecast coal exports through the Port of Brisbane as extra rail capacity is forecast to become available. Expansion work is well underway with the relocation of the environmental dam and the placement of initial stockpile base fill. A contract for the design, procurement and construction has been placed for a new coal stacker and the design work is progressing well on the related engineering of the proposed piling, reclaim facilities, civil and electrical works. The project is likely to be completed by the end of 2010 and there should be minimal interruption to scheduled coal exports during the expansion activities, given reasonably even coal throughput rates as experienced over past years. Two new potential export mines have initiated discussions with QBH regarding access to coal export capacity.

#### Wetalla Pipeline Project

Design work has been completed and an EIS has been prepared to construct a 46km pipeline from the Toowoomba Regional Council Wetalla Water Reclamation Plant to the New Acland Mine. Approval is expected in the first half of the 2009 financial year, with construction scheduled to be completed during the second half of the 2009 financial year. The pipeline has a design capacity of 5,500 megalitres per annum and a capital cost of \$33 million. This project essentially drought proofs the New Acland mine.

#### New Hope Exploration

The major focus of our exploration and development programme in the 2008 financial year has been to advance the exploration and development plans for the New Saraji Project which was consistent with New Hope's major business objectives for the year. Overall, our exploration expenditures have approximately doubled to \$14.3 million with the New Saraji Project representing some \$7.1 million or nearly 50%.

All of these efforts have been successful in adding value to the project which has been reflected in the purchase price paid by BMA. This risk free price represents a premium over the estimated net cash flows of the proposed longwall mine over the next 20 years.

A natural consequence of these focused New Saraji Project activities has been a proportionally lower than usual emphasis on the remaining exploration projects. New Hope's exploration strategy remains unchanged and is directed toward evaluating open cut and underground coking coal resources in Central Queensland, open cut thermal coal in South East Queensland and evaluating coals as potential sources of both surface and possible underground gasification and liquefaction projects. Outside of the New Saraji Project evaluation, New Hope's exploration activities have been directed to proving up resources associated with its new mining lease at Lenton, evaluating future target drill sites at the Bee Creek EPC and refining geological modelling for its Darling Downs tenements (the Downs Project).

The Downs Project consists of ten non-contiguous Exploration Permits for coal (EPC's) that cover an area of 4,500 square kilometres from Toowoomba, northwest to Jimbour and south to Inglewood in southeast Queensland. The exploration activities target the stratigraphy containing the coal seams of the Upper and Lower Walloon Coal Measures (WCM) within the Surat Basin. The aim of the Downs Project is to locate thermal coal resources similar to the existing New Acland Mine resource and to identify coal resources suitable for coal gasification and liquefaction.

Reinterpretation of the 2007 aerial magnetic survey has better defined the surface basalt flows, both locally at Acland and across the general Downs Project areas. Overall the areas of greatest exploration interest include Jimbour, Pittsworth, Mt Russell and Wyrema.

Further work was undertaken at both the New Acland Mine and Jeebropilly Mine to provide data for mine planning, scheduling and coal processing associated with proposed mine expansions and extensions.

Relative to past years our exploration efforts excluding New Saraji Project have been somewhat hampered during the year due to seasonal and unseasonable rainfall. Additional contractor drilling rigs continue to supplement New Hope's own drilling operations where possible. New Hope has also placed an order for a new drilling rig in 2008, with delivery due later in the year.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2008

(Continued)

### Coal to Synfuels

New Hope continued its research activities regarding the evaluation of conversion of Acland coal into gas followed by possible power generation and / or liquefaction. New Hope performed the first dynamic coal gasification trial in March and improved the gasification yield by some 25% relative to the static trials. Preliminary design on a slurry bed reactor has been initiated to test the conditions for maximum conversion of the coal gas to diesel transportation fuel. Trials on this proposed reactor is possible in the first quarter 2009, which could be followed by some fully integrated trials toward the end of 2009.

Separately, we have initiated a testing program to trial a different technology set to maximise the production of a synthetic crude oil from Acland coal. These initial trials should be complete by the end of this calendar year. Following these trials we will likely initiate some scoping engineering studies ahead of a preliminary feasibility study (+/- 30% accuracy) during 2009.

### Land

During the development cycle of its exploration and coal mining activities, New Hope has acquired approximately 10,000 hectares of land around Ipswich, Rosewood, Amberley and Acland. Approximately 7,000 hectares of land is held in the Acland region and New Hope has established an agricultural company (Acland Pastoral Company Pty Ltd) to manage these extensive landholdings. Cattle grazing, cropping, pasture management, and piggery operations are key activities of Acland Pastoral. These activities will be ongoing over the life of New Acland mining operations and rehabilitation.

In past years New Hope has been successful in adding value to its Ipswich landholdings where mining has ceased – most notably near Swanbank, where New Hope entered into joint ventures with Thiess and Wingate to develop a fully licensed land fill site on one of its mined out coal mining tenement areas and supported the development of the Swanbank Industrial Park.

With the likely completion of mining operations in the Ipswich Region over the next 3 to 5 years, New Hope has completed preliminary studies of this 2,900 hectare area to identify the most appropriate future land use post mining. Following completion of the studies, New Hope is preparing conceptual development plans to guide the post mining development of the land, including a combination of urban, commercial, recreational, industrial and ecological uses.

### Arrow Energy Limited

New Hope acquired its initial shareholding in Arrow Energy in July 2006, and has subsequently increased its shareholding via exercising options and purchasing additional shares. As at 31 July 2008 New Hope held 120.6 million shares at a total cost of \$111.7 million equivalent to 17.2% of the company. Arrow Energy's share price on 31 July 2008 was \$3.27 valuing the New Hope investment at \$394.4 million, representing an unrealised gain before tax of \$282.7 million.

### Outlook

New Hope has reliable and very efficient, low cost mining operations and employs experienced supporting personnel (including its own exploration crews) to underwrite the continued growth in earnings over the coming years, which continues the trend over the past 5 years. The sale of the New Saraji Project further strengthens an already strong balance sheet after the expected return of dividends to shareholders. New Hope is investing in the necessary infrastructure to support the expanded New Acland operations via the Wetalla pipeline and the expanded QBH operations.

The re-commissioning of the Jeebropilly Mine and the possible extension of the New Oakleigh Mine will add to our export production over the next few years. Overall, the combined total coal production for the coming year is likely to be in the order of 4.9 million tonnes. New Hope has well priced contracts to support the increased production.

The Lenton Project (coking and thermal coals) will be further evaluated to determine the best development path over the next few years. A number of alternative strategies are being evaluated with port capacity being a possible development constraint before 2010.

Our exploration portfolio remains strong with good indications of additional coal resources which could be suitable for export and or conversion fuels in the Downs Project. Bee Creek remains a region of special interest for coking coals and will be drilled over the next 12 months.

If our coal conversion trials prove successful, subject to engineering and feasibility studies, New Hope is well positioned to economically deploy these technologies to shareholders advantage.

Our very strong balance sheet allows New Hope to plan its future projects with confidence and we are very well positioned to take advantage of any acquisitions which allow us to leverage our strengths.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2008

(Continued)

### Capital Management

New Hope's operations continue to perform strongly and it is likely that significant earnings growth will continue in the 2009 financial year as coal prices are expected to remain strong supported by the Company's incremental mine expansions and extensions.

Operating profit after tax for 2009 is likely to be in the range of \$125 million to \$150 million subject to the continuation of the strong international coal price and the volatility of the A\$:US\$ exchange rate, and any other unforeseen circumstances.

Proceeds from the sale of the New Saraji Project to BMA totalling \$2.45 billion have been placed on deposit with major Australian banks. Interest revenue earned on these term deposits will add significantly to New Hope's 2009 profit result and will be in addition to the projected operating profit for 2009 mentioned above.

Directors have indicated that a special dividend in the order of \$600 million will be paid to shareholders in conjunction with the final 2009 year dividend in November 2009. The timing of this special dividend coincides with income tax on the sale of the New Saraji Project of approximately \$725 million being payable at the time and lodgement of the Company's 2009 financial year tax return in late calendar year 2009. This will allow the special dividend to be fully franked in the hands of the shareholders. The Directors in arriving at the special dividend have taken into consideration the company's ongoing capital requirements and the need to continue to actively pursue new investment opportunities in the energy sector.

### Insurance of officers

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

### Proceedings on behalf of the Corporation

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Corporation, or to intervene in any proceedings to which the Corporation is a party, for the purpose of taking responsibility on behalf of the Corporation for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Corporation with leave of the Court under section 237 of the *Corporations Act 2001*.

### 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 is 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 2008

(Continued)

### Environmental compliance

The Company's mining operations are regulated by the Queensland Environmental Protection Agency under the Environmental Protection Act 1994. The Company's mining activities are authorised by a series of site based environmental authorities.

During the 31 July 2008 financial year, the Company maintained a competent standard of environmental management across all coal operations. A number of significant positive environmental outcomes were achieved by the Company during a unique period involving the recommencement of mining activities at Jeebropilly and the on-going Stage 2 expansion at New Acland Mine.

The Company continued its growth during 2008 financial year with three new projects in progress requiring Environmental Impact Statements under the Environmental Protection Act 1994 (1) and the State Development and Public Works Organisation Act 1971 (2). The three new projects comprised the New Acland Mine Stage 3 expansion Project, the Wetalla Water Pipeline Project, and the New Saraji Coal Project, which was later sold to the BHP Billiton Mitsubishi Alliance.

During the 2008 financial year, the Company submitted an annual report under the Commonwealth's Greenhouse Challenge Plus program and entered the next phase of the Commonwealth's Energy Efficiency Opportunities program to reduce its operational greenhouse emissions and energy use, and continued its reporting requirements for the National Pollutant Inventory. The Company is a financial member of Coal21, which is currently investigating clean coal technology. The Company is aware of the significance of this emerging environmental issue and continues to investigate possible operational improvements to ensure it meets its corporate responsibilities.

QBH manages its operation under the regulations of the EPA by way of a site ERA (Environmentally Relevant Activity). During the year, a stormwater release exceeded two of the water quality parameter limits. Management has engaged an external consultant to review the event and to determine the source of the non-compliance. The EPA has been advised of the event and QBH is working with the EPA to resolve the issue.

Environmental management is an important aspect of the Company's business that continues to evolve to keep pace with operational expansion, increasing public expectations and growing regulatory requirements.

### 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 Bristile 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

Nil

#### Special responsibilities

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

#### Interests in shares and options

3,190,573 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 2008

(Continued)

### Information on Directors (continued)

**Mr P.R. ROBINSON** - BCom (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 as 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
Clover Corporation Limited	Appointed 1997
Australian Pharmaceutical Industries Limited	Appointed 2000
KH Foods Limited	Appointed 2008

#### Former Directorships in last 3 years

SP Telemedia Limited	Appointed 2000 Resigned 2008
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#### Special responsibilities

nil

#### Interests in shares and options

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

**Mr D.J. FAIRFULL** - BCom, ACIS, CPA, ASIA (Non executive Director)

#### Experience

Mr Fairfull has extensive experience in finance, investment and merchant banking. He was appointed to the New Hope Corporation Board in 1997.

#### Other current Directorships

Washington H. Soul Pattinson and Company Limited	Appointed 1997
Souls Private Equity Limited	Appointed 2004
KH Foods Limited	Appointed 2008

#### Former Directorships in last 3 years

Gazal Corporation Limited	Appointed 1987 Resigned 2004
Australian Pharmaceutical Industries Limited	Appointed 2000 Resigned 2007
Stockland Limited	Appointed 1990 Retired 2006
B Digital Limited	Appointed 2005 De-listed 2007
SP Telemedia Limited	Appointed 2000 Resigned 2008

#### Special responsibilities

Member of the Audit Committee.

#### Interests in shares and options

11,000 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 2008

(Continued)

### Information on Directors (continued)

**Mr D.C. WILLIAMSON** - BCom, FCA, MAICD (Non executive Director)

#### Experience

Mr Williamson has been registered as a Chartered Accountant for approximately 30 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	Appointed 2001
Arrow Energy Limited	Appointed 2006

#### Former Directorships in last 3 years

Nil

#### Special responsibilities

Chairman of the Audit Committee, and a member of the Remuneration and Nomination 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

**Mr W.H. Grant** - FAICD, Assoc. Diploma in Local Government (Non executive Director)

#### Experience

Mr Grant has over 35 years experience in project management, corporate and fiscal governance, local government administration and strategic planning. He was the CEO of the South Bank Corporation in Brisbane from 1997 to 2005, and prior to that he was the General Manager/CEO of the Newcastle City Council from 1992 to 1997.

#### Other current Directorships

Life Without Barriers	Appointed 2002
Brisbane Development Association	Appointed 2006
Urban Land Development Authority	Appointed 2007
Brisbane Airport Corporation	Appointed 2007
Queensland Performing Arts Centre Trust (QPAC)	Appointed 2006

#### Former Directorships in last 3 years

Brisbane Marketing	Appointed 2003	Resigned 2006
Griffith University - Conservatorium of Music Council	Appointed 2002	Resigned 2006
South Bank Business Association	Appointed 2002	Resigned 2005
Wesley West Pty Ltd	Appointed 2006	Resigned 2007
Napier Blakeley Consulting	Appointed 2006	Resigned 2007

#### Special responsibilities

Chairman of the Remuneration and Nomination Committee, and a member of the Audit Committee.

#### Interests in shares and options

20,000 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 has a Bachelor of Commerce from the University of Queensland and is a Fellow of CPA Australia. He has more than 25 years of experience in the coal industry and holds the dual role of Chief Financial Officer and Company Secretary.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2008

(Continued)

### Remuneration report

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

#### a. Remuneration Policies and Principles

The performance of the Group depends upon the quality of its Directors and executives. It is the Company's objective to attract and retain appropriately qualified and experienced Directors and executives.

The Remuneration and Nomination Committee is responsible for reviewing and setting the remuneration packages for Directors and executives on an annual basis. The Chief Executive Officer reports to the Committee on executive remuneration arrangements. Data from independent surveys and other market information and reports is reviewed to ensure that remuneration is consistent with current industry practices. The Remuneration and Nomination Committee also sets the Chief Executive Officer's package at that time.

The structure of non-executive Director and senior executive remuneration is separate and distinct.

#### Non-executive Director remuneration

It is intended that remuneration paid to non-executive Directors reflects the demands and responsibilities of Directors. Non-executive Directors receive a fixed fee that is paid within an aggregate limit as approved by the shareholders from time to time. The current maximum aggregate is set at \$500,000 per annum.

#### Executive remuneration

The Company aims to ensure that remuneration packages properly reflect the person's duties, experience and responsibilities and are aligned so that management is rewarded in creating value for shareholders. Remuneration may comprise a mix of:

- Base salary and benefits including a motor vehicle
- Short term incentive
- Long term equity based compensation in the form of share options, issued in accordance with the Employee Share Option Plan, and
- Other remuneration such as superannuation

Short term incentives were paid during the year to executives due to the strong financial performance of the Company during the year. These incentives are not specified in employment contracts, and are paid at the discretion of the Remuneration and Nomination Committee from year to year.

Long term incentives in the form of share options under the Employee Share Option Plan are granted to executives as an encouragement for executives to pursue the long term growth and success of the Company, and demonstrate a clear relationship between executive performance and remuneration. Options vest after three years from date of grant with the aim of acting as a retention incentive for executives. Options are issued at the discretion of the Remuneration and Nomination Committee from year to year.

#### b. Details of remuneration

Details of remuneration of Directors and the key management personnel of New Hope Corporation Limited and of the New Hope Group are set out below. The key management personnel of the Company and of the Group includes the Directors and the following executives:

Mr R.C. Neale, Chief Executive Officer  
Mr M.L. Bailey, Chief Operations Officer  
Mr P.K. Mantell, Chief Financial Officer and Company Secretary  
Mr B.J. Garland, New Saraji Project Executive  
Mr D. Brown-Kenyon, General Manager - Corporate Development & Government Relations  
Mr C.C. Hopkins, General Manager - Marketing  
Mr C.W. Easton, General Manager - Business Improvement

In addition, Mr K.J. Jamieson, General Manager - New Acland, must be disclosed under the *Corporations Act 2001* as he is among the 5 highest remunerated Group executives.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2008

(Continued)

### Remuneration report (continued)

#### b. Details of remuneration (continued)

	Short-term employee benefits			Long-term benefits	Post employment	Share based payments	Total
	Cash salary and fees	Cash bonus	Non cash benefits	LSL	Super-annuation	Options	
	\$	\$	\$	\$	\$	\$	
<b>Key management personnel of the New Hope Group and other executives of the Company and the Group</b>							
<b>Non-executive Directors - 2008</b>							
Mr R.D. Millner	90,000	-	-	-	8,100	-	98,100
Mr P.R. Robinson	45,000	-	-	-	4,050	-	49,050
Mr D.J. Fairfull	45,000	-	-	-	4,050	-	49,050
Mr D.C. Williamson	50,000	-	-	-	4,500	-	54,500
Mr W.H. Grant	45,000	-	-	-	4,050	-	49,050
<b>Other key management personnel - 2008</b>							
Mr R.C. Neale ^#	624,422	216,000	34,826	10,817	13,237	230,877	1,130,179
Mr M.L. Bailey ^#	429,482	-	27,167	-	9,912	359,355	825,916
Mr P.K. Mantell ^#	302,389	64,000	25,205	5,130	13,237	173,158	583,119
Mr B.J. Garland ^#	308,718	-	16,336	-	12,848	239,570	577,472
Mr D. Brown-Kenyon #	236,889	43,000	29,857	3,982	13,237	144,298	471,263
Mr C.C. Hopkins	242,422	43,000	21,170	-	13,237	144,298	464,127
Mr C.W. Easton	222,589	42,000	20,038	-	13,237	116,939	414,803
<b>Other most highly remunerated officers - 2008</b>							
Mr K.J. Jamieson ^	263,422	68,000	23,300	-	13,237	219,958	587,917
	<u>2,905,333</u>	<u>476,000</u>	<u>197,899</u>	<u>19,929</u>	<u>126,932</u>	<u>1,628,453</u>	<u>5,354,546</u>
<b>Non-executive Directors - 2007</b>							
Mr R.D. Millner	60,010	-	-	-	5,401	-	65,411
Mr P.R. Robinson	30,010	-	-	-	2,701	-	32,711
Mr D.J. Fairfull	30,010	-	-	-	2,701	-	32,711
Mr D.C. Williamson	35,010	-	-	-	3,151	-	38,161
Mr W.H. Grant	30,010	-	-	-	2,701	-	32,711
<b>Other key management personnel - 2007</b>							
Mr R.C. Neale ^#	552,510	140,000	33,242	9,833	12,492	244,175	992,252
Mr P.K. Mantell ^#	283,560	48,000	23,629	4,913	12,492	185,337	557,931
Mr D. Brown-Kenyon ^#	222,393	38,000	29,789	3,880	12,492	153,771	460,325
Mr C.C. Hopkins ^#	222,093	38,000	26,237	-	12,492	149,708	448,530
Mr C.W. Easton #	204,591	30,000	15,881	-	12,492	91,730	354,694
<b>Other most highly remunerated officers - 2007</b>							
Mr K.J. Jamieson ^	229,177	40,000	20,488	-	12,492	219,356	521,513
	<u>1,899,374</u>	<u>334,000</u>	<u>149,266</u>	<u>18,626</u>	<u>91,607</u>	<u>1,044,077</u>	<u>3,536,950</u>

^ denotes one of the five highest paid executives of the Group, as required to be disclosed under the *Corporations Act 2001*.

# denotes one of the five highest paid executives of the Company, as required to be disclosed under the *Corporations Act 2001*.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2008

(Continued)

### Remuneration report (continued)

#### c. Employment Contracts

Remuneration and other terms of employment for the executive officers are formalised in individual employment contracts. The agreements are of no fixed term. The contracts outline the components of remuneration paid to them but do not prescribe how remuneration levels are modified from year to year.

The agreements allow for 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 at the discretion of the Remuneration and Nomination Committee. 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. Mr Bailey's contract includes provision for a separation payment in the event of his termination as a result of a takeover or merger of the Company. The allowances are less than one year's remuneration.

Contracts with executives may be terminated by either party giving notice as specified in their contract of employment. For Messers Neale, Mantell, and Brown-Kenyon 2 months notice is required. Mr Hopkins' contract requires 4 weeks notice, Mr Easton's 8 weeks, Messrs Bailey and Garland's 10 weeks and Mr Jamieson's contract specifies 12 weeks notice.

#### d. Share based compensation - options

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

Options are granted for no consideration. Options are granted for a five year period, and vest after the third anniversary of the date of grant.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Monte Carlo option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield, and the risk free interest rate for the term of the option.

The terms and conditions of each grant of options affecting remuneration of key management personnel in the previous, this or future reporting periods, and the associated pricing model inputs are as follows:

Grant Date	Date vested and exercisable	Expiry date	Exercise price	Price at grant date	Expected volatility	Expected dividend yield	Risk free interest rate	Value per option at grant date
5 September 2003	6 September 2006	5 September 2008	\$0.350 *	\$0.400	42.00%	6.25%	4.75%	\$0.088
5 September 2003	6 September 2006	5 September 2008	\$0.375 *	\$0.400	42.00%	6.25%	4.75%	\$0.082
5 September 2003	6 September 2006	5 September 2008	\$0.400 *	\$0.400	42.00%	6.25%	4.75%	\$0.077
5 September 2003	6 September 2006	5 September 2008	\$0.450 *	\$0.400	42.00%	6.25%	4.75%	\$0.068
3 January 2006	4 January 2009	2 January 2011	\$1.235	\$1.230	41.30%	4.57%	5.14%	\$0.346
8 May 2006	9 May 2009	7 May 2011	\$1.288	\$1.280	40.46%	3.83%	5.56%	\$0.384
19 January 2007	20 January 2010	18 January 2012	\$1.360	\$1.370	38.00%	6.43%	5.90%	\$0.318
13 August 2007	14 August 2010	12 August 2012	\$2.104	\$2.220	44.00%	4.02%	6.04%	\$0.745

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

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2008

(Continued)

### Remuneration report (continued)

#### Share options granted to Directors and key management personnel

Details of management options over ordinary shares in the Company as at 31 July 2008, provided as remuneration to each Director of New Hope Corporation Limited and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share in New Hope Corporation Limited. Further information on the options is set out in note 33 to the financial statements.

	Number of options granted during the year		Number of options vested during the year	
	2008	2007	2008	2007
<b>Other key management personnel of the Group</b>				
Mr R.C. Neale	-	-	-	1,200,000
Mr M.L. Bailey	1,500,000	-	-	-
Mr P.K. Mantell	-	-	-	1,090,000
Mr B.J. Garland	1,000,000	-	-	-
Mr D. Brown-Kenyon	-	-	-	850,000
Mr C.C. Hopkins	-	-	-	500,000
Mr C.W. Easton	-	500,000	-	-
<b>Other most highly remunerated officers of the Group</b>				
Mr K.J. Jamieson	-	-	-	-
<b>Directors of New Hope Corporation Ltd</b>				
Nil	-	-	-	-

	Number of ordinary shares issued on the exercise of options during the year		Amount paid per share	
	2008	2007	2008	2007
<b>Other key management personnel of the Group</b>				
Mr R.C. Neale	-	300,000	-	0.350
Mr R.C. Neale	-	300,000	-	0.375
Mr R.C. Neale	-	300,000	-	0.400
Mr R.C. Neale	-	300,000	-	0.450
Mr P.K. Mantell	-	272,500	-	0.350
Mr P.K. Mantell	-	272,500	-	0.375
Mr P.K. Mantell	-	272,500	-	0.400
Mr P.K. Mantell	-	272,500	-	0.450
Mr D. Brown-Kenyon	-	212,500	-	0.350
Mr D. Brown-Kenyon	-	212,500	-	0.375
Mr D. Brown-Kenyon	-	212,500	-	0.400
Mr D. Brown-Kenyon	-	212,500	-	0.450
Mr C.C. Hopkins	-	125,000	-	0.350
Mr C.C. Hopkins	-	125,000	-	0.375
Mr C.C. Hopkins	-	125,000	-	0.400
Mr C.C. Hopkins	-	125,000	-	0.450
<b>Directors of New Hope Corporation Ltd</b>				
Nil	-	-	-	-

No amounts are unpaid on any shares issued on the exercise of options.

#### e. Additional information

##### Share based compensation: Options

No options have been issued to R.D. Millner, P.R. Robinson, D.J. Fairfull, D.C. Williamson or W.H. Grant.

# New Hope Corporation Limited and Controlled Entities

## Directors Report - 31st July 2008

(Continued)

### Remuneration report (continued)

#### e. Additional information (continued)

Options issued to R.C. Neale, P.K. Mantell, D. Brown-Kenyon and C.C. Hopkins during the 2004 financial year vested during the 2007 financial year. Options issued during the 2006 financial year to R.C. Neale, P.K. Mantell, D. Brown-Kenyon, C.C. Hopkins, C.W. Easton and K.J. Jamieson will vest in the 2009 financial year. Options issued to C.W. Easton during the 2007 financial year will vest during the 2010 financial year. Options issued to M.L. Bailey and B.J. Garland during the 2008 financial year will vest during the 2011 financial year.

Further details relating to options are set out below.

Name	A Remuneration consisting of options	B Value at grant date \$	C Value at exercise date \$	D Value at lapse date \$	E Total of columns B-D \$
Mr R.C. Neale	20%	-	-	-	-
Mr M.L. Bailey	44%	1,116,750	-	-	1,116,750
Mr P.K. Mantell	30%	-	-	-	-
Mr B.J. Garland	41%	744,500	-	-	744,500
Mr D. Brown-Kenyon	31%	-	-	-	-
Mr C.C. Hopkins	31%	-	-	-	-
Mr C.W. Easton	28%	-	-	-	-
Mr K.J. Jamieson	37%	-	-	-	-

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B = The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the year as part of remuneration.

C = The value at exercise date of the options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.

D = The value at lapsed date of options that were granted as part of remuneration and that lapsed during the year.

For the above options, the minimum value yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed, and is \$9,138 for the options issued in August 2005, \$346,630 for the options issued in January 2006, \$49,292 for the options issued in May 2006, \$77,856 for the options issued in January 2007, and \$1,262,325 for the options issued in August 2007.

#### Consequences of performance on shareholder wealth

The Company's performance is not only impacted by market factors, but also by employee performance. The financial performance for the last five years is shown below. The results for 2004 and 2005 were significantly impacted by the overseas operations, which were sold during the year ended 31 July 2005.

Year ended 31 July	2008	2007	2006	2005	2004
Net profit attributable to shareholders (A\$000's)	90,684	69,309	68,695	447,790	59,406
Profit after tax from continuing operations (A\$000's)	90,684	69,309	68,695	53,127	21,951
Dividends paid during the year (cents / share)	7.75	9.10	18.00	4.25	0.75
Return of capital paid during the year (cents / share)	-	-	10.00	-	-
Share price as at 31 July (\$ / share)	4.69	2.13	1.28	1.30	1.14
Shareholders funds (A\$000's)	827,607	731,198	568,290	697,862	253,214

#### Shares under option

Unlisted 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
Management Options	31 August 2005	30 August 2010	\$1.198	600,000
Management Options	3 January 2006	2 January 2011	\$1.235	15,500,000
Management Options	8 May 2006	7 May 2011	\$1.288	500,000
Management Options	2 January 2007	1 January 2012	\$1.413	1,000,000
Management Options	19 January 2007	18 January 2012	\$1.360	500,000
Management Options	13 August 2007	12 August 2012	\$2.104	2,500,000

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 2008

(Continued)

### Shares issued on the exercise of options

During the year 256,076 listed options were exercised and converted to ordinary shares in the company. The options were granted on 10 September 2003 and had an exercise price of \$0.35. No amounts are unpaid on any of the shares.

Since the end of the financial year, an additional 200,000 management options and 731,027 listed options were exercised and converted to ordinary shares in the company. The options were granted on 31 August 2005, and 10 September 2003 respectively and had an exercise price of \$1.198 and \$0.35 respectively. No amounts are unpaid on any of the shares.

### Loans to directors and executives

There were no loans to directors and executives granted during the reporting period, nor were there any outstanding loans as at balance date.

### 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:

- the types of 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 APES 110 Code of Ethics for Professional Accountants.

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:

	Consolidated	
	2008	2007
<b>Audit Services</b>		
PricewaterhouseCoopers Australian firm for audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	300,791	281,959
<b>Total remuneration for audit services</b>	<b>300,791</b>	<b>281,959</b>
<b>Non-audit services</b>		
<u>Taxation services</u>		
PricewaterhouseCoopers Australian firm:		
Transaction advisory services	289,544	310,624
General advisory services	145,539	65,698
Tax compliance services	153,731	345,810
Research and development compliance services	127,137	229,031
<b>Total remuneration for non-audit services</b>	<b>715,951</b>	<b>951,163</b>

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 17.

### Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' 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

## Directors Report - 31st July 2008

(Continued)

### Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 31 July 2008 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	16	16			3	3
Mr P.R. Robinson	16	16			1	1
Mr D.J. Fairfull	16	15	4	3	1	1
Mr D.C. Williamson	16	15	4	4	2	2
Mr W.H. Grant	16	16	4	4	2	2

Signed at Sydney this 22nd day of September 2008 in accordance with a resolution of Directors.

R.D. Millner  
Director

D.C. Williamson  
Director

**PricewaterhouseCoopers**  
**ABN 52 780 433 757**

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#### Auditor's Independence Statement

As lead auditor for the audit of New Hope Corporation Limited for the year ended 31 July 2008, 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 entities it controlled during the period.

M. Linz  
Partner  
PricewaterhouseCoopers

Sydney  
22 September 2008

# 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 Securities 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 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 Limited'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 5 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 (continued)

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;
- Trading is prohibited during the period of four weeks prior to the announcement of the Company's half year and full year results;
- 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 Securities Exchange;
  2. The release of the Company's half yearly result to the Australian Securities 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.C. Williamson (Chairman), Mr W.H. Grant and Mr D.J. Fairfull. 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.

Further details of the Directors' qualifications, terms of office, and attendance at audit committee meetings are set out in the Directors' report on pages 7 to 9 and 16.

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 available to be distributed to shareholders in October each year and is placed on the Company's website;
- 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 (continued)

### 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 Remuneration and Nomination Committee with any unsatisfactory performance referred to the remainder of the Board.

The efficiency, effectiveness and operations of the Board are continuously subjected to informal monitoring by the Remuneration and Nomination Committee and the Board as a whole.

### Remuneration

The Remuneration and Nomination Committee consists of non-executive Directors who are responsible for reviewing and setting remuneration 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 16 of the Directors' report.

Non executive Directors fees are reviewed annually after taking into consideration the Company's performance, market rates and level of responsibility. 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 \$500,000 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 Directors Report and 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**  
**Annual Financial Report**  
**for the year ended 31st July 2008**

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The financial report covers both New Hope Corporation Limited as an individual entity and the consolidated entity consisting of New Hope Corporation Limited and its subsidiaries. The financial report is presented in Australian currency.

New Hope Corporation Limited is a company limited by shares on the Australian Securities Exchange (ASX). The Company is incorporated and domiciled in Australia, and its registered office and principal place of business is:

New Hope Corporation Limited  
17 Lowry Street  
IPSWICH QLD 4305

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report on pages 2 to 6, which is not part of this financial report.

The financial report was authorised for issue by the Directors on the 22 September 2008. The Company has the power to amend and reissue the financial report.

Through the use of the internet, the Company has ensured that corporate reporting is timely, complete and available globally at minimum cost to the Company. All financial reports and other announcements to the ASX are available on the Investor Relations pages of the website: [www.newhopecoal.com.au](http://www.newhopecoal.com.au).

**New Hope Corporation Limited and Controlled Entities**

**Income Statements  
for the year ended 31st July 2008**

	Notes	Consolidated		Parent Entity	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Revenue from continuing operations	4	329,787	248,754	22,012	442,970
Other income	5	540	7,981	11	1,290
		<u>330,327</u>	<u>256,735</u>	<u>22,023</u>	<u>444,260</u>
Expenses					
Cost of sales		(129,711)	(101,711)	(7,771)	(5,681)
Marketing and transportation		(57,961)	(55,317)	(894)	(729)
Administration		(9,064)	(6,830)	(9,064)	(6,830)
Finance costs		(1)	(3)	-	(2)
Other expenses		(4,861)	(4,853)	(3,454)	(3,521)
Share of profits of associates and partnerships using the equity method	37,38	-	4,558	-	-
<b>Profit before income tax</b>		<u>128,729</u>	<u>92,579</u>	<u>840</u>	<u>427,497</u>
Income tax (expense) / benefit	7	(38,045)	(23,270)	1,168	(1,900)
<b>Profit attributable to New Hope shareholders</b>		<u>90,684</u>	<u>69,309</u>	<u>2,008</u>	<u>425,597</u>

**Earnings per share for profit attributed to ordinary equity holders of the Company**

Basic earnings per share (cents / share)	40	11.2	8.6
Diluted earnings per share (cents / share)	40	11.0	8.6

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



New Hope Corporation Limited and Controlled Entities

**Balance Sheets**  
as at 31st July 2008

	Notes	Consolidated		Parent Entity	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Current assets</b>					
Cash and cash equivalents	9	9,691	56,892	1,802	56,890
Receivables	10	32,704	19,292	266,086	228,657
Inventories	11	26,614	18,866	3	-
Held to maturity investments	12	172,293	189,548	172,293	189,548
Derivative financial instruments	41	8,363	7,361	-	-
Other	13	1,506	187	2	2
Non-current assets classified as held for sale	14	7,139	-	-	-
<b>Total current assets</b>		<b>258,310</b>	<b>292,146</b>	<b>440,186</b>	<b>475,097</b>
<b>Non-current assets</b>					
Receivables	15	5,037	1,713	-	-
Investments accounted for using the equity method	16,37	-	3,366	-	-
Available for sale financial assets	17	398,335	319,272	-	-
Other financial assets	18	-	-	16,115	17,117
Derivative financial instruments	41	7,106	5,122	-	-
Property, plant and equipment	19	309,748	224,585	2,004	1,491
Exploration and evaluation assets	20	1,976	-	-	-
Investment property	21	35	35	35	35
Deferred tax assets	22	-	-	111	402
Intangible assets	23	10,014	3,090	4,365	3,059
<b>Total non-current assets</b>		<b>732,251</b>	<b>557,183</b>	<b>22,630</b>	<b>22,104</b>
<b>Total assets</b>		<b>990,561</b>	<b>849,329</b>	<b>462,816</b>	<b>497,201</b>
<b>Current liabilities</b>					
Accounts payable	24	26,650	18,743	7,724	1,584
Borrowings	25	-	-	59,668	49,508
Current tax liabilities		15,172	8,715	15,758	8,715
Derivative financial instruments	41	71	-	71	-
Provisions	27	5,800	4,617	570	489
<b>Total current liabilities</b>		<b>47,693</b>	<b>32,075</b>	<b>83,791</b>	<b>60,296</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	26	102,916	74,311	-	-
Provisions	28	12,345	11,745	83	70
<b>Total non-current liabilities</b>		<b>115,261</b>	<b>86,056</b>	<b>83</b>	<b>70</b>
<b>Total liabilities</b>		<b>162,954</b>	<b>118,131</b>	<b>83,874</b>	<b>60,366</b>
<b>Net assets</b>		<b>827,607</b>	<b>731,198</b>	<b>378,942</b>	<b>436,835</b>
<b>Equity</b>					
Contributed equity	29	48,922	48,834	48,922	48,834
Reserves	30(a)	249,655	181,357	11,825	9,153
Retained profits	30(b)	529,030	501,007	318,195	378,848
<b>Total equity</b>		<b>827,607</b>	<b>731,198</b>	<b>378,942</b>	<b>436,835</b>

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

New Hope Corporation Limited and Controlled Entities

Statements of Changes in Equity  
for the year ended 31st July 2008

	Notes	Consolidated		Parent Entity	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Total equity at the beginning of the year</b>		<b>731,198</b>	<b>568,290</b>	<b>436,835</b>	<b>79,838</b>
<b>Recognised income and expense for the year (net of tax)</b>					
Cash flow hedges	30	2,040	76	(50)	-
Gain on revaluation of assets	30	27,412	-	-	-
Changes in fair value of available for sale financial assets	30	36,124	162,123	-	-
<b>Net income recognised directly in equity</b>		<b>65,576</b>	<b>162,199</b>	<b>(50)</b>	<b>-</b>
<b>Profit for the year</b>		<b>90,684</b>	<b>69,309</b>	<b>2,008</b>	<b>425,597</b>
<b>Total recognised income and expense</b>		<b>156,260</b>	<b>231,508</b>	<b>1,958</b>	<b>425,597</b>
<b>Transactions with equity holders in their capacity as equity holders</b>					
Contributions of equity, net of transaction costs	29	88	2,806	88	2,806
Dividends provided for or paid	8	(38,406)	(37,180)	(38,406)	(37,180)
Special dividend paid	8	(24,255)	(36,369)	(24,255)	(36,369)
Share based payment reserve	30	2,722	2,143	2,722	2,143
		<b>(59,851)</b>	<b>(68,600)</b>	<b>(59,851)</b>	<b>(68,600)</b>
<b>Total equity at the end of the year</b>		<b>827,607</b>	<b>731,198</b>	<b>378,942</b>	<b>436,835</b>
<b>Total recognised income and expense for the year is attributable to:</b>					
Members of New Hope Corporation Limited		156,260	231,508	1,958	425,597
		<b>156,260</b>	<b>231,508</b>	<b>1,958</b>	<b>425,597</b>

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

**New Hope Corporation Limited and Controlled Entities**

**Cash Flow Statements  
for the year ended 31st July 2008**

	Notes	Consolidated		Parent Entity	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Cash flows from operating activities</b>					
Receipts from customers inclusive of GST		311,723	230,045	1,580	614
Payments to suppliers and employees inclusive of GST		(183,618)	(160,896)	(10,764)	(13,755)
		<u>128,105</u>	<u>69,149</u>	<u>(9,184)</u>	<u>(13,141)</u>
Dividends received		-	3,500	-	-
Interest received		12,628	19,490	12,394	19,418
Interest and other costs of finance		(11)	(2)	(10)	(2)
Income taxes paid		(26,836)	(32,605)	(26,836)	(32,605)
<b>Net cash inflow / (outflow) from operating activities</b>	39	<u>113,886</u>	<u>59,532</u>	<u>(23,636)</u>	<u>(26,330)</u>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(45,200)	(84,892)	(1,244)	(836)
Payments for intangible assets		(2,056)	(382)	(2,018)	(371)
Payment for purchase of subsidiary, net of cash acquired		(40,516)	-	-	-
Payments for available-for-sale financial assets		(27,457)	(38,252)	-	-
Proceeds from / (payments for) held to maturity investments		16,545	155,011	16,545	155,011
Proceeds from sale of property, plant & equipment		1,103	13,247	43	2,140
Funds received from associated entities		-	4,210	-	-
Loans advanced to related parties / repaid to related parties		-	-	(284,824)	(268,480)
Loans advanced from related parties / repaid by related parties		-	-	303,552	247,338
<b>Net cash inflow / (outflow) from investing activities</b>		<u>(97,581)</u>	<u>48,942</u>	<u>32,054</u>	<u>134,802</u>
<b>Cash flows from financing activities</b>					
Proceeds from issue of equity		90	2,806	90	2,806
Dividends paid		(62,661)	(73,549)	(62,661)	(73,549)
<b>Net cash inflow / (outflow) from financing activities</b>		<u>(62,571)</u>	<u>(70,743)</u>	<u>(62,571)</u>	<u>(70,743)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<u>(46,266)</u>	<u>37,731</u>	<u>(54,153)</u>	<u>37,729</u>
Cash and cash equivalents at the beginning of the financial year		56,892	19,207	56,890	19,207
Effects of exchange rate changes on cash and cash equivalents		(935)	(46)	(935)	(46)
<b>Cash and cash equivalents at the end of the financial year</b>	9	<u>9,691</u>	<u>56,892</u>	<u>1,802</u>	<u>56,890</u>

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

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2008

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report covers New Hope Corporation Limited as the parent entity and New Hope Corporation Limited and its subsidiaries as the consolidated entity.

#### a. Basis of preparation of accounts

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

##### *Compliance with International Financial Reporting Standards (IFRS)*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of New Hope Corporation Limited comply with IFRS.

##### *Historical cost convention*

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

##### *Critical accounting estimates*

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

#### b. Principles of consolidation

##### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of New Hope Corporation Limited ("Company" or "parent entity") as at 31st July 2008 and the results of all subsidiaries for the year then ended. New Hope Corporation Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. (refer note h)

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

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

Investments in subsidiaries are accounted for at cost in the individual financial statements of New Hope Corporation Limited.

##### *(ii) Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

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

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2008

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

#### b. Principles of consolidation (continued)

##### *(ii) Associates (continued)*

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

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

##### *(iii) Partnerships*

The interest in a partnership is accounted for in the consolidated financial statements using the equity accounting method. This percentage of the partnership's result for the period is recognised in the Group's income statement. Details relating to the partnership are set out in note 38.

#### c. Segment reporting

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

#### d. Foreign currency translation

##### *(i) Functional and presentation currency*

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

##### *(ii) Transactions and balances*

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

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

##### *(iii) Group companies*

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

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

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

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2008

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

#### e. Revenue recognition

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

- Coal sales revenue is recognised at the time the risks and benefits of ownership have been transferred to the customer in accordance with the sales terms. For export sales this is normally at the time of loading the shipment, and for domestic sales this is generally at the time the coal is delivered to the customer.
- Service fee income and management fee income is recognised as the services are performed.
- Interest income is recognised as it accrues using the effective interest method.
- Dividend income is taken into profit when the right to receive payment is established.
- Rental income is recognised on a straight line basis over the lease term.

#### f. Income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

#### *Tax consolidation legislation*

New Hope Corporation Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation as of 1 August 2003.

The head entity, New Hope Corporation Limited, and the controlled entities in the tax consolidation group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidation group continues to be a stand alone tax payer in its own right.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in note 7.

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

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2008

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

#### g. Exploration and evaluation expenditure

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

#### h. Business combinations

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.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the Group's share of the identifiable net assets acquired is recorded as goodwill (refer note 1(t)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

#### i. Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that are subject to amortisation are reviewed annually for indications of impairment. When there is an indication an asset is impaired, a formal assessment of the asset's recoverable amount is made. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. For the purposes of assessing impairment under value in use testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows.

#### j. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value, excluding funds on deposit for which there is no short term identified use in the operating cashflows of the group.

#### k. Trade receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement 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 by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all of the amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

#### l. Inventories

Coal stocks are valued at the lower of cost, and net realisable value in the normal course of business. 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.

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.

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2008

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

#### m. Non-current assets held for sale and discontinued operations

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

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

Assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets in the balance sheet.

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

#### n. Investments and other financial assets

The Group classifies its financial assets in the following categories:

##### *(i) Available for sale financial assets*

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

Available-for-sale financial assets are initially recognised at fair value plus transaction costs. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available for sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

##### *(ii) Held to maturity investments*

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held to maturity investments are carried at amortised cost using the effective interest method.

##### *(iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value, and subsequently at amortised cost less provisions for doubtful debts. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) and receivables (note 15) in the balance sheet.

#### o. Derivatives - Forward foreign exchange contracts

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

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



# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2008

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

#### o. Derivatives - Forward foreign exchange contracts (continued)

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

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

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

#### p. Fair value estimation

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

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

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

#### q. Property, plant and equipment

Property, plant and equipment, excluding investment property, is stated at historical cost less applicable depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

Depreciation is calculated so as to write off the cost of each item of Property, plant and equipment during its expected economic life to the 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 residual values and remaining useful lives are made on an annual basis. Straight line method is predominately used. The expected useful life of plant and equipment is 4 to 20 years and buildings is 25 to 40 years. Land is not depreciated.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (note 1(i)).

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

#### r. 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 expenditures are capitalised as mine development costs up until the relevant mine is in commercial production.

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

#### s. Investment property

The Investment property, principally comprising land, is held for long-term returns and is not occupied by the Group, and is carried at cost.

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2008

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

#### t. Intangible assets

##### *(i) IT development and software*

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised are external direct costs of materials and services. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

##### *(ii) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### u. Trade and other creditors

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

#### v. Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs for the construction of a qualifying asset are capitalised at the rate applicable for the facility used to construct the asset.

#### w. 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 payables 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. Expected future payments are discounted using appropriate risk free rates as applicable to the estimated future cash outflows. Contributions for mine site employees are made to an industry fund and expensed as incurred. Payments made to employees are recovered from the fund. The amount recoverable from the fund is recorded as an asset in Receivables.

##### *Share-based payments*

Share-based compensation benefits are provided to employees via the New Hope Corporation Limited Employee Share Option Plan. Information relating to this scheme is set out in note 42.

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

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

The fair value of the options granted is adjusted to reflect the market vesting condition, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, is recognised in the income statement with a corresponding adjustment to equity.

#### x. Contributed equity

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

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2008

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

y. Dividends

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

z. 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.

aa. Earnings per share

*Basic earnings per share*

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

*Diluted earnings per share*

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

ab. Restoration, rehabilitation and environmental expenditure

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

Provisions are measured at the present value of expected future cash outflows with future cash outflows reassessed on a regular basis. The present value is determined using an appropriate discount rate. The obligations include profiling, stabilisation and revegetation of the completed area, with cost estimates based on current statutory requirements and current technology.

ac. Benching and forward overburden removal

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

ad. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

ae. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 July 2008 reporting periods. The group has elected not to early adopt these standards and interpretations. These standards and interpretations are not expected to have a material impact in future financial periods on any amounts recognised in the financial statements. A list of these standards and interpretations is as follows:

(i) *AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8*

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

(ii) *Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (AASB 1, AASB 101, AASB 111, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12)*

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. Application of AASB 123 is not expected, at this stage, to have any material effect on the Group as it does not use debt to fund the construction of qualifying assets.

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2008

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

#### ae. New accounting standards and interpretations (continued)

(iii) *AASB-I 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

AASB-I 14 is applicable to reporting periods commencing on or after 1 January 2008. Application of AASB-I 14 is not expected to have any affect on the Group as it does not operate any define benefit schemes. The Group intends to apply the new standard from 1 August 2008.

(iv) *Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB101*

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

(v) *Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements, and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*

The revisions to AASB 3 and AASB 127 is applicable to annual reporting periods commencing on or after 1 July 2009. The Group intends to apply the revised standards prospectively only from 1 August 2009. Their impact will therefore depend on whether the Group will enter into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application.

(vi) *Improvements to Australian Accounting Standards: AASB 2008-5 and AASB 2008-6*

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

### 2. FINANCIAL RISK MANAGEMENT

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

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

	Consolidated		Parent Entity	
	2008	2007	2008	2007
The Group and parent entity hold the following financial instruments	\$000	\$000	\$000	\$000
<b>Financial assets</b>				
Cash and cash equivalents	9,691	56,892	1,802	56,890
Trade and other receivables	37,741	21,005	266,086	228,657
Derivative financial instruments	15,469	12,483	-	-
Available-for-sale financial assets	398,335	319,272	-	-
Held-to-maturity investments	172,293	189,548	172,293	189,548
Other financial assets	124	121	2	2
	<b>633,653</b>	<b>599,321</b>	<b>440,183</b>	<b>475,097</b>
<b>Financial liabilities</b>				
Trade and other payables	26,650	18,743	7,724	1,584
Derivative financial instruments	71	-	71	-
Borrowings	-	-	59,668	49,508
	<b>26,721</b>	<b>18,743</b>	<b>67,463</b>	<b>51,092</b>

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2008

#### 2. FINANCIAL RISK MANAGEMENT - continued

##### a. Market risk

###### *(i) Foreign exchange risk*

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

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

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

The Group has hedged Japanese yen upon the signing of a purchase order for the purchase of mining equipment sourced from Japan in order to secure certainty of the value of the purchase order. This amount is included in note 32.

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

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	USD	USD	USD	USD
	\$000	\$000	\$000	\$000
Cash and cash equivalents	111	336		
Trade receivables	10,919	7,106	-	-
Forward exchange contracts - sell foreign currency (cash flow hedges)	213,000	59,000	-	-

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	JPY000	JPY000	JPY000	JPY000
Forward exchange contracts - buy foreign currency (cash flow hedges)	574,679	-	-	-

###### *Group sensitivity*

Based on the trade receivables and cash held at 31 July 2008, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the year would have increased/(decreased) by \$909,000/(\$744,000) (2007 - \$675,000/(\$553,000)), mainly as a result of foreign exchange gains/losses on translation of US dollar receivables as detailed in the above table. The Group's equity as at balance date would have increased/(decreased) by the same amounts.

Based on the forward exchange contracts held at 31 July 2008, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's equity would have increased/(decreased) by \$14,370,000/(\$17,560,000) (2007 \$4,380,000/(\$4,818,000)) There is no effect on post-tax profits. Equity in 2008 is more sensitive to movements in the Australian dollar / USD exchange rates than in 2007 because of the increased value of forward exchange contracts in 2008.

Based on the financial instruments held at 31 July 2008, had the Australian dollar weakened/strengthened by 10% against the Japanese yen with all other variables held constant, the Group's equity would have decreased/(increased) by \$304,000/(\$495,000) (2007 - nil), as a result of foreign exchange gains/losses on translation of Japanese Yen denominated financial instruments as detailed in the above table. There is no effect on post-tax profits. Equity in 2008 is more sensitive to movements in the Australian dollar / JPY exchange rates than in 2007 because of the increased value of forward exchange contracts.

###### *Parent entity sensitivity*

Other than the Japanese denominated financial instruments as detailed in the above table, the parent entity held no forward exchange contracts for its own benefit and had no exposure to foreign exchange fluctuations.

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2008

#### 2. FINANCIAL RISK MANAGEMENT - continued

##### a. Market risk- continued

###### *(ii) Price risk*

The Group is exposed to equity securities price risk arising from certain investments held by the Group and classified on the balance sheet as available-for-sale.

The majority of the Group's equity investments are publicly traded and are included in the All Ordinaries Index. The table below summarises the impact of increases/decreases in the index on the Group's equity as at balance date. The analyses is based on the assumption that the equity index had increased/decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

Index	Impact on post-tax profit Consolidated		Impact on equity Consolidated	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
All Ordinaries	-	-	30,399	32,935

The price risk for unlisted securities is immaterial in terms of the possible impact on total equity. It has therefore not been included in the sensitivity analyses. There would be no effect on the Parent Entity as the equity investments are held through a subsidiary company.

###### *(iii) Fair value interest rate risk*

Refer to (e) below.

##### b. Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to export and domestic customers, including outstanding receivables and committed transactions. The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The majority of customers, both export and domestic have long term relationships with the Group and sales are secured with long term supply contracts. Sales are secured by letters of credit when deemed appropriate. Derivative counterparties, held to maturity investments and cash transactions are limited to financial institutions with a rating of at least BBB. The Group has policies that limit the maximum amount of credit exposure to any one financial institution.

Credit risk further arises in relation to financial guarantees given to certain parties (see note 25). Such guarantees are only provided in exceptional circumstances and are subject to specific board approval.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. The table below summarises these assets which are subject to credit risk.

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Trade receivables	32,704	19,292	23	64
Cash at bank and short term bank	9,691	56,892	1,802	56,890
Held to maturity investments	172,293	189,548	172,293	189,548
Derivative financial instruments	15,469	12,483	-	-

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2008

#### 2. FINANCIAL RISK MANAGEMENT - continued

##### c. Liquidity risk

Prudent liquidity risk management is adopted through maintaining sufficient cash and marketable securities, the ability to borrow funds from credit providers and to close-out market positions. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

##### *Financing arrangements*

The Group has no current need of external funding lines.

##### d. Maturity of financial liabilities

The Group and parent entity non-derivative financial liabilities all mature within one year. The maturity groupings of derivative financial instruments are detailed in note 41.

##### e. Cash flow and fair value interest rate risk

The Group and parent entity currently have significant interest-bearing assets which are placed with reputable investment counterparties for up to 12 months. The Company has a treasury investment policy approved by the Board which stipulates the maximum dollar exposure to each financial institution, and to the maximum percentage of funds that can be invested with an individual institution. Significant changes in market interest rates may have an effect on the Group's income and operating cash flows. The Group manages its cash flow interest rate risk by placing excess funds in term deposits and other fixed interest bearing assets. Refer to note 12 for details.

Based on the deposits held at balance date, the sensitivity to a 1% increase or decrease in interest rates would increase/(decrease) after tax profit by \$1.193 million.

As the Group has no significant borrowings, its income statement and operating cash flows are substantially independent of changes in market interest lending rates. The parent entity's borrowings are non-interest bearing.

##### f. Fair Value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the last sale price.

The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

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

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2008

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

#### a. Critical accounting estimates and assumptions

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

##### *(i) Rehabilitation*

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

##### *(ii) Determination of coal reserves and coal resources*

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

##### *(iii) Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(t). The recoverable amounts of cash-generating units have been determined based on fair value less cost to sell calculations. These calculations require the use of assumptions.

#### b. Critical judgements in applying the entity's accounting policies

##### *(i) Exploration and development expenditure*

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

##### *(ii) Investment in Arrow Energy Limited*

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

### 4. REVENUE

#### From continuing operations

##### Sales revenue

Sale of goods

Services

##### Other revenue

Dividends

Property rent

Interest

Management and service fees

Sundry revenue

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Sale of goods	304,538	222,562	-	-
Services	9,346	-	9,680	9,168
	313,884	222,562	9,680	9,168
Dividends	-	-	-	415,117
Property rent	577	707	40	4
Interest	11,917	18,386	11,756	18,314
Management and service fees	-	250	-	-
Sundry revenue	3,409	6,849	536	367
	329,787	248,754	22,012	442,970



## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2008

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>5. OTHER INCOME</b>				
<b>From continuing operations</b>				
Gain on sale of non-current assets (i)	540	7,981	11	1,290
Non regular items in Other Income includes:				
(i) Gain of sale of land and buildings originally purchased and used in the normal operations of the Group	-	7,925	-	635
Tax expense on the above non regular items amounted to \$1,329,000 (parent - \$111,000) resulting in a profit after tax of \$6,596,000 (parent - \$524,000).				
<b>6. EXPENSES</b>				
Profit before income tax includes the following specific expenses:				
Foreign exchange gains and losses				
Net foreign exchange losses	934	949	934	949
Depreciation				
Buildings	42	59	-	12
Plant and equipment	19,474	13,969	700	701
	19,516	14,028	700	713
Amortisation				
Mining reserves and mine development	4,742	2,203	-	-
Port development	14	-	-	-
Software	728	152	712	138
	5,484	2,355	712	138
Other charges against assets				
Bad and doubtful debts	-	12	-	-
Finance Costs				
Bank charges	10	3	10	2
Exploration costs expensed	1,376	7,166	-	-
Defined contribution superannuation expense	2,401	1,595	538	381
Employee benefits expensed	43,200	33,300	11,697	8,457
Operating lease costs expensed	1,094	71	148	71

#### 7. INCOME TAX EXPENSE

##### (a) Tax consolidation legislation

New Hope Corporation Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 August 2003. The accounting policy in relation to this legislation is set out in note 1(f).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, New Hope Corporation Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate New Hope Corporation Limited for any current tax payable assumed and are compensated by New Hope Corporation Limited for any tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to New Hope Corporation Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities financial statements.

The amounts receivable / payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements  
for the year ended 31st July 2008

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>7. INCOME TAX EXPENSE (continued)</b>				
<b>(b) Income Tax Expense</b>				
Current tax	34,728	24,257	575	3,940
Deferred tax	5,066	1,299	312	51
Under / (over) provided in prior years	(1,749)	(2,286)	(2,055)	(2,091)
	<u>38,045</u>	<u>23,270</u>	<u>(1,168)</u>	<u>1,900</u>
Income tax expense is attributed to:				
Profit from continuing operations	38,045	23,270	(1,168)	1,900
Aggregate income tax expense / (benefit)	<u>38,045</u>	<u>23,270</u>	<u>(1,168)</u>	<u>1,900</u>
Deferred income tax expense / (revenue) included in income tax expense comprises:				
Decrease / (increase) in deferred tax assets	(2,447)	51	(197)	145
(Decrease) / increase in deferred tax liabilities	7,513	1,248	509	(94)
	<u>5,066</u>	<u>1,299</u>	<u>312</u>	<u>51</u>
<b>(c) Numerical reconciliation of income tax expense to prima facie tax payable</b>				
Profit from continuing operations before income tax	128,729	92,579	840	427,497
Income tax calculated at 30% (2007 - 30%)	38,619	27,774	252	128,249
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Rebateable dividends	-	-	-	(124,535)
Share of net profits of associates	-	(385)	-	-
Book profit on sale of investment property	-	(2,383)	-	(381)
Share based payment expense	817	642	817	642
Sundry items	358	(92)	(182)	16
	<u>39,794</u>	<u>25,556</u>	<u>887</u>	<u>3,991</u>
Under / (over) provided prior year	(1,749)	(2,286)	(2,055)	(2,091)
	<u>38,045</u>	<u>23,270</u>	<u>(1,168)</u>	<u>1,900</u>
<b>(d) Amounts recognised directly in equity</b>				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax - credited / (debited) directly to equity (note 26)	(23,539)	(69,513)	21	-
	<u>(23,539)</u>	<u>(69,513)</u>	<u>21</u>	<u>-</u>

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2008

	Parent Entity	
	2008	2007
	\$000	\$000
<b>8. DIVIDENDS - New Hope Corporation Limited</b>		
<b>(a) Ordinary dividend paid</b>		
2006 final dividend of 2.5 cents per share - 100% franked at a tax rate of 30% (paid on 14 Nov 2006)		20,205
2006 special dividend of 4.5 cents per share - 100% franked at a tax rate of 30% (paid on 14 Nov 2006)		36,369
2007 interim dividend of 2.1 cents per share - 100% franked at a tax rate of 30% (paid on 3 May 2007)		16,975
2007 final dividend of 2.5 cents per share - 100% franked at a tax rate of 30% (paid on 13 Nov 2007)	20,212	
2007 special dividend of 3.0 cents per share - 100% franked at a tax rate of 30% (paid on 13 Nov 2007)	24,255	
2008 interim dividend of 2.25 cents per share - 100% franked at a tax rate of 30% (paid on 7 May 2008)	18,194	
<b>Total dividends paid</b>	<b>62,661</b>	<b>73,549</b>

### (b) Proposed dividends

In addition to the above dividends, since the end of the financial year, the Directors have declared a final dividend of 3.5 cents and a special dividend of 8.0 cents per fully paid share, (2007 - 2.5 cents per share and 3.0 cents per share respectively). Both dividends are fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 11 November 2008 but not recognised as a liability at year end is \$92,993,000 (2007 - \$44,467,000).

### (c) Franked dividends

The franked portions of the final dividends recommended after 31 July 2008 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 July 2008.

Franking credits available for subsequent financial years based on a tax rate of 30% (2007 - 30%)	27,116	20,089
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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 provision for income tax, franking debits that will arise from the payment of dividends recognised as a liability at the reporting date and franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$39,854,000 (2007 - \$19,055,000).

### (d) Dividend reinvestment plans

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

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>9. CURRENT ASSETS - Cash and cash equivalents</b>				
Cash at bank and on hand	9,691	56,892	1,802	56,890
	9,691	56,892	1,802	56,890

### (a) Reconciliation to cash at the end of the year

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	9,691	56,892	1,802	56,890
<b>Balances per statement of cash flows</b>	9,691	56,892	1,802	56,890

### (b) Cash at bank and on hand

Cash at bank and on hand includes deposits for which there is a short term identified use in the operating cashflows of the group, and attracts interest at rates between 0% and 8.3% (2007 0% to 6.25%).

### (c) Risk exposure

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

**New Hope Corporation Limited and Controlled Entities**

**Notes to the financial statements  
for the year ended 31st July 2008**

	Consolidated		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>10. CURRENT ASSETS - Receivables</b>				
Trade receivables	26,112	13,367	23	64
Provision for impairment of receivables (a)	(32)	(32)	-	-
	26,080	13,335	23	64
Other receivables (c)	4,144	4,571	1,456	2,274
Owing by controlled entities	-	-	264,390	226,180
Prepayments	2,480	1,386	217	139
	32,704	19,292	266,086	228,657

**(a) Impaired trade receivables**

Nominal value of impaired receivables	32	32	-	-
Provision for impairment	32	32	-	-

The individually impaired receivables mainly relate to customers in receivership. The amounts receivable are fully provided for. There were no impaired receivables for the parent company in 2008 or 2007. The provisions above were raised in the 2006 and 2007 financial years.

The aging of these receivables is as follows:

1 to 3 months	-	-	-	-
4 to 6 months	-	-	-	-
Over 6 months	32	32	-	-
	32	32	-	-

Movements in the provision for impairment of receivables

Carrying amount at beginning of year	32	32	-	-
Provision for impairment recognised during year	-	-	-	-
Receivables written off during year as uncollectible	-	-	-	-
Unused amount reversed	-	-	-	-
	32	32	-	-

**(b) Past due but not impaired**

As of 31 July 2008, certain trade receivables were past due but not impaired. These relate to customers who have no recent history of default.

The aging of these receivables is as follows

1 to 3 months	4	72	-	-
4 to 6 months	-	-	-	-
	4	72	-	-

**(c) Other receivables**

These amounts relate to long service leave payments recoverable from the Coal Mining Industry Long Service Leave Fund, diesel fuel rebates receivable and GST refunds receivable. For the parent entity these are GST refunds receivable.

**(d) Foreign exchange and interest rate risk**

Information about the Group's and the parent entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements  
for the year ended 31st July 2008

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000

10. CURRENT ASSETS - Receivables - continued

(e) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

Information about the Group's and the parent entity's exposure to fair value and credit risk in relation to trade and other receivables is provided in note 2.

11. CURRENT ASSETS - Inventories

Coal stocks at cost	13,121	11,372	-	-
Raw materials and stores at cost	13,493	7,494	3	-
	26,614	18,866	3	-

(a) Inventory expense

Inventories recognised as an expense during the year ended 31 July 2008 amounted to \$111,920,000 (2007 - \$79,300,000).

12. CURRENT ASSETS - Held to maturity investments

Term Deposits	172,293	189,548	172,293	189,548
	172,293	189,548	172,293	189,548

The term deposits are held to their maturity of less than one year and carry a weighted average fixed interest rate of 8.05%. (2007 - 6.42%). Due to their short-term nature their carrying value is assumed to approximate their fair value. Information about the Group and parent entity's exposure to credit risk is disclosed in note 2.

13. CURRENT ASSETS - Other

Prepaid forward overburden and stripping costs	1,382	66	-	-
Security deposits	124	121	2	2
	1,506	187	2	2

14. CURRENT ASSETS - Non current assets classified as held for sale

New Saraji exploration tenements	7,139	-	-	-
	7,139	-	-	-

For details of this transaction refer to note 44.

15. NON-CURRENT ASSETS - Receivables

Advances to associates	-	667	-	-
Prepayments	3,820	-	-	-
Other receivables	1,217	1,046	-	-
	5,037	1,713	-	-

(a) Interest rate risk

In both the current and prior year all non-current receivables are non-interest bearing.

(b) Fair value of receivables

The fair value of receivables approximates their carrying amounts.

**New Hope Corporation Limited and Controlled Entities**

**Notes to the financial statements  
for the year ended 31st July 2008**

	Consolidated		Parent Entity	
	2008	2007	2008	2007
16. NON-CURRENT ASSETS - Investments accounted for using the equity method	\$000	\$000	\$000	\$000
Shares in associated companies - equity accounted amount (note 37)	-	3,366	-	-
	<u>-</u>	<u>3,366</u>	<u>-</u>	<u>-</u>
<b>17. NON-CURRENT ASSETS - Available for sale financial assets</b>				
At beginning of year	319,272	49,417	-	-
Additions	27,457	38,251	-	-
Revaluation surplus transfer to equity	51,606	231,604	-	-
At end of year	<u>398,335</u>	<u>319,272</u>	<u>-</u>	<u>-</u>
Listed securities				
Equity securities *	398,332	319,269	-	-
Unlisted securities				
Equity securities	3	3	-	-
	<u>398,335</u>	<u>319,272</u>	<u>-</u>	<u>-</u>

\* Includes the investment in Arrow Energy Limited which at 31 July 2008 was valued at \$394,356,000 (2007 - \$319,269,000).

Information about the Group's exposure to price risk is included in note 2.

**18. NON-CURRENT ASSETS - Other financial assets**

**(a) Unlisted investments**

Shares in subsidiaries held at cost	-	-	16,115	17,117
	<u>-</u>	<u>-</u>	<u>16,115</u>	<u>17,117</u>

**(b) At cost are ordinary shares and comprise:**

Name of Entity	Country of Incorporation	Class of share	%	Parent Entity		2007
				2008	2007	
				\$000	%	\$000
New Hope Collieries Pty Ltd *	Australia	Ordinary	100	1,448	100	1,448
Tivoli Collieries Pty Ltd *	Australia	Ordinary	100	806	100	806
Andrew Wright Holdings Pty Ltd *	Australia	Ordinary	100	160	100	160
and its controlled entities - Tetard Holdings Pty Ltd *	Australia	Ordinary	100	-	100	-
and Queensland Bulk Handling Pty Ltd	Australia	Ordinary	100	-	50	-
Acland Pastoral Co. Pty Ltd *	Australia	Ordinary	100	3,935	100	3,935
Jeebropilly Collieries Pty Ltd	Australia	Ordinary	100	200	100	200
Fowlers Engineering Pty Ltd *	Australia	Ordinary	100	325	100	325
Consolidated Bulk Handling Pty Ltd **	Australia	Ordinary		-	100	1,000
New Hope Finance Pty Ltd **	Australia	Ordinary		-	100	2
New Oakleigh Coal Pty Ltd	Australia	Ordinary	100	1	100	1
New Hope Exploration Pty Ltd *	Australia	Ordinary	100	1	100	1
Seven Mile Coal Pty Ltd *	Australia	Ordinary	100	-	100	-
New Acland Coal Pty Ltd	Australia	Ordinary	100	9,236	100	9,236
Arkdale Pty Ltd *	Australia	Ordinary	100	1	100	1
New Lenton Coal Pty Ltd *	Australia	Ordinary	100	1	100	1
New Saraji Coal Pty Ltd *	Australia	Ordinary	100	-	0	-
New Hope Water Pty Ltd *	Australia	Ordinary	100	-	0	-
Tivoli Coal (Hawaii) Pty Ltd *	Australia	Ordinary	100	1	100	1
				<u>16,115</u>		<u>17,117</u>

\*\* Dormant entity was liquidated during the year

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

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements  
for the year ended 31st July 2008

	Consolidated		Parent Entity	
	2008	2007	2008	2007
19. NON-CURRENT ASSETS - Property, plant and equipment	\$000	\$000	\$000	\$000
Land and buildings - held for mining				
Freehold land at cost	89,207	83,236	-	-
Buildings at cost	3,687	3,701	-	-
Accumulated depreciation	(356)	(319)	-	-
	<u>3,331</u>	<u>3,382</u>	<u>-</u>	<u>-</u>
Total land and buildings - held for mining	<u>92,538</u>	<u>86,618</u>	<u>-</u>	<u>-</u>
Plant and equipment				
Plant and equipment at cost	297,463	210,731	3,280	2,800
Accumulated depreciation	(119,207)	(101,204)	(2,459)	(2,059)
	<u>178,256</u>	<u>109,527</u>	<u>821</u>	<u>741</u>
Motor vehicles				
Motor vehicles at cost	3,457	2,768	1,110	931
Accumulated depreciation	(1,360)	(902)	(472)	(271)
	<u>2,097</u>	<u>1,866</u>	<u>638</u>	<u>660</u>
Mining reserves and leases				
Mining reserves and leases at cost	9,813	9,813	-	-
Accumulated amortisation	(5,736)	(5,001)	-	-
	<u>4,077</u>	<u>4,812</u>	<u>-</u>	<u>-</u>
Mine properties, mine development	43,563	34,510	-	-
Mine properties, mine development at cost	(18,640)	(14,634)	-	-
Accumulated amortisation	<u>24,923</u>	<u>19,876</u>	<u>-</u>	<u>-</u>
Plant and equipment under construction	<u>7,857</u>	<u>1,886</u>	<u>545</u>	<u>90</u>
Total Property, plant and equipment	<u>309,748</u>	<u>224,585</u>	<u>2,004</u>	<u>1,491</u>
<b>Reconciliations</b>				
Land and buildings - non-mining				
Carrying amount at beginning of year	-	1,335	-	814
Disposals	-	(1,323)	-	(802)
Depreciation	-	(12)	-	(12)
Carrying amount at end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Land and buildings - held for mining				
Carrying amount at beginning of year	86,618	64,677	-	-
Additions	6,345	23,793	-	-
Disposals	(383)	(1,709)	-	-
Depreciation	(42)	(30)	-	-
Transfers in/(out)	-	(113)	-	-
Carrying amount at end of year	<u>92,538</u>	<u>86,618</u>	<u>-</u>	<u>-</u>

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements  
for the year ended 31st July 2008

	Consolidated		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>19. NON-CURRENT ASSETS - Property, plant and equipment (continued)</b>				
<b>Reconciliations- continued</b>				
<b>Plant and equipment</b>				
Carrying amount at beginning of year	109,527	71,615	741	885
Additions	13,105	56,111	481	339
Acquisition of subsidiary	72,922	-	-	-
Disposals	(145)	(35)	-	-
Depreciation	(18,768)	(13,383)	(401)	(483)
Transfers in/(out)	1,615	(4,781)		
Carrying amount at end of year	<u>178,256</u>	<u>109,527</u>	<u>821</u>	<u>741</u>
<b>Motor vehicles</b>				
Carrying amount at beginning of year	1,866	1,610	660	480
Additions	933	985	281	445
Acquisition of subsidiary	116	-	-	-
Disposals	(125)	(143)	(30)	(47)
Depreciation	(720)	(586)	(300)	(218)
Transfers in/(out)	27		27	
Carrying amount at end of year	<u>2,097</u>	<u>1,866</u>	<u>638</u>	<u>660</u>
<b>Mining reserves and leases</b>				
Carrying amount at beginning of year	4,812	5,374	-	-
Amortisation	(735)	(562)	-	-
Carrying amount at end of year	<u>4,077</u>	<u>4,812</u>	<u>-</u>	<u>-</u>
<b>Mine properties and mine development</b>				
Carrying amount at beginning of year	19,876	14,506	-	-
Additions	8,872	2,117	-	-
Transfers in/(out)	181	4,894	-	-
Amortisation	(4,006)	(1,641)	-	-
Carrying amount at end of year	<u>24,923</u>	<u>19,876</u>	<u>-</u>	<u>-</u>
<b>Plant and equipment under construction</b>				
Carrying amount at beginning of year	1,886	-	90	-
Acquisition of subsidiary	964	-	-	-
Transfers in/(out)	(1,823)		(27)	
Additions	6,830	1,886	482	90
Carrying amount at end of year	<u>7,857</u>	<u>1,886</u>	<u>545</u>	<u>90</u>
<b>20. NON-CURRENT ASSETS - Exploration and evaluation</b>				
Exploration and evaluation at cost	<u>1,976</u>			
	<u>1,976</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Reconciliation</b>				
Carrying amount at beginning of year	-	-	-	-
Additions	9,115	-	-	-
Transfer to assets held for sale (note 14)	(7,139)			
Carrying amount at end of year	<u>1,976</u>	<u>-</u>	<u>-</u>	<u>-</u>



New Hope Corporation Limited and Controlled Entities

Notes to the financial statements  
for the year ended 31st July 2008

	Consolidated		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>21. NON-CURRENT ASSETS - Investment property</b>				
Freehold land at cost	35	35	35	35
	<u>35</u>	<u>35</u>	<u>35</u>	<u>35</u>
<b>Reconciliation</b>				
Carrying amount at beginning of year	35	1,559	35	35
Disposals	-	(1,507)	-	-
Depreciation	-	(17)	-	-
Carrying amount at end of year	<u>35</u>	<u>35</u>	<u>35</u>	<u>35</u>
<b>(a) Amounts recognised in profit and loss for Investment property</b>				
Rental income	69	707	40	4
Direct operating expenses from income generating properties	(5)	(241)	(3)	(1)
	<u>64</u>	<u>466</u>	<u>37</u>	<u>3</u>
<b>(b) Contractual obligations</b>				
There are no contractual obligations to purchase, construct or develop Investment property or for any repairs, maintenance or enhancements.				
<b>22. NON-CURRENT ASSETS - Deferred tax assets</b>				
The balance comprises temporary differences attributed to :	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
Amounts recognised in profit and loss				
Accrued expenses	369	-	48	-
Employee benefits	2,609	2,093	514	444
Mine site rehabilitation provision	4,029	3,691	-	-
IPO costs	10	128	10	128
Other	1,613	271	197	-
	<u>8,630</u>	<u>6,183</u>	<u>769</u>	<u>572</u>
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions (note 26)	(8,630)	(6,183)	(658)	(170)
Net deferred tax assets	<u>-</u>	<u>-</u>	<u>111</u>	<u>402</u>
<b>Movements</b>				
Carrying amount at beginning of year	6,183	6,234	572	717
Credited / (charged) to the income statement	2,447	(51)	197	(145)
Carrying amount at end of year	<u>8,630</u>	<u>6,183</u>	<u>769</u>	<u>572</u>
Deferred tax assets to be recovered after more than 12 months	7,532	2,364	660	444
Deferred tax assets to be recovered within 12 months	1,098	3,819	109	128
	<u>8,630</u>	<u>6,183</u>	<u>769</u>	<u>572</u>

**New Hope Corporation Limited and Controlled Entities**

**Notes to the financial statements  
for the year ended 31st July 2008**

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>23. NON-CURRENT ASSETS - Intangibles</b>				
Software				
Software at cost *	6,028	3,972	5,528	3,510
Accumulated amortisation	(1,610)	(882)	(1,163)	(451)
	<u>4,418</u>	<u>3,090</u>	<u>4,365</u>	<u>3,059</u>
Goodwill				
Goodwill at cost	5,596	-	-	-
Accumulated impairment losses	-	-	-	-
	<u>5,596</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Intangibles	<u>10,014</u>	<u>3,090</u>	<u>4,365</u>	<u>3,059</u>

**Reconciliation**

Software *				
Carrying amount at beginning of year	3,090	2,860	3,059	2,826
Additions	2,056	382	2,018	371
Amortisation **	(728)	(152)	(712)	(138)
Carrying amount at end of year	<u>4,418</u>	<u>3,090</u>	<u>4,365</u>	<u>3,059</u>

\* Software includes capitalised development costs, being an intangible asset.

\*\* Amortisation of \$728,000 (2007 - \$152,000) is included in cost of sales in the income statement.

**Goodwill**

Carrying amount at beginning of year	-	-	-	-
Acquisition of subsidiary	5,596	-	-	-
Carrying amount at end of year	<u>5,596</u>	<u>-</u>	<u>-</u>	<u>-</u>

Goodwill relates to the purchase of the remaining 50% shareholding in Queensland Bulk Handling Pty Ltd (note 43).

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

**24. CURRENT LIABILITIES - Accounts payable**

Trade payables and accruals	18,739	11,984	6,663	629
Other payables	-	309	-	33
Employee entitlements	7,911	6,450	1,061	922
	<u>26,650</u>	<u>18,743</u>	<u>7,724</u>	<u>1,584</u>

**25. CURRENT LIABILITIES - Borrowings**

Current				
Loans from controlled entities - unsecured	-	-	59,668	49,508
	<u>-</u>	<u>-</u>	<u>59,668</u>	<u>49,508</u>

**(a) Loans from controlled entities - unsecured**

Loans from controlled entities have no fixed term of repayment and bear no interest. Loans are expected to be settled within 12 months and their fair value is assumed to approximate carrying value.

**New Hope Corporation Limited and Controlled Entities**

**Notes to the financial statements  
for the year ended 31st July 2008**

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>25. CURRENT LIABILITIES - Borrowings - continued</b>				
<b>(b) Financing arrangements</b>				
Unrestricted access was available at balance date to the following lines of credit:				
Total facilities				
Other facilities (i)	39,606	25,000	39,606	25,000
	39,606	25,000	39,606	25,000
Used at balance date				
Other facilities	28,625	14,942	28,625	14,942
	28,625	14,942	28,625	14,942
Unused at balance date				
Other facilities	10,981	10,058	10,981	10,058
	10,981	10,058	10,981	10,058
(i) Other facilities are only in relation to bank guarantees, are unsecured, for no fixed term and bear variable rates.				
<b>(c) Guarantees</b>				
The parent entity has given unsecured guarantees in respect of:				
(i) Mining restoration and rehabilitation	13,738	9,420	13,738	9,420
The liability has been recognised by the consolidated entity in relation to its rehabilitation obligations. See note 27, note 28 and note 1(ab).				
(ii) Statutory body suppliers	14,887	5,522	14,887	5,522
No liability was recognised by the parent entity or consolidated entity in relation to these guarantees as no losses are foreseen on these contingent liabilities.				
<b>26. NON-CURRENT LIABILITIES - Deferred tax liabilities</b>				
The balance comprises temporary differences attributed to:				
Amounts recognised in profit and loss				
Other accounts receivable	1,302	361	549	-
Inventories	3,934	2,349	-	-
Property plant and equipment	8,012	2,806	130	167
Mine reserves	1,223	1,444	-	-
Other	311	309	-	3
	14,782	7,269	679	170
Amounts recognised directly in equity				
Cash flow hedges	4,641	3,744	(21)	-
Property plant and equipment	7,160	-	-	-
Available for sale financial assets	84,963	69,481	-	-
	111,546	80,494	658	170
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions (note 22)	(8,630)	(6,183)	(658)	(170)
Net deferred tax liabilities	102,916	74,311	-	-
Carrying amount at beginning of year	80,494	9,733	170	264
Charged / (Credited) to the income statement	7,513	1,248	509	(94)
Charged / (Credited) to equity	23,539	69,513	(21)	-
Carrying amount at end of year	111,546	80,494	658	170
Deferred tax liabilities to be settled after more than 12 months	106,310	75,576	109	170
Deferred tax liabilities to be settled within 12 months	5,236	4,918	549	-
	111,546	80,494	658	170

**New Hope Corporation Limited and Controlled Entities**

**Notes to the financial statements  
for the year ended 31st July 2008**

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>27. CURRENT LIABILITIES - Provisions</b>				
Employee benefits	3,347	2,884	570	489
Mining restoration and rehabilitation (note 1(ab))	2,453	1,733	-	-
	5,800	4,617	570	489

**(a) Amounts not expected to be settled within the next 12 months**

The current provision for long service leave includes all unconditional settlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payment in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

Long service leave obligations expected to be settled after 12 months	3,012	2,596	513	440
---	-------	-------	-----	-----

**(b) Mining restoration and rehabilitation**

Current	2,453	1,733	-	-
Non-current	10,978	10,571	-	-
	13,431	12,304	-	-

Movement in the total mining restoration and rehabilitation provision during the financial year is set out below :

Carrying amount at beginning of year	12,304	11,629	-	-
Additional provision recognised	1,127	675	-	-
Carrying amount at end of year	13,431	12,304	-	-

**28. NON-CURRENT LIABILITIES - Provisions**

Employee benefits	1,367	1,174	83	70
Mining restoration and rehabilitation (note 1(ab))	10,978	10,571	-	-
	12,345	11,745	83	70

**29. CONTRIBUTED EQUITY**

**(a) 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 2008 there were 21,737,119 (2007 - 19,493,195) options (management and shareholder) over ordinary shares in the Company.

**(b) Options**

Information relating to the New Hope Corporation Employee Share Option Plan (management options), including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 42.

Ordinary options were issued to shareholders as part of the initial public offering in 2003. Options were exercisable until 10 September 2008 at an exercise price of \$0.35.

**New Hope Corporation Limited and Controlled Entities**

**Notes to the financial statements  
for the year ended 31st July 2008**

	Parent Entity 2008		Parent Entity 2007	
	No. of shares	\$000	No. of shares	\$000
<b>29. CONTRIBUTED EQUITY (continued)</b>				
<b>(c) Share Capital</b>				
Issued and paid up capital	<u>808,634,679</u>	<u>48,922</u>	<u>808,378,603</u>	<u>48,834</u>

**(d) Movements in share capital**

Date	Details	Number of Shares	Issue Price	\$000
1 August 2006	Opening Balance	801,226,236		46,028
31 August 2006	Exercise of ordinary options	3,429	\$0.35000	1
22 September 2006	Exercise of ordinary options	500	\$0.35000	-
22 September 2006	Exercise of management options	3,990,000	\$0.39375	1,571
30 September 2006	Exercise of management options	500,000	\$0.39375	197
30 September 2006	Exercise of ordinary options	500	\$0.35000	-
31 October 2006	Exercise of management options	2,400,000	\$0.39375	945
31 October 2006	Exercise of ordinary options	74,168	\$0.35000	26
30 November 2006	Exercise of ordinary options	1,563	\$0.35000	1
31 December 2006	Exercise of ordinary options	13,882	\$0.35000	5
31 March 2007	Exercise of ordinary options	10,000	\$0.35000	4
30 April 2007	Exercise of ordinary options	133,926	\$0.35000	47
31 May 2007	Exercise of ordinary options	10,666	\$0.35000	4
30 June 2007	Exercise of ordinary options	2,541	\$0.35000	1
31 July 2007	Exercise of ordinary options	11,192	\$0.35000	4
<b>31 July 2007</b>	<b>Balance</b>	<u><b>808,378,603</b></u>		<u><b>48,834</b></u>
31 August 2007	Exercise of ordinary options	6,794	\$0.35000	2
30 September 2007	Exercise of ordinary options	1,000	\$0.35000	-
31 October 2007	Exercise of ordinary options	101,525	\$0.35000	36
30 November 2007	Exercise of ordinary options	101,063	\$0.35000	35
31 December 2007	Exercise of ordinary options	1,163	\$0.35000	-
31 January 2008	Exercise of ordinary options	4,698	\$0.35000	2
29 February 2008	Exercise of ordinary options	4,036	\$0.35000	1
31 March 2008	Exercise of ordinary options	7,000	\$0.35000	2
30 April 2008	Exercise of ordinary options	4,862	\$0.35000	2
31 May 2008	Exercise of ordinary options	4,305	\$0.35000	1
30 June 2008	Exercise of ordinary options	9,577	\$0.35000	3
31 July 2008	Exercise of ordinary options	10,053	\$0.35000	4
<b>31 July 2008</b>	<b>Balance</b>	<u><b>808,634,679</b></u>		<u><b>48,922</b></u>

**(e) Capital risk management**

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or source debt to fund growth projects.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements  
for the year ended 31st July 2008

30. RESERVES	Consolidated		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
(a) Reserves				
Capital profits	1,343	1,343	-	-
Capital redemption	2,800	2,800	2,800	2,800
Available-for-sale investments revaluation	198,247	162,123	-	-
Property, plant and equipment revaluation	27,412	-	-	-
Hedging	10,778	8,738	(50)	-
Share-based payments	9,075	6,353	9,075	6,353
	<u>249,655</u>	<u>181,357</u>	<u>11,825</u>	<u>9,153</u>
<b>Movements</b>				
Capital profits				
Carrying amount at beginning of year	1,343	1,343	-	-
Carrying amount at end of year	<u>1,343</u>	<u>1,343</u>	<u>-</u>	<u>-</u>
Capital redemption				
Carrying amount at beginning of year	2,800	2,800	2,800	2,800
Carrying amount at end of year	<u>2,800</u>	<u>2,800</u>	<u>2,800</u>	<u>2,800</u>
Available-for-sale investments revaluation				
Carrying amount at beginning of year	162,123	-	-	-
Revaluation - gross	51,606	231,604	-	-
Revaluation - deferred tax	(15,482)	(69,481)	-	-
Carrying amount at end of year	<u>198,247</u>	<u>162,123</u>	<u>-</u>	<u>-</u>
Property, plant and equipment revaluation				
Carrying amount at beginning of year	-	-	-	-
Step acquisition accounting for subsidiary	34,572	-	-	-
Revaluation - deferred tax	(7,160)	-	-	-
Carrying amount at end of year	<u>27,412</u>	<u>-</u>	<u>-</u>	<u>-</u>
Hedging				
Carrying amount at beginning of year	8,738	8,662	-	-
Transfer to net profit - gross	(14,263)	(10,270)	-	-
Transfer to net profit - deferred tax	4,279	3,081	-	-
Revaluation - gross	17,177	10,379	(71)	-
Revaluation - deferred tax	(5,153)	(3,114)	21	-
Carrying amount at end of year	<u>10,778</u>	<u>8,738</u>	<u>(50)</u>	<u>-</u>
Share-based payment				
Carrying amount at beginning of year	6,353	4,210	6,353	4,210
Option expense	2,722	2,143	2,722	2,143
Carrying amount at end of year	<u>9,075</u>	<u>6,353</u>	<u>9,075</u>	<u>6,353</u>

**Nature and purpose of reserves**

Capital profits

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

Capital redemption

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

Available-for-sale investments revaluation

Changes in the fair value of investments classified as available-for-sale financial assets are taken to this reserve, as described in note 1(n). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

Property, plant and equipment revaluation

This reserve represents the revaluation arising on the fair value uplift of property, plant and equipment on the initial holding of Queensland Bulk Handling Pty Ltd further to the acquisition of the second 50% of this company.

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2008

### 30. RESERVES - continued

#### Nature and purpose of reserves- continued

##### Hedging

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

##### Share based payment reserve

The share based payment reserve is used to recognise the fair value of options issued.

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>(b) Retained profits</b>				
Carrying amount at beginning of year	501,007	505,247	378,848	26,800
Net profit after income tax	90,684	69,309	2,008	425,597
Dividends paid (note 8)	(62,661)	(73,549)	(62,661)	(73,549)
Carrying amount at end of year	529,030	501,007	318,195	378,848

### 31. CONTINGENT LIABILITIES

Details and estimates of maximum amounts of contingent liabilities for which no provision is included in the accounts, are as follows:

2008	2007
\$000	\$000

#### 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

14,887	6,602
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No losses are anticipated in respect of any of the above contingent liabilities.

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000

### 32. COMMITMENTS

#### (a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

##### Property plant and equipment

Within 1 year	17,185	7,595	4,416	-
Within 2 - 5 years	-	-	-	-
After 5 years	-	-	-	-
	17,185	7,595	4,416	-

##### Intangibles

Within 1 year	-	1,724	-	1,724
Within 2 - 5 years	-	-	-	-
After 5 years	-	-	-	-
	-	1,724	-	1,724

#### (b) Lease commitments: Group as lessee

##### (i) Non-cancellable operating leases

The Group leases its offices and port facilities under non-cancellable operating leases expiring within one to nineteen years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	1,603	-	99	-
Later than one year but not later than five years	11,453	-	-	-
Later than five years	60,166	-	-	-
	73,222	-	99	-

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2008

#### 33. KEY MANAGEMENT PERSONNEL DISCLOSURES

##### (a) Directors

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

##### Chairman - non-executive

Mr R.D. Millner

##### Non executive Directors

Mr P.R. Robinson

Mr D.J. Fairfull

Mr D.C. Williamson

Mr W.H. Grant

##### (b) Other key management personnel

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

Name	Position	Employer
Mr R.C. Neale	Chief Executive Officer	New Hope Corporation Limited
Mr M.L. Bailey	Chief Operations Officer	New Hope Corporation Limited
Mr P.K. Mantell	Chief Financial Officer and Company Secretary	New Hope Corporation Limited
Mr B.J. Garland	New Saraji Project Executive	New Hope Corporation Limited
Mr D. Brown-Kenyon	General Manager - Corporate Development & Government Relations	New Hope Corporation Limited
Mr C.C. Hopkins	General Manager - Marketing	New Hope Corporation Limited
Mr C.W. Easton	General Manager - Business Improvement	New Hope Corporation Limited

(c) Key management personnel compensation	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term employee benefits	3,224,510	2,092,975	3,224,510	2,092,975
Long-term employee benefits	19,929	18,626	19,929	18,626
Post employment benefits	113,695	79,115	113,695	79,115
Share based payment	1,408,495	824,721	1,408,495	824,721
	<u>4,766,629</u>	<u>3,015,437</u>	<u>4,766,629</u>	<u>3,015,437</u>

Detailed remuneration disclosures can be found in sections (a) to (e) of the remuneration report on pages 10 to 14.

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

###### (i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with the terms and conditions of the options, can be found in section (d) of the remuneration report on pages 10 to 14.



## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2008

#### 33. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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

##### (ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each Director of New Hope Corporation Limited and other key management personnel of the Group, including their personally related entities are as follows:

	Opening balance	Movements during the year			Closing balance	Vested & exercisable
		Granted	Purchased / (Sold)	Exercised		
<b>Directors of New Hope Corporation Ltd - 2008</b>						
Mr R.D. Millner	-	-	-	-	-	-
Mr P.R. Robinson	-	-	-	-	-	-
Mr D.J. Fairfull	1,000	-	-	-	1,000	1,000
Mr D.C. Williamson	-	-	-	-	-	-
Mr W.H. Grant	-	-	-	-	-	-
<b>Other key management personnel of the group - 2008</b>						
Mr R.C. Neale	2,000,000	-	-	-	2,000,000	-
Mr M.L. Bailey	-	1,500,000	-	-	1,500,000	-
Mr P.K. Mantell	1,500,000	-	-	-	1,500,000	-
Mr B.J. Garland	-	1,000,000	-	-	1,000,000	-
Mr D. Brown-Kenyon	1,250,000	-	-	-	1,250,000	-
Mr C.C. Hopkins	1,250,000	-	-	-	1,250,000	-
Mr C.W. Easton	1,000,000	-	-	-	1,000,000	-
<b>Directors of New Hope Corporation Ltd - 2007</b>						
Mr R.D. Millner	1,206	-	372	(1,578)	-	-
Mr P.R. Robinson	-	-	-	-	-	-
Mr D.J. Fairfull	1,000	-	-	-	1,000	1,000
Mr D.C. Williamson	-	-	-	-	-	-
Mr W.H. Grant	-	-	-	-	-	-
<b>Other key management personnel of the group - 2007</b>						
Mr R.C. Neale	3,200,000	-	-	(1,200,000)	2,000,000	-
Mr P.K. Mantell	2,590,000	-	-	(1,090,000)	1,500,000	-
Mr D. Brown-Kenyon	2,100,000	-	-	(850,000)	1,250,000	-
Mr C.C. Hopkins	1,750,000	-	-	(500,000)	1,250,000	-
Mr C.W. Easton	500,000	500,000	-	-	1,000,000	-

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2008

#### 33. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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

##### (iii) Share holdings

The number of shares in the Company held during the financial year by each Director of New Hope Corporation Limited and other key management personnel of the Group, including their personally related parties, is set out below. There were no shares granted during the reporting period as compensation.

	Opening balance	Purchased / (sold)	Movements during the year		Closing balance
			Received from options exercised	Other	
<b>Directors of New Hope Corporation Ltd - 2008</b>					
Mr R.D. Millner	2,540,573	650,000	-	-	3,190,573
Mr P.R. Robinson	57,357	-	-	-	57,357
Mr D.J. Fairfull	10,000	-	-	-	10,000
Mr D.C. Williamson	20,000	-	-	-	20,000
Mr W.H. Grant	-	20,000	-	-	20,000
<b>Other key management personnel of the group - 2008</b>					
Mr R.C. Neale	1,205,500	(200,000)	-	-	1,005,500
Mr M.L. Bailey	-	-	-	-	-
Mr P.K. Mantell	1,103,000	(175,500)	-	-	927,500
Mr B.J. Garland	-	-	-	-	-
Mr D. Brown-Kenyon	850,000	-	-	-	850,000
Mr C.C. Hopkins	-	-	-	-	-
Mr C.W. Easton	-	-	-	-	-
<b>Directors of New Hope Corporation Ltd - 2007</b>					
Mr R.D. Millner	2,535,276	3,719	1,578	-	2,540,573
Mr P.R. Robinson	57,357	-	-	-	57,357
Mr D.J. Fairfull	10,000	-	-	-	10,000
Mr D.C. Williamson	20,000	-	-	-	20,000
Mr W.H. Grant	-	-	-	-	-
<b>Other key management personnel - 2007</b>					
Mr R.C. Neale	5,500	-	1,200,000	-	1,205,500
Mr P.K. Mantell	13,000	-	1,090,000	-	1,103,000
Mr D. Brown-Kenyon	-	-	850,000	-	850,000
Mr C.C. Hopkins	-	(500,000)	500,000	-	-
Mr C.W. Easton	-	-	-	-	-

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

##### (e) Other transactions of key management personnel

Mr D.J. Fairfull is a Director of New Hope Corporation Limited. Mr Fairfull also had an interest in Pitt Capital Partners Limited which acted as Financial Advisor to the Company for various corporate transactions during the 2008 and 2007 financial year. All transactions are based on normal commercial terms and conditions.

Mr K.P. 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.

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2008

#### 33. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

##### (e) Other transactions of key management personnel (continued)

Aggregate amounts of each of the above types of transactions with key management personnel were as follows:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Legal advice	686,636	469,471	419,371	282,790
Financial advice fees paid	552,170	97,500	552,170	97,500

##### (f) Loans to key management personnel

No loans have been made available to the key management personnel of the Group.

#### 34. RELATED PARTY TRANSACTIONS

##### (a) Parent entities

The parent entity within the Group is New Hope Corporation Limited. The ultimate Australian parent entity and controlling entity is Washington H. Soul Pattinson & Company Limited (WHSP) which at 31st July 2008 owned 61.18% (2007 - 61.07%) of the issued ordinary shares of New Hope Corporation Limited.

##### (b) Subsidiaries

Interests in subsidiaries are set out in note 18.

##### (c) Key management personnel

Disclosures relating to key management personnel are set out in note 33.

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>(d) Transactions with related parties</b>				
<b>Sale of goods and services</b>				
Management and supervision fees - subsidiaries	-	-	9,680,192	8,880,490
Management and supervision fees - associates	-	250,000	-	-
Financial services - subsidiaries	-	-	72,000	288,000
<b>Tax consolidation legislation</b>				
Current tax payable assumed from tax consolidated entities	-	-	37,342,372	22,363,257
Tax losses assumed from tax consolidated entities	-	-	(2,988,756)	(2,241,386)
<b>Dividend revenue</b>				
Subsidiaries	-	-	-	415,117,049
Associates	-	3,500,000	-	-
<b>Other transactions</b>				
Dividends paid to ultimate Australian controlling entity (WHSP)	38,283,972	44,926,374	38,283,972	44,926,374
Handling and commission expense - associates	-	10,730,059	-	-
Partnership income received	-	3,273,767	-	-

##### (e) Outstanding balances arising from sales / purchases of goods and services

No provisions for doubtful debts have been raised to any outstanding balances. No bad debts expense (2007 - \$ nil) has been recognised in the books of the parent entity in respect of amounts owing from subsidiaries.

New Hope Corporation Limited and Controlled Entities

Notes to the financial statements  
for the year ended 31st July 2008

34. RELATED PARTIES (continued)	Consolidated		Parent Entity	
	2008	2007	2008	2007
(f) Loans to / from related parties	\$	\$	\$	\$
<b>Loans to subsidiaries</b>				
Beginning of year	-	-	226,180,000	109,180,971
Loans advanced	-	-	153,147,344	381,581,809
Loan repayments received	-	-	(114,937,834)	(264,582,780)
Bad debts written off	-	-	-	-
End of year	-	-	264,389,510	226,180,000
<b>Loans to other related parties</b>				
Beginning of year	667,248	393,481	-	-
Loans advanced	-	3,273,767	-	-
Loan repayments received	(667,248)	(3,000,000)	-	-
End of year	-	667,248	-	-
<b>Loans from subsidiaries</b>				
Beginning of year	-	-	49,508,000	396,482,408
Loans advanced	-	-	235,272,400	237,564,806
Loan repayments received	-	-	(225,111,906)	(584,539,214)
End of year	-	-	59,668,494	49,508,000

(g) Terms and conditions

The terms and conditions of the tax funding agreement are set out in note 7.

Transactions relating to dividends were on the same terms and conditions that applied to other shareholders.

All other transactions were made on normal commercial terms and conditions and at market rates, except that there were no fixed terms for the repayment of loans between parties. These loans are non-interest bearing.

Outstanding balances are unsecured and are repayable in cash.

35. REMUNERATION OF AUDITORS	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
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:				
<b>(a) Audit services</b>				
PricewaterhouseCoopers Australian firm for audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	300,791	281,959	300,791	281,959
Non PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the Group	-	-	-	-
<b>Total remuneration for audit services</b>	300,791	281,959	300,791	281,959
<b>(b) Other services</b>				
PricewaterhouseCoopers Australian firm				
Transaction advisory services	289,544	310,624	241,904	310,624
General advisory services	145,539	65,698	145,539	49,094
Tax compliance services	153,731	345,810	153,731	345,810
Research and development compliance services	127,137	229,031	127,137	229,031
<b>Total remuneration for other services</b>	715,951	951,163	668,311	934,559

# New Hope Corporation Limited and Controlled Entities

## Notes to the financial statements for the year ended 31st July 2008

### 36. FINANCIAL REPORTING BY SEGMENTS

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

Australian sales to external customers includes coal sales to the Asia-Pacific region which originated from Australian companies. For the year ended 31 July 2008 this amounted to \$243,914,065 (2007 \$166,232,822).

### 37. INVESTMENTS IN ASSOCIATED COMPANIES

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. These investments were held by Andrew Wright Holdings Pty Ltd, which is a controlled entity of New Hope Corporation Limited. Information relating to the associates is as follows:

	Name of company	Year end	Principal activity	Ownership interest		Consolidated	
				2008	2007	2008	2007
Unlisted				%	%	\$000	\$000
	Queensland Bulk Handling Pty Ltd (QBH)	June *	Coal handling	100.00	50.00	-	3,366
						<u>-</u>	<u>3,366</u>

\* The accounting year end for QBH changed from 30 June to 31 July in the 2008 financial year.

#### (a) Movements in the carrying amounts of investments in associates

Carrying amount at the beginning of the financial year	3,366	5,582
Adjustment on consolidation of a previously equity accounted investment	(3,366)	-
Share of profits after income tax	-	1,284
Dividends received / receivable	-	(3,500)
Carrying amount at the end of the financial year	<u>-</u>	<u>3,366</u>

#### (b) Share of associates' profits

Profit before income tax	-	1,836
Income tax expense	-	(552)
Profit after income tax	<u>-</u>	<u>1,284</u>

The associate is incorporated and domiciled in Australia.

#### (c) Share of associates' expenditure commitments, other than for the supply of inventories

Lease Commitments	<u>-</u>	<u>5,298</u>
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#### (d) Contingent liabilities of associates

For which the Company is severally liable	<u>-</u>	<u>-</u>
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#### (e) Acquisition of outstanding equity in QBH

On 1 August 2007, Andrew Wright Holdings Pty Ltd (a wholly owned subsidiary of New Hope) acquired the other 50% equity in Queensland Bulk Handling Pty Ltd (QBH) and the Bulk Terminal Services partnership (BTS) for \$42.5 million. This transaction results in QBH and BTS becoming wholly owned members of the New Hope Group. With effect from 1 August 2007, the operations of QBH and BTS have been fully consolidated in the group financial statements.

#### (f) Summarised financial information of associates (prior year)

2007	Group's Share of :			
	Assets	Liabilities	Revenues	Profit / (Loss)
Queensland Bulk Handling Pty Ltd (QBH)	4,531	1,165	10,063	1,284
	<u>4,531</u>	<u>1,165</u>	<u>10,063</u>	<u>1,284</u>

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2008

#### 38. INTEREST IN PARTNERSHIP

During the prior year Andrew Wright Holdings Pty Ltd, a controlled entity of New Hope Corporation Limited held 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. In 2007 the Group's share of the partnership's revenue was \$4,945,000.

Consolidated

2008      2007  
\$000      \$000

Contribution of the partnership to operating profit of the consolidated entity	-	3,274
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Refer to note 37(e) for information in relation to a change in the partnership interest on 1 August 2007.

39. RECONCILIATION OF NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES TO PROFIT AFTER INCOME TAX	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
<b>Profit after income tax</b>	90,684	69,309	2,008	425,597
Depreciation and amortisation	25,000	16,383	1,412	851
Non-cash employee benefit expense - share based payments	2,722	2,143	2,722	2,143
Dividend received (non-cash)	-	-	-	(415,117)
Net foreign exchange (gain) / loss	935	1,091	935	949
Net (profit) / loss on sale of non-current assets	(540)	(7,981)	(11)	(1,290)
Share of (profits) / losses of associates not received as dividends	-	2,217	-	-
Partnership income	-	(3,274)	-	-
Interest, guarantee and management fees	(11)	(2,538)	(9,710)	(8,538)
Income taxes paid	(26,836)	(32,606)	(26,836)	(32,605)
Income tax expense in accounts	38,045	23,270	(1,168)	1,900
<b>Changes in operating assets and liabilities</b>				
(Increase) / decrease in debtors	(11,822)	(3,803)	859	(8)
Increase / (decrease) in creditors and employee entitlements	8,563	(2,230)	6,234	(208)
(Increase) / decrease in other receivables	(3)	-	-	-
(Increase) / decrease in forward overburden and stripping costs	(1,316)	(66)	-	-
(Increase) / decrease in inventories	(7,748)	(3,328)	(3)	-
Increase / (decrease) in provision for restoration costs	1,127	675	-	-
(Increase) / decrease in prepayments	(4,914)	270	(78)	(4)
<b>Net cash provided by operating activities</b>	<b>113,886</b>	<b>59,532</b>	<b>(23,636)</b>	<b>(26,330)</b>

#### 40. EARNINGS PER SHARE

Earnings per share (cents)

2008      2007

(a) Basic earnings per share	11.2	8.6
(b) Diluted earnings per share	11.0	8.6

Basic and Diluted

2008      2007

\$000      \$000

#### (c) Reconciliation of adjusted profits

Profit from continuing operations attributable to the ordinary equity holders of the Company	90,684	69,309
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Consolidated

2008      2007

#### (d) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares (basic)	808,539,516	806,975,625
Options	12,147,440	3,191,762
Weighted average number of ordinary shares (diluted)	820,686,956	810,167,387

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2008

41. DERIVATIVE FINANCIAL INSTRUMENTS	Consolidated		Parent Entity	
	2008	2007	2008	2007
CURRENT ASSETS	\$000	\$000	\$000	\$000
Forward foreign exchange contracts	8,363	7,361	-	-
<b>NON-CURRENT ASSETS</b>				
Forward foreign exchange contracts	7,106	5,122	-	-
<b>CURRENT LIABILITIES</b>				
Forward foreign exchange contracts	71	-	71	-

#### (a) Instruments used by the Group

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. These instruments are used in accordance with the group's financial risk management policies (refer to note 2).

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group reclassifies the gain or loss into the income statement.

At balance date these contracts were assets with fair value of \$15,398,000 (2007 - \$12,483,000).

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

Sell US Dollars	Buy Australian Dollars		Average exchange rate	
	2008	2007	2008	2007
Maturity	\$000	\$000		
0 to 6 months	76,404	21,601	0.87692	0.69441
6 to 12 months	90,962	18,871	0.86849	0.68889
1 to 2 years	33,934	29,092	0.79566	0.72185
2 to 5 years	50,601	13,997	0.79051	0.71442
	251,901	83,561		
<b>Buy Japanese Yen</b>				
Maturity	Sell Australian Dollars		Average exchange rate	
	2008	2007	2008	2007
Maturity	\$000	\$000		
0 to 6 months	5,908	-	98.5042	-
beyond 6 months	-	-	-	-
	5,908	-		

#### (b) Credit risk exposures

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 \$251,901,000 (2007 - \$83,561,000) was receivable (AUD equivalents).

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2008

#### 42. SHARE-BASED PAYMENTS

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

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

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

#### Consolidated and parent entity - 2008

Grant date	Expiry date	Exercise Price	Balance at beginning of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
31 Aug 2005	30 Aug 2010	\$1.198 *	800,000	-	-	-	800,000	-
3 Jan 2006	2 Jan 2011	\$1.235	15,500,000	-	-	-	15,500,000	-
8 May 2006	7 May 2011	\$1.288	500,000	-	-	-	500,000	-
2 Jan 2007	1 Jan 2012	\$1.413	1,000,000	-	-	-	1,000,000	-
19 Jan 2007	18 Jan 2012	\$1.360	500,000	-	-	-	500,000	-
13 Aug 2007	12 Aug 2012	\$2.104	-	2,500,000	-	-	2,500,000	-
<b>Total</b>			<b>18,300,000</b>	<b>2,500,000</b>	<b>-</b>	<b>-</b>	<b>20,800,000</b>	<b>-</b>

Weighted average exercise price	1.2480	2.1040		1.3509
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No management options were exercised during the year. The weighted average share price at the date of exercise of options exercised during the 2007 year was \$1.52.

#### Consolidated and parent entity - 2007

Grant date	Expiry date	Exercise Price	Balance at beginning of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
5 Sept 2003	4 Sept 2008	\$0.350 *	1,722,500	-	(1,722,500)	-	-	-
5 Sept 2003	4 Sept 2008	\$0.375 *	1,722,500	-	(1,722,500)	-	-	-
5 Sept 2003	4 Sept 2008	\$0.400 *	1,722,500	-	(1,722,500)	-	-	-
5 Sept 2003	4 Sept 2008	\$0.450 *	1,722,500	-	(1,722,500)	-	-	-
31 Aug 2005	30 Aug 2010	\$1.198 *	800,000	-	-	-	800,000	-
3 Jan 2006	2 Jan 2011	\$1.235	16,250,000	-	-	(750,000)	15,500,000	-
8 May 2006	7 May 2011	\$1.288	500,000	-	-	-	500,000	-
2 Jan 2007	1 Jan 2012	\$1.413	-	1,000,000	-	-	1,000,000	-
19 Jan 2007	18 Jan 2012	\$1.360	-	500,000	-	-	500,000	-
<b>Total</b>			<b>24,440,000</b>	<b>1,500,000</b>	<b>(6,890,000)</b>	<b>(750,000)</b>	<b>18,300,000</b>	<b>-</b>

Weighted average exercise price	0.9977	1.3953	0.3938	1.2350	1.2480
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\* In accordance with ASX guidelines, the option exercise price was reduced by 10 cents following the return of capital paid to shareholders on 16 December 2005. These prices are current exercise prices.

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.7 years (2007 - 1.5 years).



## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2008

#### 42. SHARE-BASED PAYMENTS (continued)

The fair value at grant date is independently determined using a Monte Carlo option pricing model. The inputs and assumptions for each grant made during the year are as follows:

Grant date	Expiry date	Exercise Price	Share price at grant date	Expected volatility	Expected dividend yield	Risk free interest rate	Assessed fair value at grant date
31 Aug 2005	30 Aug 2010	\$1.198	\$1.350	38.7%	4.6%	4.9%	\$0.372
3 Jan 2006	2 Jan 2011	\$1.235	\$1.230	41.3%	4.6%	5.1%	\$0.346
8 May 2006	7 May 2011	\$1.288	\$1.280	40.5%	3.8%	5.6%	\$0.384
2 Jan 2007	1 Jan 2012	\$1.413	\$1.430	38.0%	6.2%	5.9%	\$0.338
19 Jan 2007	18 Jan 2012	\$1.360	\$1.370	38.0%	6.4%	5.9%	\$0.318
13 Aug 2007	12 Aug 2012	\$2.104	\$2.220	44.0%	4.0%	6.0%	\$0.745

Expected volatility was estimated using the weekly (continuously-compounded) returns to NHC since its listing in 2003. There are no market related vesting conditions. Expenses arising from share based payment transactions are included in "Other costs" in the Income Statement.

#### 43. BUSINESS COMBINATION

##### (a) Summary of acquisition

On 1st August 2007 Andrew Wright Holdings Pty Ltd (AWH), a fully owned subsidiary of New Hope Corporation Limited, acquired the remaining 50% equity in Queensland Bulk Handling Pty Ltd (QBH) and the Bulk Terminal Services (BTS) partnership as disclosed in the financial statements for the year ended 31 July 2007.

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

##### (b) Purchase consideration

Cash paid	\$000
Direct costs relating to the transaction	42,500
<b>Total purchase consideration</b>	<u>1,006</u>
	43,506
Fair value of net identifiable assets acquired (refer below)	37,910
Excess of the Group's interest	<u><u>5,596</u></u>

##### (c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	Fair Value
	\$000	\$000
Cash and cash equivalents	3,159	3,159
Receivables	655	655
Other	280	280
Property, plant and equipment	4,857	74,002
Deferred tax assets	112	112
Payables	(2,069)	(2,069)
Current tax liabilities	(320)	(320)
<b>Net identifiable assets</b>	<u><u>6,674</u></u>	<u><u>75,819</u></u>
Previously acquired interest		37,909
<b>Net identifiable assets acquired</b>		<u><u>37,910</u></u>

The goodwill is attributed to the operational efficiencies of the business and the synergies that it creates with the other companies in the group. The fair value of assets and liabilities acquired has been determined with reference to an independent valuation conducted as part of the purchase price allocations. There were no business acquisitions in the year ending 31 July 2007.

## New Hope Corporation Limited and Controlled Entities

### Notes to the financial statements for the year ended 31st July 2008

#### 44. EVENTS OCCURRING AFTER BALANCE SHEET DATE

Settlement of the sale of the New Saraji Project to BHP Billiton Mitsubishi Alliance was completed on 10 September 2008. Preliminary details of the sale are as follows:

	<b>\$000</b>
Consideration received	2,450,000
Carrying value of assets disposed	(8,071)
Estimated costs of disposal	(32,000)
Estimated tax	<u>(725,000)</u>
<b>Estimated gain on sale after tax</b>	<b><u>1,684,929</u></b>

The gain on sale has not been brought to account in the 2008 financial year as several conditions precedent were still outstanding at balance date. The gain on sale will be recognised in the 2009 financial year.

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

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 21 to 64 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 2008 and of their performance, 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 ; and
- (c) the remuneration disclosures set out on pages 10 to 14 of the Directors' report comply with *Accounting Standards AASB 124 Related Party Disclosures* and the *Corporations Regulations 2001*.

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  
22 September 2008

Independent auditor's report to the members of New Hope Corporation Limited

Report on the financial report

We have audited the accompanying financial report of New Hope Corporation Limited, which comprises the balance sheet as at 31 July 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both New Hope Corporation Limited and the New Hope Corporation Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the financial report*

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

*Auditor's responsibility*

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

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

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

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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

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

Independent auditor's report to the members of New Hope Corporation Limited (continued)

*Auditor's responsibility (continued)*

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion,

- (a) the financial report of New Hope Corporation Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 July 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes comply with International Financial Reporting Standards as disclosed in Note1(a).

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 10 to 14 of the directors' report for the period ended 31 July 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's opinion*

In our opinion, the Remuneration Report of New Hope Corporation Limited for the period ended 31 July 2008, complies with section 300A of the *Corporations Act 2001*.

M. Linz  
Partner  
PricewaterhouseCoopers

Sydney  
22 September 2008

**New Hope Corporation Limited**  
**Shareholder Information as at 18 September 2008**

As at 18 September 2008 there were 6,053 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	1,501	664,124	-	-
1,001 - 5,000	1,712	5,264,717	-	-
5,001 - 10,000	1,767	11,428,643	-	-
10,001 - 100,000	983	28,422,721	-	-
100,001 and over	90	763,785,501	-	-
	<u>6,053</u>	<u>809,565,706</u>	<u>-</u>	<u>-</u>
Holding less than a marketable parcel	300	12,479		

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	60.98%
Mitsubishi Materials Corporation	91,490,000	11.30%
Perpetual Limited and subsidiaries	57,175,245	7.06%

20 largest shareholders as disclosed on the share register as at 18 September 2008

1	Washington H Soul Pattinson And Company Limited	494,696,418	61.11%
2	Mitsubishi Materials Corporation	91,990,000	11.36%
3	JP Morgan Nominees Australia Limited	27,914,647	3.45%
4	RBC Dexia Investor Services Australia Nominees Pty Limited (PIPOOLED A/c)	25,801,392	3.19%
5	Domer Mining Co Pty Ltd	22,000,000	2.72%
6	National Nominees Limited	16,936,974	2.09%
7	Farjoy Pty Ltd	15,150,000	1.87%
8	Brickworks Investment Company Limited	14,060,452	1.74%
9	HSBC Custody Nominees (Australia) Limited	9,761,103	1.21%
10	Citicorp Nominees Pty Limited	8,084,679	1.00%
11	UBS Nominees Pty Ltd	6,376,372	0.79%
12	RBC Dexia Investor Services Australia Nominees Pty Limited (PIIC A/c)	6,180,196	0.76%
13	JS Millner Holdings Pty Limited	1,579,197	0.20%
14	RBC Dexia Investor Services Australia Nominees Pty Limited (PISELECT A/c)	1,273,826	0.16%
15	Dixson Trust Pty Limited	1,175,596	0.15%
16	Mr Robert Charles Neale	1,000,000	0.12%
17	Mrs Margret Ann Mantell	920,000	0.11%
18	Denlyn Pty Ltd	850,000	0.10%
19	Mr Mark Harris	800,000	0.10%
20	Boda Investments Pty Ltd	750,000	0.09%
		<u>747,300,852</u>	<u>92.32%</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	20,600,000	23