

# Washington H. Soul Pattinson and Company Limited

ABN 49 000 002 728

First Floor, 160 Pitt Street Mall, Sydney NSW 2000



## ASX Appendix 4E Preliminary final report 31 July 2006

Lodged with the ASX under Listing Rule 4.3A

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### Reporting Period

The reporting period for this report is the financial year ending 31 July 2006.

The previous corresponding period is the financial year ending 31 July 2005.

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2006**

**Results for Announcement to the Market**

		Current period 31 July 2006 \$'000	Previous period 31 July 2005 \$'000	Change \$'000
<b>Revenue from ordinary activities</b>	Up 54.8% to	909,815	587,861	321,954
<b>Profit before non regular items from ordinary activities after tax attributable to members</b>	Up 6.7% to	102,622	96,164	6,458
<b>Profit after tax and non regular items attributable to members</b>	Down 77.4% to	91,512	405,730	(314,218)

**Dividends**

	Cents per share	Franking %
<b>This period</b>		
1. Final Dividend	16c	100%
2. Special Dividend – Result of profit distribution by NHC from the sale of its international coal assets	15c	100%
3. Interim Dividend	11c	100%
<b>Previous corresponding period</b>		
1. Final Dividend	15c	100%
2. 2 <sup>nd</sup> Special Dividend re NBN Sale	10c	100%
3. Special Dividend re sale of NHC's international coal assets	5c	100%
4. Interim Dividend	10c	100%
Record date for determining entitlements to both final and special dividends:	<b>2 Nov 2006</b>	
Ex Dividend Date:	<b>27 Oct 2006</b>	
Date the final and special dividends are payable:	<b>4 Dec 2006</b>	

**Comments on above results**

- \*\* Increase in revenue primarily arising from controlled entities particularly 119% increase in revenue by SP Telemedia Limited and a 26% increase in New Hope Corporation Limited continuing operations.
- \*\* Profit before non regular items increased by 6.7% predominantly due to the increased contribution by associate entity Brickworks Limited, substantially offset by losses incurred by controlled entity KH Foods Limited.
- \*\* Profit after non regular items has decreased on prior year which included profits from disposal of New Hope's overseas operations and gains from the issue of shares by controlled entities and associates.
- \*\* Final dividend increased by 7% to 16 cents per share plus special dividend of 15 cents per share.

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2006**

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**Earnings per share**

	<b>2006</b>	<b>2005</b>
<b>From continuing operations</b>		
Basic Earnings per Share	38.35 cents	59.05 cents
Diluted Earnings per Share	38.35 cents	59.05 cents
<b>From discontinued operations</b>		
Basic Earnings per Share	-	110.97 cents
Diluted Earnings per Share	-	110.97 cents
From profit before non regular items after tax	43.00 cents	40.30 cents

**Explanation of Profit after tax** *(Appendix 4E item 2.6)*

For a further explanation of the financial year's operating results, please refer to the Review of Operations.

**Explanation of Net Profit** *(Appendix 4E item 2.6)*

For a further explanation of the financial year's operating results, please refer to the review of Operations.

**Review of Operations** *(Appendix 4E item 2.6)*

As attached.

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2006**

**Consolidated Income Statement**  
**For the year ended 31 July 2006**

	Notes	<b>Consolidated</b> <b>2006</b> <b>\$'000</b>	2005 \$'000
<b>Revenue from continuing operations</b>	2	<b>909,815</b>	587,861
Other income		<b>18,567</b>	99,681
Cost of sales		<b>(546,010)</b>	(315,550)
Selling and Distribution expenses		<b>(175,534)</b>	(101,162)
Administration		<b>(62,344)</b>	(61,849)
Occupancy expenses		<b>(3,018)</b>	(3,176)
Other expenses		<b>(22,181)</b>	(15,837)
Impairment of non-current assets		<b>(11,735)</b>	(4,773)
Finance costs		<b>(6,620)</b>	(6,123)
Share of profits of associates and partnerships using the equity method		<b>43,927</b>	34,306
<b>Profit/before income tax</b>		<b>144,867</b>	213,378
Income tax expense		<b>(34,793)</b>	(48,698)
Profit after tax from continuing operations		<b>110,074</b>	164,680
Profit after tax from discontinued operations		-	414,963
<b>Profit after tax for the year</b>		<b>110,074</b>	579,643
Profit after tax attributable to minority interest		<b>(18,562)</b>	(173,913)
<b>Profit after tax attributable to members of Washington H. Soul Pattinson and Company Limited</b>		<b>91,512</b>	405,730
Profit before non regular items from ordinary activities after tax attributable to members		<b>102,622</b>	96,164
(Loss)/Profit from non regular items after income tax attributable to members	2(ii)	<b>(11,110)</b>	309,566
<b>Profit after tax and non regular items for the period attributable to members</b>		<b>91,512</b>	405,730

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2006**

**Consolidated Balance Sheet**  
**As at 31 July 2006**

	<b>Consolidated</b>	
	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
<b>Current assets</b>		
Cash and cash equivalents	77,986	695,773
Receivables	137,974	61,600
Inventories	28,907	25,040
Intangibles	36,950	36,686
Other financial assets at fair value through profit or loss	65,869	11,217
Held to maturity investments	435,059	176,914
Derivative financial instruments	8,060	-
<b>Total current assets</b>	<b>790,805</b>	<b>1,007,230</b>
<b>Non-current assets</b>		
Receivables	29,812	38,050
Investments accounted for using the equity method	519,221	423,529
Available for sale financial assets	474,064	171,847
Other financial assets	21,133	40,948
Property, plant and equipment	358,749	289,798
Investment properties	1,559	1,586
Deferred tax assets	10,202	28,788
Intangible assets	248,928	225,366
<b>Total non-current assets</b>	<b>1,663,668</b>	<b>1,219,912</b>
<b>Total assets</b>	<b>2,454,473</b>	<b>2,227,142</b>
<b>Current liabilities</b>		
Trade and other payables	122,035	126,587
Borrowings	32,882	18,118
Current tax liabilities	27,642	68,139
Provisions	13,089	42,336
Other	40,667	37,519
<b>Total current liabilities</b>	<b>236,315</b>	<b>292,699</b>
<b>Non-current liabilities</b>		
Borrowings	65,844	60,473
Deferred tax liabilities	154,414	102,118
Provisions	13,713	17,786
Other	10,332	10,810
<b>Total non-current liabilities</b>	<b>244,303</b>	<b>191,187</b>
<b>Total liabilities</b>	<b>480,618</b>	<b>483,886</b>
<b>Net assets</b>	<b>1,973,855</b>	<b>1,743,256</b>

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2006**

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**Consolidated Balance Sheet**  
**As at 31 July 2006**

	Notes	Consolidated 2006 \$'000	2005 \$'000
<b>Equity</b>			
Contributed equity	3	32,900	32,900
Reserves		644,910	432,676
Retained profits	4	719,640	683,925
Parent entity interest		1,397,450	1,149,501
Minority interest		576,405	593,755
<b>Total Equity</b>		<b>1,973,855</b>	<b>1,743,256</b>

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2006**

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**Statement of recognised income and expenses**  
**For the year ended 31 July 2006**

	<b>2006</b>	<b>2,005</b>
	<b>\$'000</b>	<b>\$'000</b>
Equity settled share based transactions	2,124	1,646
Net exchange differences on translation of foreign controlled entity and associates	28	(11,862)
Transfer of revaluation reserve to retained earnings	(2,048)	2,048
Gain on sale of intangibles, net of tax	1,864	-
Revaluation increments through reserves	35,463	-
Effect of A-IFRS adjustments to retained profits during 2005 financial year	-	(2,094)
Revaluation increment and transfers relating to the carrying value of associates and controlled entity not effected through profit and loss	1,362	13,995
<b>Net income recognised directly in equity</b>	<b>38,793</b>	<b>3,733</b>
Profit for the year	110,074	579,643
<b>Total recognised income and expense for the year</b>	<b>148,867</b>	<b>583,376</b>
<b>Attributable to:</b>		
Equity holders of the parent	133,232	406,294
Minority interest	15,635	177,083
	<b>148,867</b>	<b>583,376</b>

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2006**

**Consolidated Cash Flow Statement**  
**For the year ended 31 July 2006**

	<b>Consolidated</b>	
	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers inclusive of GST	947,416	639,124
Payments to suppliers and employees inclusive of GST	(897,405)	(526,338)
	50,011	112,786
Dividends received	44,621	89,486
Interest received	38,664	14,689
Interest and other costs of finance	(6,415)	(5,280)
Income taxes paid	(81,255)	(28,239)
<b>Net cash inflow (outflow) from operating activities</b>	<b>45,626</b>	183,442
<b>Cash flows from investing activities</b>		
Payment for property, plant and equipment	(62,302)	(78,106)
Proceeds from sale of property, plant and equipment	5,287	6,933
Payments for investments	(430,412)	(112,595)
Proceeds from sale of investments	20,242	521,693
Loans advanced	(47,967)	(6,065)
Funds received from/payments to associated entities	(8,255)	-
Repayment of loans by related parties	-	44,513
Acquisition of subsidiary, net of cash acquired	(6,050)	(45,573)
Disposal of businesses, net of cash disposed off	-	14,315
<b>Net cash inflow (outflow) from investing activities</b>	<b>(529,457)</b>	345,115
<b>Cash flows from financing activities</b>		
Proceeds from issues of equity	16,642	185,700
Costs on issue of equity	(1,590)	-
Proceeds from borrowings	23,463	39,842
Return on capital	(30,738)	-
Repayment of borrowings	(3,611)	(78,824)
Dividends paid	(137,836)	(93,422)
<b>Net cash inflow (outflow) from financing activities</b>	<b>(133,670)</b>	53,296
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(617,501)</b>	581,853
Cash and cash equivalents at the beginning of the financial year	695,773	128,419
Effects of exchange rate changes on cash and cash equivalents	(236)	(1,435)
Reduction of cash and cash equivalents on disposal of controlling interest in other financial assets	(50)	
Effect of transition to A-IFRS reclassification of cash equivalents	-	(13,064)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>77,986</b>	695,773

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2006**

**Notes to the Consolidated Financial Statements**  
**For the year ended 31 July 2006**

**1. Basis of Preparation**

The financial report for the year ended 31 July 2006 is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 July 2006 and any public announcements made by Washington H. Soul Pattinson and Company Limited and its controlled entities during the year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been applied in accordance with the Australian equivalents to International Financial Reporting Standards (A-IFRS).

This financial report does not include full disclosures of the type normally included in an annual financial report.

**2. Profit for the year**

**(i) Profit before income tax expense**

Profit before income tax expense includes the following items of income and expense which, together with other disclosures in this report are relevant in explaining the financial performance for the year:

	<b>31 July 2006</b>	31 July 2005
	<b>\$'000</b>	\$'000
<b>(a) Revenue</b>		
Sales revenue	<b>840,394</b>	545,643
Dividend income	<b>19,712</b>	16,426
Interest income	<b>41,554</b>	18,017
Other revenue	<b>8,155</b>	7,775
	<b>909,815</b>	587,861
<b>(b) Expenses</b>		
Cost of goods sold	<b>546,010</b>	310,150
Depreciation and amortisation expense	<b>48,852</b>	42,280

**(ii) Details of Non regular items impacting profit after income tax expense attributable to members**

	<b>31 July 2006</b>	31 July 2005
	<b>\$'000</b>	\$'000
Profit on disposal of investments	<b>2,715</b>	263,541
Profit on disposal of property, plant and equipment	<b>1,090</b>	3,990
Profit on sale of business	<b>474</b>	5,261
(Loss)/Gain on new shares issued by controlled and associate entities	<b>(3,553)</b>	66,427
Restructure costs	<b>941</b>	(2,345)
Share option expense	<b>(85)</b>	-
Impairment write downs	<b>(7,182)</b>	-
Share of significant revenue and expenses from associate entities and joint venture entities	<b>(5,510)</b>	(21,639)
Movements in contributed equity of the controlled entities	<b>-</b>	(5,669)
	<b>(11,110)</b>	309,566

# Washington H. Soul Pattinson and Company Limited

Year ended 31 July 2006

## 3. Share Capital

	31 July 2006 \$'000	31 July 2005 \$'000
<b>Issued and paid-up capital</b>		
238,640,580 (2005: 238,640,580) fully paid ordinary shares	<u>32,900</u>	<u>32,900</u>
<b>Movements in ordinary share capital:</b>		
Balance at the beginning of the year	32,900	32,900
Shares issued during the year	-	-
Balance at the end of the year	<u>32,900</u>	<u>32,900</u>

## 4. Retained earnings

	31 July 2006 \$'000	31 July 2005 \$'000
Balance at the beginning of the year	683,925	314,341
Net profit attributable to members	91,512	405,730
Dividends declared or paid	(53,237)	(36,192)
Transfer from/(to) reserves	2,048	(2,048)
Transfer from/(to) minority interests	(4,094)	-
Adjustments arising from revaluation of investments in associates	(299)	-
Equity adjustment	(215)	-
Effect of A-IFRS adjustments to retained profits during 2005 financial year	-	2,094
<b>Balance at the end of the year</b>	<u>719,640</u>	<u>683,925</u>

## 5. Controlled entities acquired Investments

On 30 June 2006 Soul Pattinson Telecommunications Pty Limited (a subsidiary of Washington H. Soul Pattinson and Company Limited) acquired 50% of the issued capital of both SPT Telecommunications Pty Limited and Kooee Pty Limited giving it 100% ownership of these companies. The results for both these companies have been equity accounted up to 30 June 2006 and consolidated from this date.

On 31 October 2005 SP Telemedia Limited (a subsidiary of Washington H. Soul Pattinson and Company Limited) acquired an additional 24,800,000 shares in B Digital Limited increasing the percentage ownership of the ordinary share capital of B Digital to 45.8%.

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2006**

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**6. Associates and Joint Venture entities**

**(i) Details of shares and results in Associates**

Name of associated entity	Members percentage of holding at balance date		Contribution to Group net profit	
	2006 %	2005 %	2006 \$000	2005 \$000
<b>Material Associates</b>				
Brickworks Limited	49.5	49.5	33,843	(17,024)
Australian Pharmaceutical Industries Limited	21.7	21.6	4,463	7,537
Queensland Bulk Handling Pty Limited	30.8	32.1	2,936	628
Ampcontrol Pty Limited	5.3	5.3	2,429	-
Windsor Farms Foods Limited	43.8	23.8	(582)	(64)
Arrow Energy NL (acquired 29 June 2006)	11.6	0.0	-	-
B Shop Telecommunications Pty Limited	22.23	25.5	(4,183)	(302)
Kooee Pty Limited (controlled from 30 June 2006)	-	25	341	264
SPT Telecommunications Pty Limited (controlled from 30 June 2006)	-	50	(63)	1,567
<b>Other Associates</b>				
Austrains Pty Limited	5.7	5.7		
Asian Property Investments Limited	4.4	4.4		
Clover Corporation Limited	28.6	28.6		
Hydramatic Engineering Pty Limited	4.7	4.7		
Keith Harris & company (Far East) Pte Limited	49.0	25.7		
Queensland Commodity Exports Pty Limited	-	21.4		
Source Engine Asia Limited	4.1	-		
Specialist Oncology Property Pty Limited	2.8	3.4		

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2006**

**7. Segment Information**

*Results of segments*

**Primary reporting format – business segments**

**2006**

	Investing activities \$'000	Media \$'000	Telecomm -unications \$'000	Coal Mining \$'000	Bakery \$'000	Consulting \$'000	Intersegment eliminations/ Unallocated \$'000	Consolidat ed \$'000
<b>Revenue from external customers</b>								
Intersegment revenue	79,561	79,776	410,795	251,317	103,883	4,821	(20,338)	909,815
Total revenue	94,328	2,518	10,020	-	-	3,204	(110,070)	-
Share of net profits of associates and joint venture partnership	173,889	82,294	420,815	251,317	103,883	8,025	(130,408)	909,815
Other income	41,814	-	(3,905)	6,283	-	4	(269)	43,927
	13,502	-	-	2,213	2,852	-	-	18,567
<b>Total segment revenue/income</b>	<b>229,205</b>	<b>82,294</b>	<b>416,910</b>	<b>259,813</b>	<b>106,735</b>	<b>8,029</b>	<b>(130,677)</b>	<b>972,309</b>
Segment results	155,296	13,302	(2,375)	94,688	(39,508)	2,187	(78,723)	144,867
Income tax expense								(34,793)
<b>Net profit for the year</b>								<b>110,074</b>
<b>Segment Assets</b>	<b>1,184,185</b>	<b>165,580</b>	<b>409,016</b>	<b>627,800</b>	<b>81,331</b>	<b>9,383</b>	<b>22,822</b>	<b>2,454,473</b>
Segment liabilities	101,343	63,128	246,721	59,510	83,569	1,140	(74,793)	480,618
Investments in associates and joint venture partnership	464,225	-	-	54,996	-	201	(201)	519,221
Acquisition of property, plant and equipment, intangibles and other non current assets	96,906	4,136	100,334	45,178	2,489	42	(18,511)	246,085
Depreciation and amortisation expense	598	4,052	21,833	17,005	5,548	105	(747)	48,852

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2006**

**7. Segment Information (Continued)**

*Results of segments*

**Primary reporting format – business segments**

**2005**

	Investing activities \$'000	Media \$'000	Telecom m- unications \$'000	Coal Mining \$'000	Discontinued operations – Coal Mining \$'000	Discontinued Operations - Flavours and Fragrance \$'000	Bakery \$'000	Consulting \$'000	Intersegment eliminations/ Unallocated \$'000	Consolidated \$'000
<b>Revenue from external customers</b>	47,043	79,709	144,591	198,606	43,273	4,736	101,064	6,616	(37,777)	587,861
Intersegment transactions	28,399	1,928	2,566					11,540	(44,433)	-
<b>Total revenue</b>	<b>75,442</b>	<b>81,637</b>	<b>147,157</b>	<b>198,606</b>	<b>43,273</b>	<b>4,736</b>	<b>101,064</b>	<b>18,156</b>	<b>(82,210)</b>	<b>587,861</b>
Share of net profits of associates and joint venture partnership	4,191		1,529	3,494	36,441	-	-	138	(11,487)	34,306
Other income	175,657	-	-	1,244	-	-	8,753	851	(86,824)	99,681
<b>Total segment revenue/income</b>	<b>255,290</b>	<b>81,637</b>	<b>148,686</b>	<b>203,344</b>	<b>79,714</b>	<b>4,736</b>	<b>109,817</b>	<b>19,145</b>	<b>(180,521)</b>	<b>721,848</b>
<b>Segment results</b>	<b>231,838</b>	<b>13,461</b>	<b>15,386</b>	<b>71,876</b>	<b>449,040</b>	<b>12,056</b>	<b>(31,376)</b>	<b>12,264</b>	<b>(100,229)</b>	<b>674,316</b>
Income tax expense										(94,673)
<b>Net profit for the year</b>										<b>579,643</b>
<b>Segment Assets</b>	<b>826,690</b>	<b>161,417</b>	<b>388,238</b>	<b>809,034</b>	<b>-</b>	<b>-</b>	<b>90,823</b>	<b>12,400</b>	<b>(61,460)</b>	<b>2,227,142</b>
Segment liabilities	54,194	62,817	152,050	111,172	-	-	57,068	4,565	42,020	483,886
Investments in associates and joint venture partnership	401,235	-	12,001	3,740	-	-	-	333	6,220	423,529
Acquisition of property, plant and equipment, intangibles and other non current assets	213,339	192,134	127,096	18,863	479	25	31,437	-	(113,352)	470,021
Depreciation and amortisation expense	216	3,996	10,220	16,747	5,739	60	5,487	90	(275)	42,280

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2006**

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**8 Events subsequent to reporting date**

No events have occurred subsequent to balance date which would materially affect the financial report.

**9. First-Time Adoption of Australian Equivalents to International Financial Reporting Standards**

Washington H. Soul Pattinson and Company Limited and controlled entities (“the Group”), have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (A-IFRS) from 1 August 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to consolidated entity accounts resulting from the introduction of IFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of the Group to be prepared in accordance with A-IFRS.

The Group disclosed the effects of the first-time adoption of A-IFRS in its Appendix 4D at 31 January 2006. The effect of A-IFRS on the Group was assessed at 1 August 2004 (transition date), 31 January 2005 and 31 July 2006. The Group has reinstated the comparative balances for 2005 in accordance with A-IFRS in its financial statements for the financial year ended 31 July 2006.

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2006**

**9. Explanation of Australian Equivalents to International Financial Reporting Standards (continued)**

The following tables provide adjustments that were made under A-IFRS. Explanations are provided for any revisions in the adjustments made subsequent to Appendix 4D.

**Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (A-IFRS)**

**(a) At the date of transition to A-IFRS: 1 August 2004**

	Notes	Previous AGAAP \$'000	Consolidated Effect of transition to A-IFRS \$'000	A-IFRS \$'000
<b>CURRENT ASSETS</b>				
Cash		128,419	-	128,419
Receivables		139,842	(64,876)	74,966
Inventories		20,276	(2,880)	17,396
Held to maturity investments		-	75,586	75,586
Assets classified as held for sale		-	2,975	2,975
Other		6,937	(5,736)	1,201
Total current assets		295,474	5,069	300,543
<b>NON CURRENT ASSETS</b>				
Receivables		19,603	4,622	24,225
Investments accounted for using the equity method		425,295	5,294	430,589
Available for sale financial assets		169,012	(6,625)	162,387
Property, plant and equipment		358,707	(3,465)	355,242
Investment properties		-	1,613	1,613
Deferred tax assets		13,262	24,226	37,488
Intangible assets		131,949	(49,327)	82,622
Other		1,391	(659)	732
Total non current assets		1,119,219	(24,321)	1,094,898
<b>TOTAL ASSETS</b>		1,414,693	(19,252)	1,395,441

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2006**

**9. Explanations of transition to Australian equivalents to International Financial Reporting Standards**

**(a) At the date of transition to A-IFRS: 1 August 2004 (Continued)**

	Notes	Previous AGAAP \$'000	Consolidated Effect of transition to A-IFRS \$'000	A-IFRS \$'000
<b>CURRENT LIABILITIES</b>				
Payables		59,934	4,815	64,749
Interest bearing liabilities		59,427	-	59,427
Deferred tax liabilities		14,036	-	14,036
Provisions		37,585	(2,087)	35,498
Other		824	(594)	230
Total current liabilities		<u>171,806</u>	<u>2,134</u>	<u>173,940</u>
<b>NON-CURRENT LIABILITIES</b>				
Payables		14,396	-	14,396
Interest bearing liabilities		58,746	-	58,746
Deferred tax liabilities		14,537	71,155	85,692
Provisions		33,695	7,047	40,742
Other (Rehab provision)		9,020	(9,020)	-
TOTAL NON CURRENT LIABILITIES		<u>130,394</u>	<u>69,182</u>	<u>199,576</u>
TOTAL LIABILITIES		<u>302,200</u>	<u>71,316</u>	<u>373,516</u>
NET ASSETS		<u>1,112,493</u>	<u>(90,568)</u>	<u>1,021,925</u>
<b>EQUITY</b>				
Contributed equity		32,900	-	32,900
Reserves		479,687	(48,163)	431,524
Retained profits		354,922	(40,581)	314,341
Parent entity interests		867,509	(88,744)	778,765
Minority interests		244,984	(1,824)	243,160
Total equity		<u>1,112,493</u>	<u>(90,568)</u>	<u>1,021,925</u>

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2006**

**9. Explanations of transition to Australian equivalents to International Financial Reporting Standards**

**(b) At the end of the last reporting period under previous AGAAP: 31 July 2005**

	Notes	Previous AGAAP \$'000	Consolidated Effect of transition to A-IFRS \$'000	A-IFRS \$'000
<b>CURRENT ASSETS</b>				
Cash		119,039	576,734	695,773
Receivables		806,294	(744,694)	61,600
Inventories		33,926	(8,886)	25,040
Intangible assets		-	36,686	36,686
Other financial assets at fair value through profit or loss		1,909	9,308	11,217
Held to maturity investments		-	176,914	176,914
Other		7,247	(7,247)	-
<b>Total current assets</b>		<b>968,415</b>	<b>38,815</b>	<b>1,007,230</b>
<b>NON CURRENT ASSETS</b>				
Receivables		26,215	11,835	38,050
Investments accounted for using the equity method		429,092	(5,563)	423,529
Available for sale financial assets		211,644	(39,797)	171,847
Other financial assets			40,948	40,948
Property, plant and equipment		293,565	(3,767)	289,798
Investment properties		-	1,586	1,586
Deferred tax assets		25,483	3,305	28,788
Intangible assets		240,136	(14,770)	225,366
Other		25,184	(25,184)	-
<b>Total non current assets</b>		<b>1,251,319</b>	<b>(31,407)</b>	<b>1,219,912</b>
<b>TOTAL ASSETS</b>		<b>2,219,734</b>	<b>7,408</b>	<b>2,227,142</b>
<b>CURRENT LIABILITIES</b>				
Payables		117,959	8,628	126,587
Interest bearing liabilities		18,118	-	18,118
Current tax liabilities		68,256	(117)	68,139
Provisions		47,110	(4,774)	42,336
Unearned revenue		6,697	30,822	37,519
Other		1,946	(1,946)	-
<b>Total current liabilities</b>		<b>260,086</b>	<b>32,613</b>	<b>292,699</b>
<b>NON-CURRENT LIABILITIES</b>				
Payables		10,458	(10,458)	-
Interest bearing liabilities		60,011	462	60,473
Deferred tax liabilities		22,208	79,910	102,118
Provisions		10,871	6,915	17,786
Other		9,477	1,333	10,810
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>113,025</b>	<b>78,162</b>	<b>191,187</b>
<b>TOTAL LIABILITIES</b>		<b>373,111</b>	<b>110,775</b>	<b>483,886</b>
<b>NET ASSETS</b>		<b>1,846,623</b>	<b>(103,367)</b>	<b>1,743,256</b>

**Washington H. Soul Pattinson and Company Limited**  
**Year ended 31 July 2006**

**9. Explanations of transition to Australian equivalents to International Financial Reporting Standards**

	Notes	Previous AGAAP \$'000	Consolidated Effect of transition to A-IFRS \$'000	A-IFRS \$'000
<b>EQUITY</b>				
Contributed equity		32,900	-	32,900
Reserves		489,404	(56,728)	432,676
Retained profits		738,145	(54,220)	683,925
Parent entity interests		1,260,449	(110,948)	1,149,501
Minority interests		586,174	7,581	593,755
Total equity		1,846,623	(103,367)	1,743,256

**(2) Reconciliation of profit for the year ended 31 July 2005**

<b>Income Statement</b>	<b>Previous AGAAP \$'000</b>	<b>Consolidated Effect of transition to A-IFRS \$'000</b>	<b>A-IFRS \$'000</b>
<b>Revenue from continuing operations</b>	1,278,799	(690,938)	587,861
Other income	-	99,681	99,681
Costs of sales	(310,150)	5,400	(315,550)
Selling and Distribution expenses	(101,162)	-	(101,162)
Administration expenses	(224,774)	(162,925)	(61,849)
Occupancy expenses	(572)	2,604	(3,176)
Other expenses	-	15,968	(15,837)
Impairment of non-current assets	-	-	(4,773)
Finance costs	(6,803)	(680)	(6,123)
Share of profits of associates and partnerships using the equity method	46,625	(12,319)	34,306
<b>Profit before income tax</b>	681,963	(468,585)	213,378
Income tax expense	(86,808)	38,110	(48,698)
Profit from continuing operations	595,155	(430,475)	164,680
Profit from discontinued operations	-	414,963	414,963
<b>Profit for the year</b>	595,155	(15,512)	579,643
Profit attributable to minority interest	(173,700)	(213)	(173,913)
<b>Profit attributable to members of Washington H. Soul Pattinson and Company Limited</b>	421,455	(15,725)	405,730

# Washington H. Soul Pattinson and Company Limited

## Year ended 31 July 2006

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### 9. Explanations of transition to Australian equivalents to International Financial Reporting Standards

#### (3) Notes to the reconciliations

##### Adjustments to previously disclosed A-IFRS 31 July 2005 Balance Sheet, Income Statements and Cash Flow Statement

##### I) Changes to previously published figures

The Company has resolved its interpretation of A-IFRS with respect to deferred taxes arising on associated entities, accordingly this has decreased retained profits at 1 August 2004 by \$73.1 million, and decreased profits for 2005 by \$9.8 million.

##### II) Reclassifications

Comparatives for July 2005 have been amended to comply with the current year disclosures

##### Adoption of A-IFRS

A brief description of the significant transition differences between previous AGAAP and A-IFRS financials are provided as follows:

##### **Income statement**

###### Revenue

Under AGAAP gross proceeds from the sale of non-current assets were recognised as revenue and the carrying amount of the asset sold was recognised as an expense. A-IFRS requires the net profit from disposal of non-current assets to be recognised as 'Other income'.

###### Discontinued Operations

Under A-IFRS, net proceeds from sale of and profit after tax of discontinued operations are presented together as a separate item within the income statement. Previously, gross proceeds were included within revenue and the components of profit were shown on the respective line items of the income statement.

##### **Balance sheet amendments NOT impacting equity**

Under A-IFRS, a number of balance sheet items have been **reclassified but have no impact to total equity**:

###### Reclassification of:

Receivables to Held to Maturity investments or Cash dependent on length of maturity.

Prepayments from Other assets to Receivables

Trading Investments from Inventories to Assets held for sale

Software from Property, Plant and Equipment to Intangibles

Subscriber acquisition costs within the telecommunication business reclassified from non-current intangibles to current intangibles.

##### **Balance sheet items impacting equity include:**

On adoption on A-IFRS, the reduction in equity is predominantly attributable the following items:

###### Intangible assets – Business combinations

On acquisition, assets and liabilities are to be valued at fair value. All identifiable intangibles are to be recognised. Goodwill previously recognised is to be recalculated to de-recognise internally generated intangibles and other intangibles that do not meet the criteria for recognition.

Goodwill is no longer amortised but is subject to an annual impairment test.

###### Intangible assets – Revaluation of intangibles

Under A-IFRS, a revaluation of intangibles must be based on fair value in an active market. This has resulted in the reversal of the revaluation of the television licence of \$49 million.

Intangible assets – Goodwill – Goodwill is no longer amortised but is subject to an annual impairment testing.

Unearned revenue

Under A-IFRS, revenue is recognised over the period for which services are performed. Commissions revenue from Telecommunications activity is recognised on a straight-line basis over the term of the contract period.

Income tax

A-IFRS requires deferred tax balances to be determined using the balance sheet method whereby temporary differences are calculated and recognised based on the carrying value of an entity's assets and liabilities and their associated tax bases. Current and deferred taxes attributable to amounts directly recognised in equity are also recognised directly in equity. The major deferred tax movement relates to the tax value of Associates and is referred to in item 3(I) to this note.

Remeasurement of Financial Instruments from 1 August 2005

The Group has taken the exemption available under AASB 1 to apply re-measurement of financial assets only from 1 August 2005. The Group has applied previous AGAAP to the comparative information.

Under previous AGAAP, investments in listed securities, other than controlled or associates, were recognised at cost. Under A-IFRS, these investments are classified as "Available-for-sale" financial assets and are valued at fair value. At 1 August 2005, this resulted in an increase in the carrying value by \$222 million.

## **10. Other significant information**

Please refer to the review of operations contained in this report.
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## **11. Audit**

This report is based on financial statements that are in the process of being audited.
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