

Washington H. Soul Pattinson and Company Limited

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ASX Appendix 4E & Preliminary final report 31 July 2011

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 ended 31 July 2011.

The previous corresponding period is the financial year ended 31 July 2010.

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2011

Results for Announcement to the Market

		Current period 31 July 2011 \$'000	Previous period 31 July 2010 \$'000	Change \$'000
Revenue from continuing operations	Down 7.9% to	758,387	823,307	(64,920)
Profit before non-regular items from ordinary activities after tax attributable to members	Down 11.2% to	161,197	181,555	(20,358)
Profit after tax and non-regular items attributable to members	Up 66.7% to	363,871	218,327	145,544

Dividends

	Cents per share	Franking %
This period		
1. Final dividend	25.0	100%
2. Interim dividend	15.0	100%
Previous corresponding period		
1. Final dividend	20.0	100%
2. Special dividend	12.5	100%
3. Interim dividend	14.0	100%
Record date for determining entitlement to final dividend:	14 Nov 2011	
Date the final dividend is payable:	5 Dec 2011	

Comments on above results

** The profit of the Group attributable to shareholders, after tax and before non-regular items , for the year ended 31 July 2011 was \$161.2 million, a decrease of 11.2% over the previous year. This net decrease of \$20.4 million was mainly attributable to a reduced contribution from New Hope Corporation Limited (New Hope).
** The profit of the Group, after tax and non-regular items , was \$363.9 million, an increase of \$145.5 million over the previous year.
** The net profit on non-regular items of \$202.7 million was principally attributable to the Group's gain on the sale of Arrow Energy Limited shares by New Hope.
** Ordinary dividends paid/payable for the year increased by 25% to 25.0 cents per share.
** Refer Review of Operations for further information.

Earnings per share

	2011	2010
From continuing operations		
Basic Earnings per Share	152.48 cents	91.49 cents
Diluted Earnings per Share	152.48 cents	91.49 cents
From discontinued operations		
Basic Earnings per Share	(0.00) cents	(0.00) cents
Diluted Earnings per Share	(0.00) cents	(0.00) cents
From profit before non-regular items after tax	67.55 cents	76.08 cents

Net tangible assets per security

	2011	2010
Net tangible asset backing per ordinary security	\$11.37	\$11.44

Explanation of Profit after tax

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

Explanation of Net Profit

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

Review of Operations

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

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2011

Consolidated Income Statement
For the year ended 31 July 2011

	Notes	2011 \$'000	2010 \$'000
Revenue from continuing operations	3(i)	758,387	823,307
Other income	3(i)	567,309	70,205
Cost of sales		(345,295)	(393,133)
Selling and distribution expenses		(132,654)	(124,719)
Administration expenses		(39,471)	(33,651)
Other expenses		(4,633)	(1,943)
Impairment of assets	3(i) & 7	(41,492)	(706)
Finance costs		(2,692)	(2,437)
Share of results from equity accounted associates	7	36,582	40,985
Profit before income tax		796,041	377,908
Income tax (expense)		(237,791)	(86,816)
Profit after tax for the year		558,250	291,092
Profit after tax attributable to non-controlling interest		(194,379)	(72,765)
Profit after tax attributable to members of Washington H. Soul Pattinson and Company Limited		363,871	218,327

Non statutory information

Profit before non-regular items from ordinary activities after tax attributable to members		161,197	181,555
Profit from non-regular items after income tax attributable to members	3(ii)	202,674	36,772
Profit after tax and non-regular items attributable to members		363,871	218,327

The Directors consider that the disclosure of the impact of non-regular items included in profits, enhances the understanding of the results attributable to members. Further details are provided in note 3(ii).

	2011 Cents	2010 Cents
Earnings per share		
Basic and diluted earnings per share to ordinary equity holders of the company		
Earnings per share from all operations	152.48	91.49
	No. of shares	
Weighted average number of shares used in calculating basic and diluted earnings per share	238,640,580	238,640,580

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

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2011

Consolidated Statement of Comprehensive Income
For the year ended 31 July 2011

	2011	2010
	\$'000	\$'000
Profit after tax for the year	558,250	291,092
Other comprehensive income		
Net movement in the fair value of long term equity investments, net of tax	(19,880)	70,376
Movement to profit and loss on disposal of long term equity investments, net of tax	(355,926)	(2,973)
Net movement in hedge reserve, net of tax	9,346	3,269
Net movement in foreign currency translation reserve, net of tax	(752)	(72)
Net movement in equity reserve, net of tax	48	915
Total other comprehensive income for the year, net of tax	(367,164)	71,515
Total comprehensive income for the year	191,086	362,607
Total comprehensive income attributable to non-controlling interest	(62,651)	(101,763)
Total comprehensive income attributable to members of Washington H. Soul Pattinson and Company Limited	128,435	260,844

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2011

Consolidated Statement of Financial Position
As at 31 July 2011

	31 July 2011 \$'000	31 July 2010 \$'000
Current assets		
Cash and cash equivalents	79,783	109,821
Term deposits	1,927,911	1,655,365
Trade and other receivables	140,941	59,305
Inventories	75,193	53,087
Investments fair valued through profit and loss	37,587	49,011
Derivative financial instruments	31,880	15,673
Current tax asset	-	1,689
Current assets classified as held for sale	-	576,211
Other assets	3,105	346
Total current assets	2,296,400	2,520,508
Non-current assets		
Trade and other receivables	6,637	4,919
Equity accounted associates and joint ventures	764,498	685,739
Long term equity investments	507,878	547,707
Other financial assets	7,040	5,000
Derivative financial instruments	8,807	11,675
Property, plant and equipment	775,604	458,706
Exploration and evaluation costs	8,508	3,030
Deferred tax assets	44,179	43,437
Intangible assets	56,050	6,991
Total non-current assets	2,179,201	1,767,204
Total assets	4,475,601	4,287,712
Current liabilities		
Trade and other payables	62,467	64,113
Interest bearing liabilities	44,168	41,193
Current tax liabilities	171,611	24,154
Provisions	21,557	19,941
Total current liabilities	299,803	149,401
Non-current liabilities		
Deferred tax liabilities	236,291	298,592
Provisions	25,749	20,079
Total non-current liabilities	262,040	318,671
Total liabilities	561,843	468,072
Net assets	3,913,758	3,819,640
Equity		
Share capital	32,900	32,900
Reserves	570,092	810,243
Retained profits	2,209,757	1,937,108
Parent entity interest	2,812,749	2,780,251
Non-controlling interest	1,101,009	1,039,389
Total equity	3,913,758	3,819,640

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

**Consolidated Statement of Changes in Equity
For the year ended 31 July 2011**

Year ended 31 July 2011	Share Capital \$'000	Retained profits \$'000	Reserves \$'000	Total members equity \$'000	Non-Controlling Interests \$'000	Total \$'000
Total equity at the beginning of the year - 1 August 2010	32,900	1,937,108	810,243	2,780,251	1,039,389	3,819,640
Net profit for the year after tax	-	363,871	-	363,871	194,379	558,250
Other comprehensive income for the year						
Net movement in asset revaluation reserve, net of tax	-	-	(240,323)	(240,323)	(135,483)	(375,806)
Net movement in hedge reserve	-	-	5,586	5,586	3,760	9,346
Net movement in foreign currency translation reserve	-	-	(747)	(747)	(5)	(752)
Net movement in equity reserve	-	-	48	48	-	48
Total comprehensive income for the year	-	363,871	(235,436)	128,435	62,651	191,086
Transactions with owners						
Dividends declared and paid	-	(91,728)	-	(91,728)	(79,903)	(171,631)
Contributions of equity, net of transaction costs	-	-	-	-	5,260	5,260
Net movement in share based payments reserve	-	406	(1,915)	(1,509)	1,213	(296)
Non controlling interests on acquisition of subsidiary	-	-	-	-	69,699	69,699
Equity transfer from members on issue of share capital in controlled entities	-	100	(2,800)	(2,700)	2,700	-
Total equity at the end of the year - 31 July 2011	32,900	2,209,757	570,092	2,812,749	1,101,009	3,913,758

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**Consolidated Statement of Changes in Equity
For the year ended 31 July 2011**

Year ended 31 July 2010	Share Capital \$'000	Retained profits \$'000	Reserves \$'000	Total members equity \$'000	Non-Controlling Interests \$'000	Total \$'000
Total equity at the beginning of the year - 1 August 2009	32,900	1,841,068	768,942	2,642,910	1,184,353	3,827,263
Net profit for the year after tax	-	218,327	-	218,327	72,765	291,092
Other comprehensive income for the year						
Net movement in asset revaluation reserve, net of tax	-	-	39,698	39,698	27,705	67,403
Net movement in hedge reserve	-	-	1,984	1,984	1,285	3,269
Net movement in foreign currency translation reserve	-	-	(80)	(80)	8	(72)
Net movement in equity reserve	-	(164)	1,079	915	-	915
Total comprehensive income for the year	-	218,163	42,681	260,844	101,763	362,607
Transactions with owners						
Dividends declared and paid	-	(111,969)	-	(111,969)	(273,500)	(385,469)
Contributions of equity, net of transaction costs	-	-	-	-	17,982	17,982
Net movement in share based payments reserve	-	-	(1,380)	(1,380)	(1,263)	(2,643)
Exit from Group of subsidiary	-	-	-	-	(100)	(100)
Equity transfer from members on issue of share capital in controlled entities	-	(10,154)	-	(10,154)	10,154	-
Total equity at the end of the year - 31 July 2010	32,900	1,937,108	810,243	2,780,251	1,039,389	3,819,640

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2011

Consolidated statement of cash flows

	2011	2010
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers inclusive of GST	618,203	729,199
Payments to suppliers and employees inclusive of GST	<u>(503,779)</u>	<u>(531,978)</u>
	114,424	197,221
Dividends received	59,503	53,846
Interest received	113,742	225,392
Finance costs	(116)	(313)
Income taxes paid	<u>(67,043)</u>	<u>(805,509)</u>
Net cash inflow / (outflow) from operating activities	<u>220,510</u>	<u>(329,363)</u>
Cash flows from investing activities		
Payment for property, plant and equipment and intangibles	(86,186)	(82,376)
Proceeds from sale of property, plant and equipment	260	440
Payments for exploration and evaluation activities	(5,778)	(13,860)
Net proceeds from /(payments for) term deposits	(254,609)	855,998
Payments for investments	(114,892)	(177,815)
Payments for subsidiaries, net of cash acquired	(171,218)	-
Proceeds from sale of investments	595,647	27,698
Cash outflow from loss of control of a subsidiary	-	(2,070)
Loans advanced	(20,455)	(3,739)
Loan repayments received	2,100	2,117
Net cash (outflow) / inflow from investing activities	<u>(55,131)</u>	<u>606,393</u>
Cash flows from financing activities		
Proceeds from issues of equity	5,261	14,042
Dividends paid	(193,686)	(411,911)
Proceeds from interest bearing liabilities	534	5,314
Net cash (outflow) from financing activities	<u>(187,891)</u>	<u>(392,555)</u>
Net (decrease) in cash and cash equivalents	(22,512)	(115,525)
Cash and cash equivalents at the beginning of the year	109,821	228,530
Effects of exchange rate changes on cash and cash equivalents	<u>(7,525)</u>	<u>(3,184)</u>
Cash and cash equivalents at the end of the year	<u>79,784</u>	<u>109,821</u>

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

Notes to the Consolidated Financial Statements

1. Basis of Preparation

This preliminary financial report for the year ended 31 July 2011 has been prepared in accordance with Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

This report does not include full disclosures of the type normally included in an annual financial report. It is recommended that this report be read in conjunction with the annual financial report for the year ended 31 July 2010 and any public announcements made by Washington H. Soul Pattinson and Company Limited and its controlled entities ("Consolidated entity" or "Group") during the reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies are consistent with those of the previous financial year. In addition, the following new accounting standards and interpretations were adopted by the Group during the financial year.

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share Based Payment Transactions [AASB 2] (effective from 1 January 2010)

The Group has applied the amendments of this standard for the reporting period ended 31 July 2011. There was no impact on the Group's financial statements.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

The Group has applied the amendments of this standard for the reporting period ended 31 July 2011. As the Group has not made any rights issues there has been no impact on the Group's financial statements.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 July 2011 reporting periods. The Group has elected not to early adopt these standards and interpretations. The Group is currently determining what impact these standards and interpretations will have on the amounts recognised in the financial statements.

This preliminary report was authorised by the directors on 22nd September 2011.

Notes to the Consolidated Financial Statements

2. Segment Information

Business segments

The Group is organised into the following divisions by product and service type:

Continuing operations

Investing activities

The Group engages in investments, including cash, term deposits, and equity investments.

Coal mining

The Group engages in coal mining activities including exploration, development, production, processing, associated transport infrastructure and ancillary activities. Coal mining operations are managed as a single integrated coal chain including transportation and infrastructure.

Consulting

The Group is involved in the provision of consulting services.

Notes to the Consolidated Financial Statements

2. Segment Information

Business segments

Year ended 31 July 2011

	Investing activities \$'000	Coal mining \$'000	Consulting \$'000	Intersegment eliminations/ unallocated \$'000	Consolidated \$'000
Revenue from external customers	177,790	561,947	2,326	16,324	758,387
Intersegment revenue	122,043	-	4,112	(126,155)	-
Total revenue	299,833	561,947	6,438	(109,831)	758,387
Share of results from equity accounted associates	36,884	-	(314)	12	36,582
Other income	567,309	-	-	-	567,309
Total segment revenue/income	904,026	561,947	6,124	(109,819)	1,362,278
Segment results	812,176	108,686	2,771	(127,592)	796,041
Income tax (expense)					(237,791)
Net profit/(loss) for the year					558,250
Impairment (expense)/reversal included in segment results					
- Impairment (expense)/ reversal of equity accounted investments	(26,795)	-	-	-	(26,795)
- Impairment of Long term investment	(13,531)	-	-	-	(13,531)
- Impairment of other assets	(1,166)	-	-	-	(1,166)
Total impairment (expense)/ reversal	(41,492)	-	-	-	(41,492)
Segment assets	3,473,943	982,158	12,648	6,852	4,475,601
Investments in associates	771,775	-	810	(8,087)	764,498
Depreciation / amortisation (expense)	(2,264)	(39,521)	(34)	-	(41,819)

Notes to the Consolidated Financial Statements

2. Segment Information (continued)

Business segments

Year ended 31 July 2010	Investing activities \$'000	Coal mining \$'000	Consulting \$'000	Intersegment eliminations/ unallocated \$'000	Consolidated \$'000
Revenue from external customers	166,510	643,196	3,144	10,457	823,307
Intersegment revenue	415,380	-	2,823	(418,203)	-
Total revenue	581,890	643,196	5,967	(407,746)	823,307
Share of results from equity accounted associates	40,688	-	(31)	328	40,985
Other income	70,205	127	(127)	-	70,205
Total segment revenue/income	692,783	643,323	5,809	(407,418)	934,497
Segment results	651,147	142,797	(157)	(415,879)	377,908
Income tax (expense)					(86,816)
Net profit/(loss) for the year					291,092
Impairment (expense) / reversal included in segment results					
- Impairment (expense) of long term equity investments	(3,215)	-	-	-	(3,215)
- Impairment reversal of associates	1,487	-	-	-	1,487
- Impairment reversal of other assets	1,022	-	-	-	1,022
Total impairment (expense) / reversal	(706)	-	-	-	(706)
Segment assets	3,735,137	570,631	14,433	(32,489)	4,287,712
Investments in associates	692,388	-	-	(6,649)	685,739
Depreciation / amortisation (expense)	(1,815)	(37,983)	(81)	-	(39,879)

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2011

Notes to the Consolidated Financial Statements

3. Profit for the year

(i) Profit before income tax expense

Profit from continuing operations for the year includes the following items that are significant because of their size, nature or incidence:

	2011	2010
	\$'000	\$'000
(a) Revenue		
Sales revenue	607,296	667,269
Dividend revenue	24,418	19,693
Interest revenue	122,484	117,933
Other	4,189	18,412
	758,387	823,307
	2011	2010
	\$'000	\$'000
(b) Other income		
Gain on sale of Arrow Energy Limited	466,192	-
Gain on sale of New Lenton Joint Venture	57,740	-
Gain on deemed disposal of equity accounted associates	873	60,665
(Losses)/ Gains on investments fair valued through profit or loss	(7,139)	8,692
Gains / (Losses) on sale of long term equity investments	30,435	1,914
Gain on acquisition of equity accounted associate	14,847	-
Gains/ (Losses) on acquisition of controlled entity	4,150	(1,023)
Other	211	(43)
	567,309	70,205
	2011	2010
	\$'000	\$'000
(c) Expenses		
(Impairment)/ Reversal of equity accounted associates (1)	(26,795)	1,487
(Impairment) of long term equity investments (2)	(13,531)	(3,215)
(Impairment)/ Reversal of other assets	(1,166)	1,022
	(41,492)	(706)

(1) The recoverable amount of investments in equity accounted associates has been assessed as at 31 July 2011. Where the carrying values of the investments exceeded the recoverable amounts, the investment has been impaired. At each reporting date, an assessment will be made as to whether there are any circumstances that would indicate that the impairment recognised has decreased or no longer exists. Where evidence supports a reduction in the impairment, the impairment expense may be reversed through profit. During the year ended 31 July 2011, the carrying value of Australian Pharmaceutical Industries Limited has been impaired by \$33.0 million. In addition, an impairment reversal of \$5.2 million has been recorded in relation to Ruralco Limited.

(2) In accordance with AASB 139, a 'prolonged decline in the fair value of an investment in an equity instrument below its cost is objective evidence of impairment'. Where a long term equity investment's market bid price is lower than the original cost, and the investment is considered by management to be 'impaired', the Group has recognised an impairment expense in respect of these investments. An impairment recognised for a long term equity investment is prohibited from being reversed through profit and loss. Any future increments in the bid price of these investments will be recognised as a fair value increment in the asset revaluation reserve.

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2011

Notes to the Consolidated Financial Statements

3. Profit for the year (continued)

(ii) Non-regular items after income tax expense attributable to members:

The Directors consider the disclosure of the impact of non-regular items enhances the understanding of the results attributable to members. Details of these items are as follows:

	2011	2010
	\$'000	\$'000
Gain on disposal of Long term equity investments	220,167	670
Gain on sale of Joint Venture	24,134	-
Gain on deemed disposal of equity accounted associates	611	42,443
Gain/ (Loss) on acquisition of a controlled entity	4,150	(1,047)
Impairment expense	(41,930)	(1,157)
Reversal of equity accounted associates	5,274	-
Share of non-regular items from associates	(20,700)	(6,734)
Tax credits	-	2,597
Gain on acquisition of equity accounted associate	10,968	-
	202,674	36,772

4. Dividends

	\$'000	Amount per security CPS	Franking per security CPS
Final dividend 2011			
Final dividend not recognised in retained profits, to be paid on 5 December 2011	59,660	25.0	25.0
Previous corresponding year, paid on 6 December 2010	47,728	20.0	20.0
Special dividend			
Previous corresponding year, paid on 6 December 2010	29,830	12.5	12.5
Interim dividend			
Interim dividend paid on 12 May 2011	35,796	15.0	15.0
Previous corresponding year, paid on 13 May 2010	33,410	14.0	14.0

No dividend reinvestment plans were in operation during the reporting period.

Total number of ordinary shares on issue for the whole of the reporting period was 238,640,580.

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2011

Notes to the Consolidated Financial Statements

5. Balance sheet reclassification

Current asset classified as held for sale

In the prior year, 31 July 2010, the controlled entity, New Hope Corporation Limited (New Hope) held an investment in Arrow Energy Limited (Arrow) classified as a non current asset, long term equity investment. During 2010 Arrow accepted a takeover offer from CSCSG (Australia) Pty Ltd and consequently New Hope's investment in Arrow was reclassified as a current asset held for sale.

6. Controlled entities acquired or disposed

During the year ended 31 July 2011, the Group acquired control of the following entities:

Copperchem Limited (CopperChem) – Held by WHSP

In September 2009, WHSP acquired a 50% share of Copperchem Limited (CopperChem) for \$21,000,000. On 1 October 2010, WHSP acquired an additional 2.38% share of CopperChem for \$3,000,000 and on this date, WHSP obtained control of CopperChem. As a result of this transaction, the initial 50% investment held by WHSP was fair valued, resulting in a gain on acquisition of \$4,150,000.

All consideration has been settled in cash and was paid directly by WHSP to CopperChem in exchange for issue of shares in CopperChem. There is no contingent consideration.

The fair value of CopperChem's assets and liabilities at acquisition date was \$50,300,000, with goodwill recognised on consolidation of \$231,000. The fair value of assets acquired includes property, plant and equipment of \$63,966,000 and cash balances of \$742,000.

In accordance with the Group's accounting policies, WHSP elected to recognise the non-controlling interests in CopperChem at its proportionate share of the acquired net identifiable assets, being \$25,381,000.

The revenues and profits contributed by CopperChem to the WHSP consolidated revenues and profits for the year ended 31 July 2011 are considered to be of an immaterial nature.

Northern Energy Corporation Limited – Held by New Hope Corporation Limited

On 28 February 2011, New Hope's wholly owned subsidiary, Arkdale Pty Ltd, acquired 80.8% of the issued share capital of Northern Energy Corporation Limited. Northern Energy is a coal exploration company with interests in a portfolio of coking and thermal coal projects in Queensland and New South Wales that are being progressed towards development.

Details of the purchase consideration and the net assets acquired are as follows:

Purchase consideration (refer to b. below)	\$000
Cash paid – prior years	3,286
Cash paid – current years	<u>184,634</u>
Total purchase consideration	<u>186,920</u>

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2011

Notes to the Consolidated Financial Statements

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value \$000
Cash	11,674
Term deposits	10,255
Trade and other receivables	2,289
Property, plant and equipment (iv)	218,563
Trade payables	(112)
Provision	(107)
Deferred tax liability	(56,982)
Net identifiable assets acquired	185,580
Less: non-controlling interests (ii)	(44,318)
Add: Goodwill (i)	45,658
Net assets acquired	186,920

(i) Goodwill arising on consolidation of \$45,658,000 is calculated in accordance with the requirement in IFRS to recognise a deferred tax liability on the difference between the provisional fair value of newly consolidated assets and liabilities and their tax base.

(ii) Non-controlling interests
 In accordance with the group accounting policies, the group elected to recognise the non-controlling interest in Northern Energy Corporation Limited at its proportionate share of the acquired net identifiable assets.

(iii) Revenue and profit contribution
 The acquired business contributed revenues of \$415,000 and net loss of \$703,000 to the group for the period from 28 February 2011 to 31 July 2011.

(iv) Property, plant and equipment
 On acquisition mining reserves and leases of \$218,484,000 have been capitalised and included in the value of property plant and equipment.

It has been deemed as impracticable to determine the effect on consolidated revenue and profit for the year ended 31 July 2011, if the acquisition had occurred on 1 August 2010. Further, the impact is considered to be of an immaterial nature.

b. Purchase consideration

	2011 \$000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	186,920
Less: Cash balances acquired	(11,674)
Outflow of cash – investing activities	175,246

Acquisition Related Costs

Acquisition related costs of \$3,400,000 are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows

Washington H. Soul Pattinson and Company Limited
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Notes to the Consolidated Financial Statements

Entities no longer controlled

No entities were disposed of during the year ending 31 July 2011.

During the year ended 31 July 2010, the Group ceased to control the following entities:

Souls Fund Management Limited (SFM)

SFM was disposed of on 11 November 2009. From this date, SFM was no longer controlled by the Group.

Rundle Capital Limited (Rundle) – Held by Pitt Capital Partners

Rundle was disposed of on 1 October 2009. From this date, Rundle was no longer controlled by the Group.

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2011

Notes to the Consolidated Financial Statements

7. Details of investments and results in Associates

Name of associated entity	Group's percentage of holding at balance date *		Contribution to Group net profit for the year **	
	July 2011 %	July 2010 %	2011 \$000	2010 \$000
Associates – held by WHSP				
Brickworks Limited (i)	44.5	44.6	5,832	12,982
Australian Pharmaceutical Industries Limited	24.6	24.6	(5,622)	5,478
Ruralco Holdings Limited	23.5	23.5	4,090	2,675
TPG Telecom Limited (ii)	26.7	26.6	20,643	15,350
Apex Healthcare Berhad	30.3	30.3	3,983	2,909
Clover Corporation Limited	28.6	28.6	1,314	(276)
KH Roberts Group Pte Ltd. (formerly Keith Harris & Company (Far East) Pte Limited)	49.0	49.0	252	312
BKI Investments Limited (iii)	13.7	-	1,103	-
Jointly controlled entity – held by WHSP				
Copperchem Limited (iv)	-	50.0	-	-
Associates – held by Controlled entities***				
Ampcontrol Pty Limited	45.0	45.0	4,644	3,166
Austrains Pty Limited	48.0	48.0	(56)	(1,611)
Belaroma Coffee Pty Ltd	40.0	40.0	310	197
Bridgeport Energy Ltd (v)	35.0	-	(18)	-
BW Partners Pty Limited (vi)	50.0	-	(314)	-
InterRISK Australia Pty Ltd	40.0	40.0	547	333
Heritage Brands Limited	25.1	25.1	(102)	(837)
Quantex Energy Inc (vii)	25.0	-	(185)	-
Quantex Research Corporation (vii)	25.0	-	(244)	-
Specialist Oncology Property Pty Limited	26.5	31.4	250	329
Supercorp Pty Limited	34.6	30.2	155	(22)
Share of results from equity accounted associates before impairment			36,582	40,985
Impairment of investment in associates (refer note 3i)				
- Australian Pharmaceutical Industries Limited			(33,005)	-
- Reversal/(expense) other associates			6,210	1,487
Total impairment of investment in associates			(26,795)	1,487
Share of results and impairment from equity accounted associates			9,787	42,472

* The percentage holding represents the Group's total holding in each associate.

** Contribution to Group net profit represents the amount included in profit after tax before minority interest.

*** Investments in these associates are held by controlled entities.

Changes in holdings of associates

(i) On the 1st November 2010, Brickworks Limited issued shares as part of their employee share scheme. As a result of this transaction, of which WHSP did not participate, WHSP's percentage holding in Brickworks decreased by 0.1% to 44.5%.

(ii) WHSP participated in the TPG Telecom Limited dividend reinvestment plan (DRP) issued on 17 November 2010 and 24 May 2011. As a result of the DRP, WHSP increased its shareholding from 26.6% (31 July 2010) to 26.7% (31 July 2011).

Notes to the Consolidated Financial Statements

(iii) On 21 March 2011 an additional investment in BKI Investment Company Limited (BKI) of \$1.3 million was made by WHSP resulting in WHSP's ownership interest in BKI increasing by 0.25% to 13.69% and during the year, the CEO of BKI (Mr Tom Millner) was appointed to the WHSP Board of Directors. As a result of these events, on 21 March 2011 WHSP has 'significant influence' over BKI and the investment has been re-classified by WHSP as an associate and from this date has been equity accounted.

(iv) On 1st October 2010, WHSP acquired an additional 2.38% of Copperchem Limited for \$3 million and at this date, WHSP obtained control of Copperchem Limited. Prior to this date, Copperchem was jointly controlled and was equity accounted by the Group.

(v) On 20 April 2011, a controlled entity of WHSP, New Hope Corporation (NHC), acquired a 35% interest in Bridgeport Energy Limited for consideration of \$17.2 million. NHC as of this date equity account Bridgeport Energy Limited as an associate.

(vi) On 1st November 2010, the controlled entity Pitt Capital Partners Limited, acquired a 50% shareholding in BW Partners Pty Limited (BWP) for \$1 million. From that date, BWP was equity accounted by the Group.

(vii) On the 13 September 2010, a controlled entity of WHSP, New Hope Corporation (NHC), acquired a 25% shareholding in a stapled investment including Quantex Energy Inc. and Quantex Research Corporation for consideration of \$15.4 million. NHC as of this date equity accounts both companies.

8. Contingent liabilities

New Hope Corporation Limited has increased its estimate of contingent liabilities to \$15.0 million (from \$14.5 million at 31 July 2010) in respect of undertakings and guarantees. No losses are anticipated in respect of these contingent liabilities.

Souls Private Equity Limited, a controlled entity, acts as guarantor (on a Joint and Several basis with one other party) over the Trade Finance Facility of its associate entity, Austgrains Pty Limited. The amount of the guarantee is limited to \$6,000,000. Austgrains Pty Limited uses the funds from the facility to purchase grain. As at balance date, Austgrains have drawn down in excess of \$6 million of this facility; however, all covenants had been complied with at that time.

There are no other material changes to contingent liabilities of the Group since 31 July 2011.

9. Events occurring after the balance sheet date

On 17 August 2011, CMA Corporation Limited received shareholder approval for a recapitalisation of the company through which \$77.5 million was raised by way of rights issue to be conducted at \$0.01 per share. WHSP acquired 853 million shares and its controlled entity, Souls Private Equity Limited acquired 300 million shares in CMA Corporation Limited via the rights issue.

On 19 September 2011, Washington H. Soul Pattinson and Company Limited (WHSP) announced a proposal to acquire all of the outstanding Souls Private Equity Limited (SPEL, ASX: SOE) shares not already owned by WHSP for \$0.163 per share. The proposal values SPEL at approximately \$97.5 million (fully diluted, including options). Under the proposal, SPEL shareholders will be able to receive consideration in cash or in WHSP shares. The proposal is to be effected by way of a scheme of arrangement.

Other than declared in this report, no other events have occurred after balance date which would materially affect the full year financial report.

10. Other significant information

Please refer to the review of operations contained in this report.

11. Audit

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