

Washington H. Soul Pattinson and Company Limited

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First Floor, 160 Pitt Street Mall, Sydney NSW 2000



ASX Appendix 4D & Half year financial report 31 January 2007

Lodged with the ASX under Listing Rule 4.2A

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Reporting Period

The reporting period is the half-year ended 31 January 2007.

The previous corresponding period is the half-year ended 31 January 2006.

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2007

Results for Announcement to the Market

		Current period 31 January 2007 \$'000	Previous period 31 January 2006 \$'000	Change \$'000
Revenue	Down 2.3% to	457,634	468,448	(10,814)
Profit before non regular items from ordinary activities after tax attributable to members	Down 7.0 % to	45,456	48,899	(3,443)
Profit after tax and non regular items attributable to members	Down 9.7% to	38,784	42,967	(4,183)

Dividends

	Cents per share	Franking %
This period		
1. Interim dividend	11.5c	100%
Previous corresponding period		
1. Interim dividend	11c	100%
Record date for determining entitlements to interim dividend:		1 May 2007
Ex Dividend Date:		24 April 2007
Date the interim dividend is payable:		10 May 2007

Comments on above results

- ** Profit after tax and non-regular items attributable to members down 9.7% to \$38.8 million predominantly due to reduction in profit contribution from Associates, partially offset by increased contribution from SP Telemedia – up 289% to \$10.1 million.**
- ** The parent entity received \$67.8 million in dividends for the period, which includes special dividends of \$24.7 million.**
- ** Interim dividend increased by 4.5% to 11.5 cents per share fully franked.**

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2007

Earnings per share

	2007	2006
From continuing operations		
Basic Earnings per Share	16.25 cents	18.0 cents
Diluted Earnings per Share	16.25 cents	18.0 cents
From discontinued operations		
Basic Earnings per Share	-	-
Diluted Earnings per Share	-	-
From profit before non regular items after tax	19.05 cents	20.49 cents

Net tangible assets per security

	2007	2006
Net tangible asset backing per ordinary security	\$4.91	\$4.79

Explanation of Profit after tax

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

Explanation of Net Profit

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

Review of Operations

As attached.

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2007

Condensed Consolidated Income Statement
For the half year ended 31 January 2007

	Notes	Consolidated 2007 \$'000	2006 \$'000
Revenue from continuing operations		457,634	468,448
Other income	3(i)	17,689	9,420
Cost of sales		(264,939)	(278,141)
Selling and Distribution expenses		(93,029)	(89,544)
Administration		(32,049)	(31,562)
Occupancy expenses		(2,458)	(2,568)
Other expenses		(4,656)	(11,662)
Impairment of non-current assets		(2,166)	(11,449)
Finance costs		(3,632)	(1,488)
Share of profits of associates and partnerships using the equity method		11,286	15,123
Profit/before income tax		83,680	66,577
Income tax expense		(18,317)	(18,497)
Profit after tax from continuing operations		65,363	48,080
Profit after tax from discontinued operations		-	-
Profit after tax for the year		65,363	48,080
Profit after tax attributable to minority interest		(26,579)	(5,113)
Profit after tax attributable to members of Washington H. Soul Pattinson and Company Limited		38,784	42,967
Profit before non regular items from ordinary activities after tax attributable to members		45,456	48,899
(Loss)/Profit from non regular items after income tax attributable to members	3(ii)	(6,672)	(5,932)
Profit after tax and non regular items for the period attributable to members		38,784	42,967
Earnings per share		Cents 2007	Cents 2006
Basic and diluted earnings per share to ordinary equity holders of the company			
Continuing operations		16.25	18.0
Discontinued operations		-	-
Weighted average number of shares used in calculating basic and diluted earnings per share		238,640,580	238,640,580

The Directors consider the disclosure of the impact of non- regular items enhances the understanding of the results to members.

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

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2007

Condensed Consolidated Balance Sheet
As at 31 January 2007

	Consolidated	
	31 Jan 2007	31 July 2006
	\$'000	\$'000
Current assets		
Cash and cash equivalents	69,793	77,986
Trade and other receivables	154,166	137,974
Inventories	27,495	28,907
Intangibles	28,878	36,950
Other financial assets at fair value through profit or loss	66,500	65,869
Held to maturity investments	336,693	435,059
Derivative financial instruments	6,315	8,060
Total current assets	689,840	790,805
Non-current assets		
Trade and other receivables	16,178	29,812
Investments accounted for using the equity method	491,784	469,807
Available for sale financial assets	656,283	523,478
Other financial assets	20,529	21,133
Property, plant and equipment	410,683	358,749
Investment properties	35	1,559
Deferred tax assets	3,409	10,202
Intangible assets	216,948	218,215
Total non-current assets	1,815,849	1,632,955
Total assets	2,505,689	2,423,760
Current liabilities		
Trade and other payables	113,343	122,035
Short-term borrowings	97,985	32,882
Current tax liabilities	6,793	27,642
Short-term provisions	11,457	13,089
Other	32,377	40,667
Total current liabilities	261,955	236,315
Non-current liabilities		
Long-term borrowings	90,455	65,844
Deferred tax liabilities	184,490	154,414
Long-term provisions	15,358	13,713
Other	11,792	10,332
Total non-current liabilities	302,095	244,303
Total liabilities	564,050	480,618
Net assets	1,941,639	1,943,142
Equity		
Contributed equity	32,900	32,900
Reserves	705,814	638,903
Retained profits	679,326	725,647
Parent entity interest	1,418,040	1,397,450
Minority interest	523,599	545,692
Total Equity	1,941,639	1,943,142

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2007

Condensed Consolidated Statement of Changes in Equity
For the half year ended 31 January 2007

	Share Capital \$'000	Retained Profits \$'000	Reserves \$'000	Minority interests \$'000	Total \$'000
Consolidated entity					
Total equity at the beginning of the half year - 1 August 2005	32,900	689,932	426,669	563,042	1,712,543
Effect of adoption of AASB 132 and AASB 139 on 1 August 2005 – to reserves	-	-	178,878	5,408	184,286
Net movement in asset revaluation reserve, net of tax	-	-	31,160	51	31,211
Net movement in share based payments reserve	-	-	177	265	442
Net movement in hedge reserve	-	-	(2,601)	(1,586)	(4,187)
Net movement in foreign currency translation reserve	-	-	(79)	16	(63)
Transfer from reserves to retained earnings	-	240	(240)	-	-
Net profit for the half year after tax	-	42,967	-	5,113	48,080
Dividends declared and paid	-	(56,416)	-	(57,127)	(113,543)
Contributions of equity, net of transaction costs	-	-	-	20,333	20,333
Return of capital	-	-	-	(30,738)	(30,738)
Increase in Group's share of controlled entities	-	-	-	(3,857)	(3,857)
Gain (loss) on shares issued by controlled entity	-	(2,871)	-	2,871	-
Equity adjustment to retained earnings	-	(358)	-	-	(358)
Total equity at the end of the half year - 31 January 2006	32,900	673,494	633,964	503,791	1,844,149
Total equity at the beginning of the half year – 1 August 2006	32,900	725,647	638,903	545,692	1,943,142
Net movement in asset revaluation reserve, net of tax	-	-	67,175	15,616	82,791
Net movement in share based payments reserve	-	-	706	478	1,184
Net movement in treasury reserve	-	-	(68)	(85)	(153)
Net movement in hedge reserve	-	-	(1,100)	(698)	(1,798)
Net movement in foreign currency translation reserve	-	-	198	48	246
Net profit for the half year after tax	-	38,784	-	26,579	65,363
Dividends declared and paid	-	(58,296)	-	(27,619)	(85,915)
Group's acquisition of the remaining issued capital in B Digital	-	(23,019)	-	(49,632)	(72,651)
Equity transfer from members on issue of share capital in controlled entities	-	(9,048)	-	9,048	-
Equity transfer - recovery of losses from minority interest, previously absorbed by parent entity interest	-	7,067	-	(7,067)	-
Transfer from retained earnings to minority interest	-	(1,809)	-	1,809	-
Contributions of equity, net of transaction costs	-	-	-	9,430	9,430
Total equity at the end of the half year - 31 January 2007	32,900	679,326	705,814	523,599	1,941,639

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

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2007

Condensed Consolidated Cash Flow Statement
For the half year ended 31 January 2007

	Consolidated	
	2007 \$'000	2006 \$'000
Cash flows from operating activities		
Receipts from customers inclusive of GST	470,319	497,595
Payments to suppliers and employees inclusive of GST	(435,905)	(457,395)
	<u>34,414</u>	<u>40,200</u>
Dividends received	37,088	32,324
Interest received	15,288	17,701
Finance costs	(2,524)	(3,237)
Income taxes paid	(37,183)	(68,532)
Net cash inflow (outflow) from operating activities	<u>47,083</u>	<u>18,456</u>
Cash flows from investing activities		
Payment for property, plant and equipment and intangibles	(74,329)	(19,064)
Proceeds from sale of property, plant and equipment	6,245	4,863
Net proceeds (payments) for investments held to maturity	98,366	(391,990)
Payments for investments	(20,177)	(46,127)
Proceeds from sale of investments	13,752	5,562
Loans advanced to other	(1,722)	(12,850)
Repayment of loans from other parties	1,044	38
Loans advanced to related parties	(8,360)	(6,810)
Repayment of loans from related parties	1,566	1,600
Funds received from related parties	4,800	2,700
Acquisition of subsidiary, net of cash acquired	(70,733)	(562)
Net cash inflow (outflow) from investing activities	<u>(49,548)</u>	<u>(462,640)</u>
Cash flows from financing activities		
Proceeds from issues of equity	6,456	13,434
Costs on issue of equity	(226)	-
Return of capital	-	(30,738)
Dividends paid	(101,597)	(129,153)
Proceeds from borrowings – other parties	125,165	5,066
Repayment of borrowings and leases – other parties	(39,889)	(1,837)
Restricted cash released	4,150	-
Net cash inflow (outflow) from financing activities	<u>(5,941)</u>	<u>(143,228)</u>
Net (decrease) in cash and cash equivalents	<u>(8,406)</u>	<u>(587,412)</u>
Cash and cash equivalents at the beginning of the half year	77,986	694,646
Effects of exchange rate changes on cash and cash equivalents	194	447
Cash and cash equivalents net of bank overdraft at the end of the half year	<u>69,774</u>	<u>107,681</u>

The above condensed consolidated cash flow statement should be read in conjunction with the accompanying notes.

Washington H. Soul Pattinson and Company Limited

Half year ended 31 January 2007

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation of half-year report

The financial report for the interim half year reporting period ended 31 January 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to 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 ("Consolidated Entity" or "Group") during the interim 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 and corresponding interim reporting period with the exception of the following:

Changes in ownership of a subsidiary (without gain or loss of control)

There are two methods applied in accounting for changes in the parent's ownership interest of a subsidiary where there is no gain or loss of control.

The policy previously applied by the Group was the modified parent entity approach which deems the minority interest to be an external party to the Group. Disposals to minority interests were recognised as gains or losses and recorded in the income statement. Purchases from minority interest resulted in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of the identifiable net assets of the subsidiary.

As the minority interests are also owners of the group's net assets, the Directors consider it is more appropriate to apply the economic entity approach. This method treats transactions with minority interests as transactions between owners of the Group. Gains or losses associated with transactions with minority interests, are recognised directly in equity through retained earnings. Any consideration paid for the purchase of a minority interest is eliminated against the carrying value of the minority interest with any excess treated as a distribution from the parent's ownership group to the minority's interest ownership group.

This change in accounting policy would have an effect on the prior corresponding period by::

- increasing profit after tax attributable to members by \$2.9 million to \$43.0 million; and
- nil impact on net assets as such gains would be recognised directly in retained earnings rather than through the income statement.

Correction in classification of Available for sale financial asset

An investment acquired in Arrow Energy N.L (Arrow) at the end of July 2006 by New Hope Corporation Limited, a controlled entity, was previously classified as an equity accounted investment as at 31 July 2006 on the basis that New Hope Corporation had significant influence over this company at that date. It has subsequently been determined that significant influence did not exist at that date, thus requiring the investment in Arrow to be reclassified as an Available for sale financial asset. This adjustment has the effect of overstating the consolidated equity accounted investments by \$49,414,000 and understating the consolidated Available for sale financial assets by \$49,414,000 as at 31 July 2006. There was no impact on the consolidated income statement for the year ended 31 July 2006 and thus no impact on the basic and diluted earnings per share for the year then ended.

Washington H. Soul Pattinson and Company Limited

Half year ended 31 January 2007

Notes to the Condensed Consolidated Financial Statements

3. Profit for the half year

(i) Profit before income tax expense

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

	31 Jan 2007 \$'000	31 Jan 2006 \$'000
Other income		
Profit on disposal of land	8,012	2,052
Fair value gains of financial assets at fair value through profit or loss	7,966	5,200
Gains on sale of available for sale financial assets	1,693	1,977
	8,668	9,229

(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 to members. Details of these items are as follows:

	31 Jan 2007 \$'000	31 Jan 2006 \$'000
Profit on disposal of investments	1,693	1,431
Profit on disposal of property, plant and equipment	4,041	1,090
Operating losses attributable to minority interest absorbed by parent entity interest	(6,498)	-
Impairment write downs	(187)	(6,083)
Share of significant revenue and expenses from associate entities and joint venture entities	(6,002)	(2,370)
Implementation of tax consolidation for controlled entity	281	-
	(6,672)	(6,932)

4. Dividends

	\$'000	Amount per security CPS	Franking per security CPS
Interim dividend Current half- year declared but not yet recognised in retained profits	27,444	11.5	11.5
	26,250	11.0	11.0
Final dividend 2006 A final dividend, not previously recognised in retained profits, was paid on 2 December 2006	38,182	16.0	16.0
Special dividend Special dividend resulting from profit distribution by New Hope Coal from sale of its international coal assets – paid on 4 December 2006	35,796	15.0	15.0

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

Half year ended 31 January 2007

Notes to the Condensed Consolidated Financial Statements

5. Controlled entities acquired or disposed of

Increased ownership interest in KH Foods Limited

On 20 December 2006, the Company increased its shareholding in KH Foods Limited, a controlled entity, by converting their holding of convertible notes of \$5 million into ordinary shares. Ownership interest increased from 53.3% to 57.6%.

On 22 January 2007, the Company participated in the KH Foods Limited rights issue, increasing its ownership interest to 86.6% for a cost of \$43.8 million.

In total, the surplus consideration over the increase in net assets attributable to the parent entity interest is recognised directly in equity as a distribution from the parent entity's interest to the minority interest's ownership, reducing retained earnings by \$7.6 million.

Acquisition of minority interest of B Digital Limited

On 25 September 2006, SP Telemedia Limited, a controlled entity, announced a conditional offer to acquire the shares in B Digital that it did not already own, at an offer price of 16 cents per share. On 1 November 2006, the bid became unconditional and on 8 November 2006, SP Telemedia's relevant interest in B Digital exceeded 90% triggering the compulsory acquisition provisions.

The total cost to the Consolidated entity, of acquisition of the remaining shares was \$72.6 million. The Consolidated entity's accounting policy for this type of transaction resulted in the surplus of the acquisition price over the minority interest acquired being booked directly to equity as a reduction in retained earnings, leading to a reduction in the net assets attributable to the parent entity interest of the economic entity by \$23 million.

Acquisition of Food and Beverage Company Limited – previously as Associate

On 31 July 2006, Souls Private Equity Limited, a controlled entity, held a 50% interest in an Associate, Food and Beverage Company Limited. On 1 December 2006, the Company acquired the remaining 50% and Food and Beverage Company Limited became a wholly owned subsidiary.

Washington H. Soul Pattinson and Company Limited
Half year ended 31 January 2007

Notes to the Condensed Consolidated Financial Statements

6. Details of investments and results in Associates and Partnerships

Name of associated entity	Group's percentage of holding at balance date *		Contribution to Group net profit for the half year **	
	2007 %	2006 %	2007 \$000	2006 \$000
Material Associates				
Brickworks Limited	49.5	49.5	10,062	12,290
Australian Pharmaceutical Industries Limited	21.7	21.6	(3,723)	2,993
Queensland Bulk Handling Pty Limited	50.0	50.0	717	783
Ampcontrol Pty Limited	45.0	45.0	2,830	756
Windsor Farm Foods Limited	43.8	23.8	(437)	(110)
B Shop Telecommunications Pty Limited (disposed of effective 1 December 2006)	-	50.0	-	(4,203)
Koeee Pty Limited (controlled from 30 June 2006)	-	50.0	-	15
SPT Telecommunications Pty Limited (controlled from 30 June 2006)	-	50.0	-	557
Other Associates				
Austrains Pty Limited	48.0	48.0	(289)	(61)
Asian Property Investments Limited	32.2	32.3	69	(4)
Belaroma Coffee Pty Ltd	40.0	-	12	-
Clover Corporation Limited	28.6	28.6	23	132
Hydramatic Engineering Pty Limited	40.0	40.0	693	150
Keith Harris & Company (Far East) Pte Limited	49.0	49.0	48	57
Krispy Kreme Holdings Australia Pty Ltd	24.0	-	(238)	-
Queensland Commodity Exports Pty Limited	-	33.3	-	99
Source Engine Asia Limited	35.0	35.0	-	(87)
Specialist Oncology Property Pty Limited	23.8	24.6	11	2
Contribution by Associates to net profit			9,778	13,369
Contribution to net profit from Partnerships				
Bulk Terminal Services	50.0	50.0	1,508	1,754
Total contribution to net profit from Associates and Partnerships			11,286	15,123

* In prior reports, the percentage holding of each Associate represented the parent entity's ultimate share of the Associate. The basis has now changed to reflect the Group's total holding in each Associate.

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

Washington H. Soul Pattinson and Company Limited

Half year ended 31 January 2007

Notes to the Condensed Consolidated Financial Statements

7 Contingent liabilities

No material changes to contingent liabilities since 31 July 2006.

8 Events occurring after the balance sheet date

Subsequent to 31 January 2007, the Company has extended its guarantee and indemnity of the HSBC bank facility for KH Foods Limited until April 2008. The guarantee facility is for a total of \$35 million.

On 28 February 2007, Souls Private Equity Limited, sold its 40% interest in Hydramatic Engineering Pty Limited to Sandvik AB for \$15.6 million. The sale is subject to a number of conditions that have the potential to affect the realised profit including warranty claims and tax indemnities. Hydramatic Engineering Pty Limited is currently classified as an Associate and is equity accounted in the consolidated financial statements.

9. Other significant information

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