Washington H. Soul Pattinson and Company Limited

A.B.N. 49 000 002 728

Review of Operations

Half Year Ended 31 January, 2005

CONSOLIDATED RESULT

The Profit of the Group, **after tax before non regular items**, attributable to shareholders for the half year ended 31 January, 2005 was $51.7 million, an increase of 27.7% over the previous corresponding period. The improved result is principally due to increased profits from the Group's coal operations and a 51.9% increase in dividends received from investments.

The Profit of the Group, **after tax and non-regular items**, was $68.9 million, a decrease of 29.7% over the previous corresponding period. Non regular items in the previous period were $57.6 million and included the Group's share of the equity accounted profit of $35.2 million from the sale of Brickworks Limited investment portfolio and an abnormal item in PT Indonesia Bulk Terminal. Profit on non regular items in the current period amount to $17.3 million and comprise profits on the sale of properties, businesses and investments.

Comparisons with the corresponding period last year are as follows:-

	2005 $000	**2004 $000**		**% Change**
Sales	296,665	262,831	+	12.9%
Profit after tax before non regular items	51,658	40,439	+	27.7%
Profit after tax and non regular items	68,930	98,044	-	29.7%
Share of Net profits of Associates	30,343	55,464	-	54.7%
Earnings per share before non regular items	21.6c	16.9c	+	27.7%
Interim Dividend	10.0c	8.0c	+	25.0%

DIVIDEND

Directors have declared an interim dividend of 10 cents per share in respect of the half year ended 31 January, 2005 and increase of 25.0% over last year's interim dividend of 8 cents per share. The dividend will be fully franked and payable on 12 May, 2005.

As previously announced a 2nd fully franked Special Dividend of 10 cents per share, arising from the sale of NBN Television to SP Telemedia Limited, will be paid at the same time as the final dividend in November, 2005.

INVESTMENTS – Company Share Portfolio

The Company's portfolio of investments, which includes the Group's listed controlled entities and associated companies, returned 32.9% for the half year, after including unrealised capital gains, compared to the Benchmark S&P/ASX 300 Accumulation Index of 18.6% for the same period.

The market value of the listed investment portfolio was $2.6 billion as at 31 January, 2005 compared with $1.9 billion as at 31 July, 2004, an increase of 36.8%.

During the half year $4 million was invested in the equity market with the main purchases being Trust Company of Australia Limited, Choiseul Investments Limited and Mariner

Financial Limited. Sales of $2 million included Crane Group Limited, Spotless Group Limited and Macquarie Bank Stapled Securities.

Additional investments in controlled entities and associates during the period amounted to $27 million and included the exercise of options in SP Telemedia Limited and New Hope Corporation Limited as well as participation in the Souls Private Equity Limited IPO and the capital reconstruction of KH Foods Limited.

Dividend income from investments, excluding dividends from controlled entities and associates, was $8.2 million in this half year compared with $5.4 million in the previous corresponding period.

INVESTMENTS – Associated Entities

Australian Pharmaceutical Industries Limited (API) (Group shareholding 20.3%)
The Group's equity accounted profit from API was $2.7 million compared with $2.9 million for the previous corresponding period.

Despite continued revenue growth of 10.2%, API's net profit after tax for the half year ended 31 October, 2004 declined 5.3% to $11.9 million. The result was affected by the significant expense of $8.7 million arising from the Kingsgrove manufacturing plant production losses incurred since the voluntary closure of the facility in late 2003.

Together with the announcement of their half year result API also reported the completion of a Strategic Review of the business following the acquisition of New Price Retail. The Strategic Review has validated the retail-led strategy as a logical and relevant roadmap for growth, whilst under-performing businesses and non-core assets will be targeted for decisive action.

API announced two immediate decisions, namely the closure of the Kingsgove plant with manufacturing to be consolidated into API's New Zealand manufacturing business and that under-performing and non-core assets would be considered for sale.

API maintained its interim dividend of 6.25 cents per share.

Brickworks Limited (Brickworks) (Group shareholding 49.8%)
The Group's equity accounted profit from national building products company Brickworks Limited amounted to $7.2 million compared with $60.7 million in the previous corresponding period.

Brickworks Limited's net profit after tax for the half year ended 31 December, 2004 was $38.3 million, an increase of 6% on a normalised basis which excludes the profit of $70.7 million from the disposal of Brickwork's investment portfolio in the previous corresponding period.

Brickworks reported steady sales during the half year against a backdrop of declining housing approvals since the peak in October, 2003. However, the diversity of Brickworks corporate structure, which includes a stream of non-cyclical earnings, has enabled improved performance.

While group product sales were at record high levels nationally, individual states experienced varying conditions. Western Australia, Victoria and Tasmania all experienced improved conditions. New South Wales and South Australia were constant and Queensland finished the year down slightly. Regional areas are growing faster than the capital cities. Due to Brickworks newly acquired national exposure, these state to state variations were largely overcome with surplus capacity in one state shipped to another.

Brickworks debt reduction has continued due to positive cash flow from operations and property sales. A reduction of $19.6 million in net debt during the period has reduced the gearing ratio to 21%.

Higher earnings per share has enabled Brickworks to increase its interim dividend by 11% from 9 cents per share in the previous corresponding period to 10 cents per share.

Clover Corporation Limited (Clover) (Group shareholding 28.8%)
Clover Corporation Limited's net profit after tax for the half year ended 31 December, 2004 was $440,000, an increase of 31% over the same period last year. This was despite a sales decrease of 15% to $7.7 million due to the planned exit from the high risk, low margin fine chemical business, the loss of one European infant formula customer and increased competition in the Omega³ market.

The Nu-Soya manufacturing facility at Moree is nearing completion with commercial product expected to be available in April, 2005. Interest in this project from potential customers is encouraging.

CONTROLLED ENTITIES

Coal (New Hope Corporation Limited Group) (NHC)
New Hope Corporation Limited is listed on the Australian Stock Exchange (ASX Code NHC) with the Group's shareholding being 63.9%.

The Group's share of NHC's net profit after tax and outside equity interest for the half year ended 31 January, 2005 amounted to $26.8 million, an increase of 22.4% over the previous corresponding period.

NHC's profit after tax and outside equity interest for the half year ended 31 January, 2005 was $41.9 million compared with $32.9 million in the previous corresponding period which included an abnormal item of $13.6 million. Basic earnings per share increased to 5.8 cents from 4.7 cents per share previously.

The significant increase in profit was due to continuing operating efficiencies and higher coal prices offsetting the impact of the strong Australian Dollar against the US Dollar. Contribution to profit was split between Australian operations 53% and overseas operations 47%.

NHC has declared an interim dividend of 2.75 cents per share 65% franked.

Combined coal production of New Hope and its associate P.T. Adaro Indonesia totalled 13.9 million tonnes an increase of 3.1% over last year while coal sales remained steady at 14 million tonnes.

Australian Operations
NHC Australia's after tax profit for the half year ended 31 January, 2005 was $22.2 million, an increase of 113% over the result for the previous corresponding period of $10.4 million.

With coal sales averaging AUD$51.55 per tonne, compared with AUD$37.64 previously, revenue increased to $85.3 million from $69.6 million, despite slightly lower sales volume.

NHC's Australian associate Queensland Bulk Handling Pty Ltd contributed positively to profits with slightly higher throughput of 1.8 million tonnes whereas Queensland Commodity Exports Pty Ltd produced a small loss from its woodchip exports due to low prices and limited markets.

Overseas Operations
NHC's overseas operations which include P.T. Adaro (Adaro), P.T. Indonesia Bulk Terminal (IBT) and Coaltrade contributed a profit after tax and outside equity interests of $19.7 million for the half year compared with $22.5 million in the previous corresponding period, which included an abnormal item of $13.6 million.

Adaro's production increased only marginally due to wet weather conditions during the period and sales remained steady at 12 million tonnes.

Although operating for only five months, due to a one month's shutdown for essential repairs caused by the collision of a vessel resulting in structural damage to the conveyors, IBT achieved a similar thoughput to the previous corresponding period of 3.6 million tonnes. IBT was able to retire its outstanding bank loans during the period and is now debt free.

Coaltrade's trading volumes were maintained during the period at 3.6 million tonnes with the supply of coal from smaller mines affected by wet weather conditions.

NHC announced on 7 February, 2005 that, following an expression of interest in the acquisition of its overseas operations, it has entered into a Conditional Sale and Purchase Agreement for a purchase price of US$378 million (approximately A$490 million). NHC are of the view that the sale, at the top of a strong commodity cycle, will realise the optimum value for its overseas operations.

Media & Telecommunications - SP Telemedia Limited (SPT)
SPT is listed on the Australian Stock Exchange (ASX Code SOT) with the Group's shareholding currently 50.5%.

The Group's share of SPT's net profit after tax and outside equity interest for the half year ended 31 January, 2005 amounted to $4.4 million, an increase of 83.3% over the previous corresponding period.

SPT's net profit after tax and outside equity interest for the half year ended 31 January, 2005 was $7.9 million, an increase of 84% over the previous corresponding period.

SPT has declared a fully franked interim dividend of 1.0 cent per share compared to 0.75 cents per share in the previous corresponding period which represents a payout ratio to profit of 45% on the increased share capital.

The half year has been one of growth for SPT, with three strategic initiatives undertaken to position the group as a major infrastructure based provider in the media and telecommunications industries. The initiatives involved the acquisition of the NBN Television Group of Companies, the acquisition of the business and assets of Comindico and the formation of a strategic alliance with B Digital which, subject to the approval of B Digital's shareholders, would see SPT emerge as the largest shareholder in B Digital with a 43% interest. The benefits expected to flow from the acquisitions are not yet fully reflected in the results for the six months, particularly in relation to the B Digital acquisition which will not be finalised until April, 2005. The acquisitions were financed by SPT with the proceeds of a 4-for-9 rights issue, a $50 million share placement to institutional investors and borrowings.

In January, 2005 SPT was appointed as the Core Network Services Provider for the NSW State Government Broadband initiative for a five year period. This is a major contract for SPT, the benefits of which will commence in the last quarter of this financial year.
The organic growth and acquisitions of SPT during the half year have meant that the company now has ownership or access to significant voice and data telecommunications infrastructure.

When combined with their media interests, these assets will enable SPT to offer a full range of mainstream telco products and services and various multimedia products.

Merchant Banking – Pitt Capital Partners Limited (PCP) (Group shareholding 51.6%)
PCP's net profit after tax for the half year ended 31 January, 2005 was $4.9 million compared with $1.5 million in the previous corresponding period.

During the half year PCP advised and or implemented a number of the Group's major strategic initiatives and completed 6 takovers for $550 million and 8 underwritings/placements for $374 million.

PCP is a licenced Dealer in Securities and provides corporate advisory and underwriting services to the Washington H. Soul Pattinson Group of Companies and Associates as well as to an expanding client base.

PCP currently owns 25.5% of Souls Funds Management Limited (SFM) and together with SFM manages Souls Private Equity Limited.

PCP now has offices in Sydney, Adelaide, Brisbane and Hong Kong.

Funds Management – Souls Funds Management Limited (SFM) (Group shareholding 64%)
The Group's share of profit after tax and outside equity interest for the half year ended 31 January, 2005 was $540,000 compared with a loss of $180,000 in the previous corresponding period.

SFM's profit after tax for the half year ended 31 January, 2005 was $659,687 which, compared with the 2004 full year profit of $292,000, reflects the continuing rate of growth in profit and in funds under management. The increase in profit has been assisted by further favourable ratings by industry consultants and research organisations and the award of mandates from both retail and wholesale clients.

Funds under management and advice have increased from $234 million as at 31 July, 2004 to $490 million as at 31 January, 2005.

SFM's equity products have continued to deliver strong results against the background of a buoyant equity market. The Souls Australian Equity Fund recorded a return of 25.5% for the six months ended 31 January, 2005 compared to the S&P/ASX All Ordinaries Accumulation Index of 18.1% for the same period. The Souls Australian Small Companies Fund returned 28.3% compared to the benchmark return of 20.5% for the S&P/ASX Small Ordinaries Accumulation Index.

Souls Private Equity Limited (SPEL) (Group Shareholding 6.4%)
SPEL was incorporated on 30 September, 2004 with the objective to invest in private and listed equity investments. A seed portfolio was acquired principally from the parent company and, following an initial public offering, SPEL was listed on the Australian Stock Exchange (ASX Code SOE) on 16 December, 2004.

SPEL did not trade during the period 30 September, 2004 to 10 December, 2004, however, in the period following the IPO SPEL has recorded a maiden profit after tax of $504,000 for the period to 31 January, 2005.

KH Foods Limited (KHF)

KH Foods Limited (formerly Keith Harris & Co. Ltd.) is listed on the Australian Stock Exchange (ASX Code KHF) and the Group has a 50.4% shareholding.

The Group's share of KHF's net profit after tax and outside equity interest for the half year ended 31 January, 2005 amounted to $2.3 million compared to a loss of $158,000 in the previous corresponding period.

KHF has reported a net profit after tax of $4.8 million for the half year ended 31 Janaury, 2005 which included a one-off gain of $11.3 million from the sale of its Flavours and Fragrances Division. Excluding this gain, KHF recorded an operating loss of $6.5 million for the period due largely to the continuing losses in the Balfours Group.

The Mills and Wares Sweet Bakery Division, which KHF acquired in September, 2004, has been successfully integrated into the KHF Group and is both profitable and rapidly expanding its market share.

The Balfours Group business has been slower than anticipated to turnaround. Considerable investment has been made in state of the art automated production facilities the first of which was due to be in place by September/October, 2004. However, major delays in the completion and installation of the automated plant and equipment have impacted on the expected significant cost savings. The new equipment will now be installed and commissioned by mid April, 2005.

Following the sale of the Flavours and Fragrances business KHF's operations now consist of three Balfours bakeries in S.A., N.S.W. and Vic and the Mills and Wares business in W.A. KHF's strategy for its restructured food businesses remains on track albeit delayed from the originally expected timeframe.

KHF has maintained its interim dividend of 7 cents per share fully franked.

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