

WASHINGTON H. SOUL PATT INSON AND COMPANY LIMITED

A.B.N. 49 000 002 728

ASX APPENDIX 4D

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HALF YEAR REPORT

31 January, 2005

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Washington H. Soul Pattinson and Company Limited

ABN 49 000 002 728

Half Yearly Report

Reporting period: Half year ended 31 January, 2005

Previous corresponding period: Half year ended 31 January, 2004

The information contained in this Report should be read in conjunction with the 31 July, 2004 Annual Report

Results for announcement to the market

| | | | | \$000 |
|--|------|-------|----|--------------|
| Sales Revenue from ordinary activities | Up | 12.8% | to | 296,665 |
| Profit after tax before non regular items attributable to members | Up | 27.7% | to | 51,658 |
| Profit after tax and non regular items attributable to members | Down | 29.7% | to | 68,930 |

Dividends

| | Cents per share | Franking % |
|---|--------------------|-------------------------------|
| This period | | |
| Interim Dividend | 10c | 100% |
| Previous corresponding period | | |
| Interim Dividend | 8c | 100% |
| Record date for determining entitlements to interim dividend | | Friday, 29 April, 2005 |
| Ex Dividend Date | | Friday, 22 April, 2005 |
| Date the interim dividend is payable | | Thursday, 12 May, 2005 |

Comments on above results

- ** Group share of NHC coal operations up 22% to \$26.8 million**
- ** Dividend income from Investments up 52% to \$8.2 million**
- ** Interim dividend up 25% to 10 cents per share**

Washington H. Soul Pattinson and Company Limited

A.B.N. 49 000 002 728

Directors' Report

Half Year Ended 31st January, 2005

The Directors of Washington H. Soul Pattinson and Company Limited present their report and the financial statements of the parent entity and its controlled entities for the half year ended 31st January, 2005.

DIRECTORS

The Directors of the Company in office at any time during or since the end of the financial year are:

Robert Dobson Millner

Chairman (Non-Executive Director since 1984, appointed Chairman 1998)

Mr. Millner is a grazier-director and Chairman of the Group's listed entities as well as Brickworks Limited, Milton Corporation Limited, Choiseul Investments Limited. Mr. Millner is also a non-executive director of Australian Pharmaceutical Industries Limited.

Michael John Millner

Deputy Chairman (Non-Executive Director since 1997, appointed Deputy Chairman 1998 and is a member of the Audit Committee)

Mr Millner is a grazier-director and a councilor of the Royal Agricultural Society of New South Wales. Mr. Millner is also a non-executive director of Ruralco Limited and the Group's listed entities Keith Harris & Co. Ltd. and SP Telemedia Limited.

Peter Raymond Robinson B. Com.

Executive Director

Joined the Company 1978, appointed Director 1984.

Mr Robinson is chairman of Australian Pharmaceutical Industries Limited, Keith Harris & Co. Ltd and Clover Corporation Limited as well as a non-executive director of the Group's listed entities New Hope Corporation Limited and SP Telemedia Limited.

Graeme Lance Robertson B.A., M.A.I.E., F.A.I.C.D.

Executive Director and member of the Audit Committee. Appointed Director 1997.

Mr. Robertson is Managing Director of New Hope Corporation Limited having been appointed in 1987. He is also a director of PT Adaro Indonesia, PT Indonesia Bulk Terminal and the World Coal Institute.

David John Fairfull B.Com., A.C.I.S., C.P.A., A.S.I.A.

Executive Director and Chairman of the Audit Committee. Appointed Director 1997.

Mr. Fairfull is Joint Managing Director of Pitt Capital Partners Limited, a controlled entity, and a non-executive director of the Group's listed entities as well as Australian Pharmaceutical Industries Limited, Stockland Trust Group and Gazal Corporation Limited.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the company during the financial year are:

| | <u>Board of Directors</u> | <u>Audit Committee</u> | <u>Remuneration Committee</u> | <u>Nomination Committee</u> |
|--------------------------------|---------------------------|------------------------|-------------------------------|-----------------------------|
| Total number of meetings held: | <u>7</u> | <u>2</u> | <u>1</u> | <u>1</u> |
| Director: | | | | |
| Mr. R.D. Millner + | 7 | - | 1 | 1 |
| Mr. P.R. Robinson | 6 | - | - | - |
| Mr. M.J. Millner * + | 7 | 2 | 1 | 1 |
| Mr. G.L. Robertson * | 7 | 2 | - | - |
| Mr. D.J. Fairfull * | 7 | 2 | - | - |

* Denotes member of the Audit Committee of Directors.

+ Denotes member of the Remuneration and Nomination Committees of Directors

DIRECTORS' REPORT (Cont.)

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% |

DIVIDENDS

Directors have declared an interim dividend of 10 cents per share in respect of the half year ended 31st January, 2005 an increase of 25% over last year's interim dividend of 8 cents per share. The dividend will be fully franked at the tax rate of 30% and payable on 12 May, 2005.

Since the commencement of the financial year the Company has paid a final dividend for the year ended 31 July, 2004 of 12.0 cents per share and a special dividend of 10.0 cents per share. Both the final and special dividends were fully franked.

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.

REVIEW OF OPERATIONS

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.

DIRECTORS' REPORT (Cont.)

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 Kingsgrove 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.

DIRECTORS' REPORT (Cont.)

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 throughput 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.

DIRECTORS' REPORT (Cont.)

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 January, 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.

DIRECTORS' REPORT (Cont.)

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.

ROUNDING OFF

The amounts contained in the accompanying financial statements have been rounded off to the nearest one thousand dollars under the option available to the Company under ASIC Class Order 98/0100.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307(c) of the Corporations Act 2001 in relation to the review of the interim financial report for the half year ended 31 January, 2005 is attached and forms part of this report.

Dated at Sydney this 31st day of March, 2005

Signed in accordance with a resolution of the Directors:

R.D. MILLNER

P.R. ROBINSON

Washington H. Soul Pattinson and Company Limited
and its controlled entities

Statement of Financial Performance
For the half year ended 31 January, 2005

| | Current Period \$000 | Previous Corresponding Period \$000 |
|--|----------------------------|--|
| Operating Profit after Income Tax before Non Regular Items | 51,658 | 40,439 |
| Non Regular Items after Income tax | <u>17,272</u> | <u>57,605</u> |
| Revenue | 296,665 | 262,831 |
| Less Expenses excluding Borrowing Costs | 214,532 | 166,696 |
| Less Borrowing Costs | 3,507 | 3,906 |
| Share of Net Profits of Associates | 28,981 | 58,961 |
| | <hr/> | <hr/> |
| Operating Profit before Income Tax | 107,607 | 151,190 |
| Less Income Tax Expense | <u>17,785</u> | <u>23,388</u> |
| Net Profit Before Extraordinary Item | 89,822 | 127,802 |
| Profit from Extraordinary Item after Income Tax | <u>-</u> | <u>-</u> |
| Net Profit Before Outside Equity | 89,822 | 127,802 |
| Less Net Profit attributable to Outside Equity Interests | <u>20,892</u> | <u>29,758</u> |
| Net Profit attributable to Soul Pattinson Shareholders | <u>68,930</u> | <u>98,044</u> |
| | <hr/> | <hr/> |
| Net exchange difference on translation of controlled entities | - | - |
| Total attributable to Soul Pattinson Shareholders recognised directly in equity | <u>(7,206)</u> | <u>(6,276)</u> |
| | <hr/> | <hr/> |
| Total Net Profit and Items Recognised Directly in Equity | <u>61,724</u> | <u>91,768</u> |

Washington H. Soul Pattinson and Company Limited SOL App 4D 31.1.05
and its controlled entities

Statement of Financial Position as 31 January, 2005

| | 31-Jan-05 | 31-Jul-04 |
|--|------------------|------------------|
| | \$000 | \$000 |
| CURRENT ASSETS | | |
| Cash | 227,045 | 128,419 |
| Receivables | 185,452 | 139,842 |
| Inventories | 22,746 | 20,276 |
| Other | 5,361 | 6,937 |
| TOTAL CURRENT ASSETS | 440,604 | 295,474 |
| NON CURRENT ASSETS | | |
| Receivables | 31,874 | 19,603 |
| Investments - Associates | 405,301 | 425,295 |
| - Other | 194,971 | 169,012 |
| Property, plant and equipment | 380,049 | 358,707 |
| Intangibles | 145,538 | 131,949 |
| Tax | 15,950 | 13,262 |
| Other | - | 1,391 |
| TOTAL NON-CURRENT ASSETS | 1,173,683 | 1,119,219 |
| TOTAL ASSETS | 1,614,287 | 1,414,693 |
| CURRENT LIABILITIES | | |
| Accounts Payable | 64,398 | 59,934 |
| Interest Bearing | 34,886 | 59,427 |
| Provisions | 43,326 | 37,585 |
| Tax | 18,612 | 14,036 |
| Other | 824 | 824 |
| TOTAL CURRENT LIABILITIES | 162,046 | 171,806 |
| NON-CURRENT LIABILITIES | | |
| Accounts Payable | 15,360 | 14,396 |
| Interest Bearing | 69,240 | 58,746 |
| Provisions | 11,785 | 33,695 |
| Tax | 12,967 | 14,537 |
| Other | 9,449 | 9,020 |
| TOTAL NON-CURRENT LIABILITIES | 118,801 | 130,394 |
| TOTAL LIABILITIES | 280,847 | 302,200 |
| NET ASSETS | 1,333,440 | 1,112,493 |
| EQUITY | | |
| Contributed Equity | 32,900 | 32,900 |
| Reserves | 461,043 | 479,687 |
| Retained Profits | 406,226 | 354,922 |
| Equity attributable to Soul Pattinson Shareholders | 900,169 | 867,509 |
| Outside equity interest in controlled entities | 433,271 | 244,984 |
| | 1,333,440 | 1,112,493 |

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Washington H. Soul Pattinson and Company Limited
and its controlled entities

Statement of Cash Flows
For the half year ended 31 January, 2005

| | Current Period \$000 | Previous Corresponding Period \$000 |
|--|-------------------------------------|--|
| Cash Flows From Operating Activities | | |
| Receipts from customers | 240,193 | 215,097 |
| Payments to suppliers and employees | (198,258) | (130,680) |
| | 41,935 | 84,417 |
| Dividends Received | 80,256 | 26,877 |
| Interest Received | 5,865 | 2,340 |
| Borrowing costs paid | (5,330) | (4,744) |
| Income Tax paid | (14,169) | (15,717) |
| Net Cash Inflow from Operating Activities | 108,557 | 93,173 |
| Cash Flows From Investing Activities | | |
| Payments for property, plant and equipment | (53,492) | (20,744) |
| Proceeds from sale of property, plant and equipment | 3,715 | 5,591 |
| Payments for investments | (33,380) | (22,469) |
| Proceeds from sale of investments | 1,942 | 9,953 |
| Loans advanced | (2,656) | (153) |
| Repayment of loans advanced | 1,870 | 1,359 |
| Sale of businesses | 14,500 | 5,761 |
| Acquisition of controlled entities | (19,889) | (59) |
| Net Cash Inflow (Outflow) from Investment Activities | (87,390) | (20,761) |
| Cash Flows From Financing Activities | | |
| Proceeds from Issue of Shares | 178,681 | 5,943 |
| Proceeds from borrowings | 48,343 | 28,857 |
| Repayment of borrowings | (59,865) | (44,624) |
| Dividends paid | (59,264) | (24,418) |
| Net Cash Inflow (Outflow) from Financing Activities | 107,895 | (34,242) |
| Net Increase (Decrease) in Cash Held | 129,062 | 38,170 |
| Cash at the beginning of the financial year | 204,006 | 80,932 |
| Effect of exchange rate changes on cash | (1,615) | (2,728) |
| Cash at the end of the financial year | 331,453 | 116,374 |

Note 1**Basis of preparation**

The half year consolidated financial report is a general purpose financial report which has been prepared in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting", the recognition and measurement requirements of applicable AASB standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The half year financial report is to be read in conjunction with the 2004 Annual Financial Report and any public announcements by Washington H. Soul Pattinson and its controlled entities during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

The half year report has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

The accounting policies are consistent with those applied in the 2004 Annual Financial Report.

The half year report does not include full note disclosures of the type normally included in an annual financial report.

Note 2**Revenue and Expenses from ordinary activities**

| | 2005 \$000 | 2004 \$000 |
|----------------------------------|---------------|---------------|
| Revenue from sales or services | 238,754 | 175,544 |
| Interest revenue | 6,064 | 2,309 |
| Other relevant revenue | | |
| Sales from Investments | 8,370 | 22,091 |
| Sales from Properties | 2,683 | 4,340 |
| Sales from Businesses | 14,500 | 5,761 |
| Dividend Income | 8,662 | 5,828 |
| Other Income | 16,270 | 46,958 |
| Details of relevant expenses | | |
| Cost of Sales | 139,524 | 119,544 |
| Expenses - Selling & Distributor | 45,187 | 35,196 |
| Expenses - Administration | 29,821 | 11,956 |
| Depreciation & Amortisation | 18,700 | 15,520 |

Note 3

| | 2005 \$000 | 2004 \$000 |
|--|---------------|---------------|
| Details of Non Regular Items (net of income tax) | | |
| Profit on Disposal of Land and Buildings | 2,294 | 3,131 |
| Profit/(Loss) on Disposal of Investments | (198) | 6,581 |
| Profit on Disposal of Business | 5,297 | 3,242 |
| Settlement of coal handling contract | - | 9,410 |
| Profit on new issue of shares by controlled entities, associates | 11,191 | - |
| Profit on deconsolidation of controlled entity | 68 | - |
| Sale of Investment Portfolio by associate | - | 35,241 |
| Share of Associates non regular items | (1,380) | - |
| Total Non Regular Items | <u>17,272</u> | <u>57,605</u> |

Note 4

Details of Investments in Associates

| Name of associated entity | Percentage of ownership | | Contribution to Net Profit | |
|--|-------------------------|------|----------------------------|---------------|
| | at balance date | | 2005 | 2004 |
| | 2005 | 2004 | \$000 | \$000 |
| | % | % | | |
| Brickworks Limited | 49.8 | 49.8 | 7,209 | 45,807 |
| Queensland Bulk Handling Pty Ltd | 31.9 | 34.7 | 729 | 141 |
| Queensland Commodity Exports Pty Ltd | 21.3 | 23.1 | (19) | (20) |
| Clover Corporation Limited | 28.7 | 28.9 | (15) | (24) |
| Australian Pharmaceutical Industries Limited | 20.3 | 22.9 | 2,706 | 2,896 |
| Pacific Strategic Investments Limited | - | 24.9 | - | 543 |
| Pitt Capital Partners Limited | - | 50.0 | - | 935 |
| Pitt Capital Partners Asia Limited | 25.8 | - | (162) | - |
| Souls Funds Management Limited | - | 50.0 | - | (180) |
| PT Adaro Indonesia | 26.1 | 25.9 | 6,740 | 1,555 |
| Vindoor Investments (Mauritius) Ltd | 26.1 | 25.9 | 10,499 | 5,427 |
| SPT Telecommunications Pty Ltd | 26.2 | 27.4 | 1,211 | 1,990 |
| Kooee Pty Limited | 26.2 | 27.4 | 171 | 208 |
| InterRisk Australia Pty Ltd | 1.3 | - | (52) | - |
| Windsor Farm Foods Limited | 23.8 | 20.0 | (5) | (74) |
| Specialist Oncology Property Pty Ltd | 2.5 | - | 8 | - |
| Austgrains Pty Ltd | 3.0 | - | (27) | - |
| Soda Incorporation Pty Ltd | 2.4 | 40.3 | (12) | (243) |
| | | | <u>28,981</u> | <u>58,961</u> |

Indonesian Government Regulation No. 144/2000 which is effective from 1 January, 2001, stipulates that coal is no longer VAT-able and as a result an associated company, P.T. Adaro Indonesia (Adaro) is unable to seek registration for VAT inputs incurred from this date onwards. Management of Adaro had agreed with the Indonesian Department of Mines that the VAT credit could be offset against production sharing payments due by Adaro to the Department of Mines. The Department of Finance has not yet agreed in writing to the offsetting arrangement with the Indonesian Department of Mines.

However, further correspondence received from the Director of Directorate of Coal disagrees with Adaro's right to offset the claiming of VAT credits against the royalty payable and is seeking payments of all amounts offset since 1 January, 2001, being USD\$73.3m (AUD\$94.6m) - WHSP's share is AUD\$24.6m. This is contrary to previous written advice from the Department of Mines and previous verbal assurances received. The directors of both Adaro and New Hope Corporation Limited acknowledge that there is significant uncertainty as to whether the position will be resolved in favour of either the Indonesian Department of Mines or the Department of Finance.

There is a risk that some or all of the VAT credits recognised by Adaro prior to 1 January, 2002 will need to be repaid to the government, with settlement most likely by way of instalment over a number of years. In the event that the Department of Finance does not agree with the position adopted by the Department of Mines, the maximum exposure of New Hope would be limited to its share of the net VAT credits recognised in Adaro's operating profit between 1 January, 2001 and 31 January, 2005. At 31 January, 2005 this amounts to USD\$44.6m (AUD\$57.6m) - WHSP's share is AUD\$15m). However, the directors remain confident that no VAT credits recognised in operating profit will need to be refunded by Adaro.

The amounts stated are before income tax.

Note 5

| Retained Profits | 2005 \$000 | 2004 \$000 |
|--|----------------|----------------|
| Retained profits at the beginning of the financial period | 354,922 | 266,160 |
| Net profit attributable to members of the Group | 68,930 | 98,044 |
| Net effect on initial adoption of accounting standard by Associate | - | (65) |
| Dividends paid or payable | (17,626) | (16,219) |
| Retained profits at the end of the financial period | <u>406,226</u> | <u>347,920</u> |

Note 6

| Dividend distributions per security | | \$000 | Amount per security C P S | Franking per security C P S |
|--|---|--------------|--|--|
| Interim Dividend | Current year half year - declared | 23,864 | 10.0c | 10.0c |
| | Previous corresponding period | 19,091 | 8.0c | 8.0c |
| Final Dividend 2004 | A final dividend, not previously recognised in retained profits, was paid on 29.11.04 | 28,637 | 12.0c | 12.0c |
| Special Dividend | 1st Special Dividend arising from the sale of NBN Television to SP Telemedia Ltd was paid on 29.11.04 | 23,864 | 10.0c | 10.0c |

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.

| Note 7 | 31-Jan-05 | 31-Jan-04 |
|---|---------------|---------------|
| Earnings per Security (EPS) | | |
| Calculation of the following in accordance with AASB 1027: Earnings per share | | |
| (a) Basis EPS (cents) before non regular items | 21.6 | 16.9 |
| Basic EPS (cents) after non regular items | 28.9 | 41.1 |
| Adjusted weighted average number of ordinary shares | 238,640,580 | 238,640,580 |
| (b) Diluted EPS (cents) | 28.9 | 41.1 |
| | \$000 | \$000 |
| Earnings reconciliation | | |
| Net Profit | 89,822 | 127,802 |
| Net Profit attributable to outside equity interests | (20,892) | (29,758) |
| Basic Earnings | <u>68,930</u> | <u>98,044</u> |
| Diluted Earnings | <u>68,930</u> | <u>98,044</u> |

Note 8

NTA backing

| | | |
|--|---------------|---------------|
| Net tangible asset backing per ordinary security | <u>\$3.16</u> | <u>\$3.03</u> |
|--|---------------|---------------|

Note 9A

Acquisition of Controlled Entities

- (a) Washington H. Soul Pattinson & Co. Limited acquired 6.35% of Souls Private Equity Limited in December, 2004 and has a majority representation on the board of directors.
- (b) on 1 December, 2004 SP Telemedia Limited acquired 100% of Comindico Australia.
- (c) On 3 September, 2004 KH Foods Limited acquired 100% of Mills and Ware
- (d) On 4 January, 2005 KH Foods Limited acquired the remaining 37% of Balfours Australia Pty. Ltd.

Note 9B

Discontinuing Operations

On 31 January, 2005 KH Foods Limited sold its Flavour and Fragrances business.

Note 10

Subsequent Events

- (a) SP Telemedia Limited has entered into a Head of Agreement with B Digital Limited for the sale of Kooee Communications Pty. Ltd. And 50% of SPT Com Pty. Ltd. The consideration for the sale will be the issue of 240 million fully paid ordinary shares in B Digital Limited and a cash payment of \$13.5 million. The sale is conditional.
- (b) New Hope Corporation Limited has announced that it has entered into a Conditional Sale and Purchase Agreement for the sale of its overseas interests. The directors will recommend that, in the absence of a superior offer, shareholders support the proposed offer. Should the sale proceed, the directors of New Hope Corporation Limited intend to undertake a strategic review to determine how the funds be dispersed.

Note 11

International Financial Reporting Standards (IFRS)

The Group is in various stages of analysing the transition to Australian equivalents to IFRS and not all decisions have been made where choices of accounting policies are available. It is not yet possible to quantify the impact of the transition, however, it does not appear that there will be any major impact on the Group's financial performance. Reference should be made to note 1(ab) of the Financial Statements for the year ended 31 July, 2004

Note 12

SEGMENT OPERATIONS

| | Revenue | | Profit after Tax | |
|--|----------------|----------------|------------------|----------------|
| | 2005 \$000 | 2004 \$000 | 2005 \$000 | 2004 \$000 |
| Primary Reporting - Industry Segments | | | | |
| Coal Mining | 113,376 | 138,024 | 27,880 | 43,313 |
| Investment | 32,003 | 30,387 | 20,267 | 13,197 |
| Media | 41,715 | 37,679 | 4,318 | 3,835 |
| Telecommunications | 20,475 | 8,300 | 3,400 | 2,339 |
| Bakery | 51,884 | - | (11,687) | - |
| Flavours and Fragrances | 19,052 | 6,008 | 10,885 | 397 |
| Pharmaceutical | 6,316 | 15,425 | 229 | 3,593 |
| Unallocated | 15,577 | 30,022 | 5,549 | 2,167 |
| Associates (Note a) | - | - | 28,981 | 58,961 |
| Intersegment (Note b) | (3,733) | (3,014) | - | - |
| Group Totals | 296,665 | 262,831 | 89,822 | 127,802 |

Secondary Reporting - Geographical Segments

| | | | | |
|---------------------|----------------|----------------|---------------|----------------|
| Australia | 273,638 | 197,271 | 66,092 | 87,602 |
| South East Asia | 23,027 | 65,560 | 23,730 | 40,200 |
| Group Totals | 296,665 | 262,831 | 89,822 | 127,802 |

Products and Services

| | |
|-------------------------|--|
| Investment | Investment in shares and short-term deposits. |
| Coal Mining | Coal mining in Australia and South East Asia |
| Media | Television advertising and commercial and program production. |
| Pharmaceutical | Pharmaceutical retailing. |
| Telecommunications | Licensed carrier and retailer of telecommunication services and products |
| Bakery | Manufacture of biscuits and cakes |
| Flavours and Fragrances | Flavours, fragrances, aromatic chemicals and essential oil manufacture. |

NOTES:

(a) Associates

Revenue from associates is not included in total Revenue.

Total assets includes the company's share of associates increase in post acquisition profits and reserves.

| | Consolidated | |
|---|---------------|---------------|
| | 2005 \$000 | 2004 \$000 |
| (b) Split of Intersegment revenue is as follows: | | |
| Investment | 30 | 820 |
| Property | 968 | - |
| Media | 1,019 | 964 |
| Telecommunications | 1,716 | 1,230 |
| | <u>3,733</u> | <u>3,014</u> |

All Intersegment revenue is based on commercial rates

(c) Split of outside equity interest is as follows:

| | | |
|-------------------------|---------------|---------------|
| Coal Mining | 12,590 | 28,533 |
| Telecommunications | 1,045 | 1,915 |
| Flavours and Fragrances | 5,031 | 84 |
| Bakery | (7,746) | - |
| Media | 2,312 | - |
| Investment | 313 | 80 |
| Associates | 7,174 | - |
| Unallocated | 173 | (854) |
| | <u>20,892</u> | <u>29,758</u> |

(d) Split of non regular items is as follows:

| | | |
|-------------------------|---------------|---------------|
| Investment | 10,993 | 6,581 |
| Unallocated | 2,294 | 3,131 |
| Coal Mining | - | 9,410 |
| Associates | (1,380) | 35,241 |
| Pharmaceutical | - | 3,242 |
| Flavours and Fragrances | 5,365 | - |
| | <u>17,272</u> | <u>57,605</u> |

WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED
A.C.N. 000 002 728

DIRECTORS' DECLARATION

The directors of Washington H. Soul Pattinson and Company Limited declare that:

1. The accompanying financial statements and notes are in accordance with the Corporations Act 2001, and;
 - (a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Company's financial position as at 31 January, 2005 and of its performance for the half year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of
the Board of Directors, for and behalf of the
Board by:

R.D. Millner
Director

P.R. Robinson
Director

Dated at Sydney this 31st day of March, 2005.