

Washington H. Soul Pattinson and Company Limited

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ASX Appendix 4E & Preliminary final report 31 July 2007

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 2007.

The previous corresponding period is the financial year ended 31 July 2006.

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2007

Results for Announcement to the Market

		Current period 31 July 2007 \$'000	Previous period 31 July 2006 restated \$'000	Change \$'000
Revenue from continuing operations	Up 3.3 % to	812,112	786,541	25,571
Profit before non regular items from ordinary activities after tax attributable to members	Up 5.6 % to	99,192	93,944	5,248
Profit after tax and non regular items attributable to members	Up 50.7% to	130,216	86,387	43,829

Dividends

	Cents per share	Franking %
This period		
1. Final dividend	17c	100%
2. Interim dividend	11.5c	100%
Previous corresponding period		
1. Final dividend	16c	100%
2. Special dividend – result of profit distribution by NHC from the sale of its international coal assets	15c	100%
3. Interim dividend	11c	100%
Record date for determining entitlements to interim dividend:		8 Nov 2007
Ex Dividend Date:		1 Nov 2007
Date the interim dividend is payable:		10 Dec 2007

Comments on above results

Group profit after tax and before non-regular items, attributable to shareholders for the year ended 31 July, 2007 was \$99.2 million, an increase of 5.6% over the previous year.

Profit after tax and non-regulars attributable to shareholders was \$130.2 million, an increase of 50.7% over the previous year. Non-regular items include the Group's gain on sale of NBN Enterprises of \$68.8 million and impairments of \$26 million primarily attributable to KH Foods.

The final dividend of 17cps represents an increase of 6.3% over the previous corresponding period taking the total payout to 28.5 cps for the year. This represents a payout ratio of 69% of profit after tax and before non-regular items.

Refer Review of Operations for further information.

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2007

Earnings per share

	2007	2006 restated
From continuing operations		
Basic Earnings per Share	33.94 cents	36.16 cents
Diluted Earnings per Share	33.94 cents	36.16 cents
From discontinued operations		
Basic Earnings per Share	20.63 cents	0.04 cents
Diluted Earnings per Share	20.63 cents	0.04 cents
From profit before non regular items after tax	41.57 cents	39.37 cents

Net tangible assets per security

	2007	2006 restated
Net tangible asset backing per ordinary security	\$6.18	\$5.00

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

As attached.

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2007

Consolidated Income Statement
For the year ended 31 July 2007

		Consolidated	
	Notes	2007	2006
		\$'000	\$'000
			Restated*
Revenue from continuing operations		812,112	786,541
Other income	3(i)	40,562	18,550
Cost of sales		(463,153)	(465,345)
Selling and Distribution expenses		(157,136)	(152,348)
Administration		(65,516)	(56,915)
Occupancy expenses		(5,570)	(4,592)
Other expenses		(11,740)	(14,276)
Impairment of assets		(21,620)	(10,177)
Finance costs		(5,481)	(4,685)
Share of profits of associates and partnerships using the equity method		34,291	43,927
Profit before income tax		156,749	140,680
Income tax expense		(32,651)	(39,914)
Profit after tax from continuing operations		124,098	100,766
Profit after tax from discontinued operations		66,614	630
Profit after tax for the year		190,712	101,396
Profit after tax attributable to minority interest		(60,496)	(15,009)
Profit after tax attributable to members of Washington H. Soul Pattinson and Company Limited		130,216	86,387
Profit before non regular items from ordinary activities after tax attributable to members		99,192	93,944
Profit/(Loss) from non regular items after income tax attributable to members	3(ii)	31,024	(7,557)
Profit after tax and non regular items for the period attributable to members		130,216	86,387
Earnings per share		Cents	Cents
		2007	2006
Basic and diluted earnings per share to ordinary equity holders of the company			
Continuing operations		33.94	36.16
Discontinued operations	4	20.63	0.04
Total Earnings per share		54.57	36.20
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 Consolidated Income Statement has been restated for discontinued operations (refer note 4) and policy changes (refer note 1).*

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 2007

Consolidated Balance Sheet
As at 31 July 2007

	Consolidated	
	31 July 2007	31 July 2006
	\$'000	restated \$'000
Current assets		
Cash and cash equivalents	173,272	77,986
Trade and other receivables	119,998	138,234
Inventories	27,390	28,907
Intangibles	29,211	36,690
Other financial assets at fair value through profit or loss	84,884	64,484
Held to maturity investments	293,844	435,059
Derivative financial instruments	7,361	8,060
Other assets	1,410	-
	737,370	789,420
Assets of disposal group classified as held for sale	6,414	-
Total current assets	743,784	789,420
Non-current assets		
Trade and other receivables	12,043	29,812
Investments accounted for using the equity method	512,104	469,807
Available for sale financial assets	882,904	524,863
Other financial assets	11,138	16,819
Derivative financial instruments	5,122	4,314
Property, plant and equipment	385,415	358,749
Investment properties	35	1,559
Deferred tax assets	12,149	10,202
Intangible assets	74,801	176,215
Total non-current assets	1,895,711	1,592,340
Total assets	2,639,495	2,381,760
Current liabilities		
Trade and other payables	92,323	122,041
Short-term borrowings	51,888	62,616
Current tax liabilities	29,908	27,642
Short-term provisions	18,681	17,091
Other	22,995	36,665
	215,795	266,055
Liabilities directly associated with assets of a disposal group classified as held for sale	3,596	-
Total current liabilities	219,391	266,055
Non-current liabilities		
Long-term borrowings	39,191	36,104
Deferred tax liabilities	211,952	103,458
Long-term provisions	15,400	16,293
Other	6,765	7,752
Total non-current liabilities	273,308	163,607
Total liabilities	492,699	429,662
Net assets	2,146,796	1,952,098
Equity		
Contributed equity	32,900	32,900
Reserves	792,115	638,191
Retained profits	754,033	735,315
Parent entity interest	1,579,048	1,406,406
Minority interest	567,748	545,692
Total Equity	2,146,796	1,952,098

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

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2007

Consolidated Statement of Changes in Equity
For the year ended 31 July 2007

	Share Capital \$'000	Retained Profits \$'000	Reserves \$'000	Minority interests \$'000	Total \$'000
Consolidated entity					
Total equity at the beginning of the year - 1 August 2005 as reported in the 2006 financial report	32,900	689,932	426,669	563,042	1,712,543
Effect of change in accounting policy and correction of error in previous year:					
- Adjustment for accounting for changes in ownership of a subsidiary	-	(40,800)	-	-	(40,800)
- Change in approach for the accounting of tax on equity accounted Associates	-	60,346	-	-	60,346
Restated total equity at the beginning of the year - 1 August 2005	32,900	709,478	426,669	563,042	1,732,089
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	-	2,048	36,759	928	39,735
Options expense	-	-	1,286	838	2,124
Net movement in treasury reserve	-	-	(230)	-	(230)
Net movement in hedge reserve	-	-	(3,421)	(2,107)	(5,528)
Net movement in foreign currency translation reserve	-	-	(1,038)	(26)	(1,064)
Net movement in equity reserve – restated	-	-	(712)	-	(712)
Net profit for the year after tax – restated	-	86,387	-	15,009	101,396
Dividends declared and paid	-	(53,238)	-	(65,072)	(118,310)
Contributions of equity, net of transaction costs	-	-	-	57,729	57,729
Return of capital	-	-	-	(30,738)	(30,738)
Increase in Group's share of controlled entities - restated	-	(1,200)	-	(6,966)	(8,166)
Gain (loss) on shares issued by controlled entity – restated directly to equity - restated	-	(3,553)	-	3,553	-
Equity adjustment	-	(4,393)	-	4,094	(299)
Revaluation of investment in associate	-	(214)	-	-	(214)
Total equity at the end of the year - 31 July 2006 - restated	32,900	735,315	638,191	545,692	1,952,098
Total equity at the beginning of the year – 1 August 2006 - restated	32,900	735,315	638,191	545,692	1,952,098
Net movement in asset revaluation reserve, net of tax	-	-	154,051	62,791	216,842
Net movement in share based payments reserve	-	-	1,345	893	2,238
Net movement in treasury reserve	-	-	102	128	230
Net movement in hedge reserve	-	-	(33)	31	(2)
Net movement in foreign currency translation reserve	-	-	540	44	584
Net movement in equity reserve	-	-	(2,081)	-	(2,081)
Net profit for the year after tax	-	130,216	-	60,496	190,712
Dividends declared and paid	-	(79,922)	-	(63,210)	(143,132)
Acquisition of additional ownership in subsidiaries	-	(29,546)	-	(50,642)	(80,188)
Equity transfer from members on issue of share capital in controlled entities	-	(9,097)	-	9,097	-
Equity transfer - recovery of losses from minority interest, previously absorbed by parent entity interest	-	7,067	-	(7,067)	-
Contributions of equity, net of transaction costs	-	-	-	9,495	9,495
Total equity at the end of the year - 31 July 2007	32,900	754,033	792,115	567,748	2,146,796

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 2007

Consolidated Cash Flow Statement
For the year ended 31 July 2007

	Consolidated	
	2007	2006
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers inclusive of GST	897,047	947,416
Payments to suppliers and employees inclusive of GST	(805,220)	(873,541)
	91,827	73,875
Dividends received	54,693	44,621
Interest received	31,353	38,664
Finance costs	(8,581)	(6,415)
Income taxes paid	(50,953)	(81,255)
Net cash inflow (outflow) from operating activities	118,339	69,490
Cash flows from investing activities		
Payment for property, plant and equipment and intangibles	(126,653)	(62,302)
Proceeds from sale of property, plant and equipment	13,385	5,287
Net proceeds (payments) for investments held to maturity	141,215	(315,989)
Payments for investments	(81,175)	(125,778)
Proceeds from sale of investments	35,467	20,242
Acquisition of subsidiary, net of cash acquired	(76,758)	(6,050)
Proceeds from sale of subsidiary, net of cash disposed of	236,571	(50)
Loans to related entities	(6,532)	(47,967)
Loan repayments from related entities	3,100	-
Funds received from associated entities	4,210	3,100
Net cash inflow (outflow) from investing activities	142,830	(529,507)
Cash flows from financing activities		
Proceeds from issues of equity	6,478	16,642
Costs on issue of equity	(295)	(1,590)
Return of capital	-	(30,738)
Dividends paid	(164,632)	(161,700)
Proceeds from borrowings	149,749	23,463
Repayment of borrowings and leases	(161,333)	(3,611)
Restricted cash released	4,150	-
Net cash inflow (outflow) from financing activities	(165,883)	(157,534)
Net (decrease) in cash and cash equivalents	95,286	(617,551)
Cash and cash equivalents at the beginning of the year	77,986	695,773
Effects of exchange rate changes on cash and cash equivalents	-	(236)
Cash and cash equivalents net of bank overdraft at the end of the year	173,272	77,986

The above consolidated cash flow statement 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 2007 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 2006 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 with the exception of the following:

a) 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. Gains and losses in the value of equity arising from the issue of share capital 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. Under the previous policy, this excess would have been recognised as goodwill.

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

- increasing profit after tax attributable to members by \$3.6 million;
- nil impact on net assets in relation to gains / losses as a result of issues of capital. These transactions are now recognised directly in retained earnings rather than through the income statement; and
- by reducing previously recognised goodwill by \$42 million. This amount represented goodwill on an increase in ownership of subsidiaries that were already controlled.

This change in accounting policy increased basic and diluted earnings per share by 1.49 cents.

b) 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 \$49.4 million and understating the consolidated Available for sale financial assets by \$49.4 million 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.

c) Re-assessment of tax base for the accounting of deferred tax on equity accounted Associates

In accordance with Accounting Standard AASB112 Income Taxes, all temporary differences between the 'tax base' and the carrying value of an asset are to be recognised. The tax base of an asset is dependent upon how management intends to recover the value of the asset being either through use or via sale.

Where an Associate's carrying value is deemed to be recovered through use, that is, its carrying value will be recovered through the receipt of income such as dividends, rather than via sale, an appropriate tax base is assessed. Management has re-assessed the tax base that had previously been applied to equity accounted Associates. The tax base previously applied was based on an amount that exceeded the actual equity accounted carrying value of Associates and therefore resulted in the overstatement of the deferred tax liability. The impact of this re-assessment has the following impact on the prior year:

- reducing the deferred tax liability recognised by \$51 million to \$103.5 million and;
- increasing tax expense by \$8.7m and reducing reserves by \$0.7million.

This re-assessment of the tax base decreased basic and diluted earnings per share by 3.64 cents.

Washington H. Soul Pattinson and Company Limited

Year ended 31 July 2007

The impact of the changes in accounting policies and correction of errors are summarised below and should be read in conjunction with the statement of changes in equity:

Impact to Profit as reported in 2006:

Consolidated entity – restated profit for 2006	Profit attributable to members \$'000	Profit attributable to Minority interests \$'000	Total \$'000
Profits as reported in the 2006 financial report	91,512	18,562	110,074
Effect of change in accounting policy and correction of error in previous year:			
- Adjustment for accounting for changes in ownership of a subsidiary	3,553	(3,553)	-
- Change in approach for the accounting of tax on equity accounted Associates	(8,678)	-	(8,678)
Restated profit for the year ended 31 July 2006	86,387	15,009	101,396
Impact on EPS			
EPS as reported in 2006	38.35 cents		
Restated EPS for 2006	36.20 cents		

Impact to Equity as reported in 2006

	Share Capital \$'000	Retained Profits \$'000	Reserves \$'000	Minority interests \$'000	Total \$'000
Consolidated entity – restated equity for 2006					
Total equity at 1 August 2006 as reported in the 2006 financial report	32,900	725,647	638,903	545,692	1,943,142
Effect of change in accounting policy and correction of error in previous year:					
- Adjustment for accounting for changes in ownership of a subsidiary -					
- derecognize (loss) / profit through 2006 profit	-	3,553	-	(3,553)	-
- transactions between equity holders of the Group now recognised directly in equity	-	(3,553)	-	3,553	-
- reversal of goodwill – restated 2005	-	(40,800)	-	-	(40,800)
- reversal of goodwill recognised in 2006	-	(1,200)	-	-	(1,200)
- Change in approach for the accounting of tax on equity accounted Associates					
- 2006 year impact	-	(8,678)	(712)	-	(9,390)
- opening retained earnings adjustment	-	60,346	-	-	60,346
Restated equity at 1 August 2006	32,900	735,315	638,191	545,692	1,952,098

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Notes to the Consolidated Financial Statements

2. Segment Information

Primary reporting format – business segments (before minority interests)
2007

	Investing activities \$'000	Telecomm unications \$'000	Coal Mining \$'000	Bakery \$'000	Consulting \$'000	Intersegment / Unallocated \$'000	Total continuing operations \$'000	Discontinued Operations - Media \$'000	Discontinued Operations - Bakery \$'000	Intersegment eliminations/ Unallocated \$'000	Total Discontinuing operations \$'000	Consolidated \$'000
Revenue from external customers	54,797	426,220	248,754	61,494	8,747	12,100	812,112	64,076	36,187	-	100,263	912,375
Intersegment transactions	101,112	348	-	-	7,502	(108,962)	-	-	-	-	-	-
Total revenue	155,909	426,568	248,754	61,494	16,249	(96,862)	812,112	64,076	36,187	-	100,263	912,375
Share of net profits of associates and joint venture partnership	30,792	-	4,558	-	102	(1,161)	34,291	-	-	-	-	34,291
Other income	32,225	4	7,981	319	103	(70)	40,562	-	-	-	-	40,562
Total segment revenue/income	218,926	426,572	261,293	61,813	16,454	(98,093)	886,965	64,076	36,187	-	100,263	987,228
Segment results	75,762	7,846	92,579	(30,546)	7,866	3,242	156,749	7,211	(27,635)	-	(20,424)	136,325
Income tax expense							(32,651)				(1,144)	(33,795)
Gain on sale of discontinued operations after tax							-	88,182	-	-	88,182	88,182
Net profit for the year							124,098				66,614	190,712

Notes to the Consolidated Financial Statements

2. Segment Information (continued)

Primary reporting format – business segments

2006

	Investing activities \$'000	Telecomm- unications \$'000	Coal Mining \$'000	Bakery \$'000	Consulting \$'000	Intersegment eliminations/ Unallocated \$'000	Total continuing operations \$'000	Discontinued Operations - Media \$'000	Discontinued Operations - Bakery \$'000	Intersegment eliminations/ Unallocated \$'000	Total Discontinuing operations \$'000	Consolidated \$'000
Revenue from external customers	79,561	410,795	251,317	58,171	4,821	(18,124)	786,541	82,294	45,975	-	128,269	914,810
Intersegment revenue	94,328	10,020	-	-	3,204	(107,552)	-	-	-	-	-	-
Total revenue	173,889	420,815	251,317	58,171	8,025	(125,676)	786,541	82,294	45,975	-	128,269	914,810
Share of net profits of associates and joint venture partnership	41,814	(3,905)	6,283	-	4	(269)	43,927	-	-	-	-	43,927
Other income	13,502	-	2,213	2,852	-	(17)	18,550	-	-	-	-	18,550
Total segment revenue/income	229,205	416,910	259,813	61,023	8,029	(125,962)	849,018	82,294	45,975	-	128,269	977,287
Segment results	155,296	(5,693)	94,688	(32,286)	2,187	(73,512)	140,680	11,409	(7,222)	-	4,187	144,867
Income tax expense							(39,914)				(3,557)	(43,471)
Net profit for the year							100,766				630	101,396

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2007

Notes to the Consolidated Financial Statements

3. Profit for the year

(i) Profit before income tax expense

Profit for the year includes the following items:

	31 July 2007 \$'000	31 July 2006 \$'000 restated
Other income from continuing operations:		
Profit on disposal of property, plant and equipment (excluding those sold as part of a disposal group)	7,985	3,332
Fair value gains of financial assets at fair value through profit or loss	19,678	9,641
Gains on sale of available for sale financial assets	4,877	3,879
Gain on disposal of Associate	7,404	-
Other	618	1,698
	40,562	18,550

(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 July 2007 \$'000	31 July 2006 \$'000 restated
Profit on disposal of investments	2,615	2,715
Profit on disposal of property, plant and equipment	4,037	1,090
Gain on sale of businesses	68,813	474
Operating losses attributable to minority interest absorbed by parent entity interest	(7,549)	-
Impairment write downs	(25,979)	(7,182)
Share of significant revenue and expenses from associate entities and joint venture entities	(11,840)	(5,510)
Restructure and other corporate costs	(3,823)	856
Tax credit on financial guarantee	4,469	-
Implementation of tax consolidation for controlled entity	281	-
	31,024	(7,557)

Washington H. Soul Pattinson and Company Limited

Year ended 31 July 2007

Notes to the Consolidated Financial Statements

4. Discontinued operations

In May 2007 the Consolidated entity sold its entire media segment; the segment was not a discontinued operation or classified as held for sale as at 31 July 2006 and the comparative income statement has been re-presented to show the discontinued operation separately from the continuing operations.

This disposal involved the sale of 100% of the Consolidated entity's interest in NBN Enterprises Pty Limited.

On 19 June 2007, KH Foods Limited, announced that it was in discussions with a number of parties in relation to the divestment of parts of its business. In August 2007, the divestment of its grocery cake and certain route businesses had been completed. With effect from August 2005, the grocery cake and certain route businesses have been reported as discontinued operations.

Financial information relating to the discontinued operations is set out below:

	2007			2006		
	\$'000 Media	\$'000 Bakery	\$'000 Group	\$'000 Media	\$'000 Bakery	\$'000 Group
Results of discontinued operations						
Revenue	64,076	36,187	100,263	82,294	45,975	128,269
Expenses	(56,865)	(45,357)	(102,222)	(70,885)	(53,197)	(124,082)
Results from operating activities	7,211	(9,170)	(1,959)	11,409	(7,222)	4,187
Impairment charge	-	(18,465)	(18,465)	-	-	-
Income tax expense	(1,144)	-	(1,144)	(3,557)	-	(3,557)
Results from operating activities, net of income tax	6,067	(27,635)	(21,568)	7,852	(7,222)	630
Gain on sale of discontinued operation	101,457	-	101,457	-	-	,
Income tax on gain on sale of discontinued operation	(13,305)	-	(13,305)	-	-	,
Gain on sale of discontinued operation after income tax	88,182	-	88,182	-	-	,
Profit (loss) from discontinued operations	94,249	(27,635)	66,614	7,852	(7,222)	630
Profit from discontinued operations attributable to members			49,239			93
Basic earnings per share (cents)			20.63 cents			0.04 cents
Diluted earnings per share (cents)			20.63 cents			0.04 cents

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2007

Notes to the Consolidated Financial Statements

5. Dividends

		\$'000	Amount per security CPS	Franking per security CPS
Final dividend 2007	A final dividend, not recognised in retained profits, to be paid on 10 December 2007	40,569	17.0c	17.0c
	Previous corresponding year, paid on 4 December 2006	38,182	16.0	16.0
Interim dividend	Interim dividend paid on 10 May 2007	27,444	11.5	11.5
	Previous corresponding year, paid on 11 May 2006	26,250	11.0	11.0
Special dividend	Previous year - 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.

6. Controlled entities acquired or disposed of

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.

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.

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.

Disposal of NBN Enterprises Pty Limited

In May 2007 the Consolidated entity sold 100% of its interest in NBN Enterprises Pty Limited. Details of the disposal are included in note 4 of this preliminary report.

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

7. 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 year **	
	2007 %	2006 %	2007 \$000	2006 \$000
Material Associates				
Brickworks Limited	49.5	49.5	31,585	33,843
Australian Pharmaceutical Industries Limited	21.7	21.6	(2,446)	4,463
Queensland Bulk Handling Pty Limited	50.0	50.0	1,284	3,045
Ampcontrol Pty Limited	45.0	45.0	4,751	2,429
Windsor Farm Foods Limited	43.8	23.8	(5,290)	84
B Shop Telecommunications Pty Limited (disposed of effective 1 December 2006)	-	50.0	-	(4,183)
Kooee Pty Limited (controlled from 30 June 2006)	-	50.0	-	341
SPT Telecommunications Pty Limited (controlled from 30 June 2006)	-	50.0	-	(63)
Other Associates				
Austrains Pty Limited	48.0	48.0	(244)	(210)
Asian Property Investments Limited	24.76	32.2	250	290
Belaroma Coffee Pty Ltd	40.0	-	18	-
Clover Corporation Limited	28.6	28.6	181	130
Hydramatic Engineering Pty Limited	40.0	40.0	694	283
Keith Harris & Company (Far East) Pte Limited	49.0	49.0	206	-
Krispy Kreme Holdings Australia Pty Ltd	24.0	-	458	-
Source Engine Asia Limited	35.0	35.0	(484)	(80)
Specialist Oncology Property Pty Limited	24.1	23.8	45	(26)
Supercorp Pty Ltd	35.0	-	9	-
Other			-	343
Contribution by Associates to net profit			31,017	40,689
Contribution to net profit from Partnerships				
Bulk Terminal Services***	50.0	50.0	3,274	3,238
Total contribution to net profit from Associates and Partnerships			34,291	43,927

* 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.

*** The Group acquired the remaining equity in Bulk Terminal Services on 1 August 2007.

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Notes to the Consolidated Financial Statements

8 Contingent liabilities

With the exception of the extension of the guarantee for KH Foods Limited (refer note 9 below), there have been no material changes to contingent liabilities since 31 July 2006.

9 Events occurring after the balance sheet date

On 1 August 2007, Andrew Wright Holdings Pty Ltd (a wholly owned subsidiary of New Hope) acquired the other 50% equity in Queensland Bulk Handling Pty Ltd (QBH) and Bulk Terminal Services partnership (BTS) for \$42.5 million. This transaction results in QBH and BTS becoming wholly owned members of the New Hope Group.

Subsequent to 31 July 2007, the Company has agreed to extend its guarantee and indemnity of the HSBC bank facility for KH Foods Limited until September 2008. The guarantee facility has been reduced from a total of \$35 million to \$25million.

In addition to this guarantee and indemnity, the Company has agreed to provide a cash facility of \$7 million to be available from 30th September 2007.

On 19 June 2007, KH Foods Limited announced that it was in discussions with a number of parties in relation to the divestment of parts of the Group's business.

On 22 August 2007, KH Foods Limited completed the divestment of its grocery cake business to George Weston Foods Limited (GWF). The grocery cake business consisted of two dedicated factories located at Seaton in Adelaide and O'Connor in Perth. GWF paid a net purchase price of \$5.5 million for the business and assumed responsibility for the associated employee entitlements and property leases.

On 28 August 2007, KH Foods Limited completed the divestment of the Beaumonts route business which serviced the greater Geelong region. Routley's Bakery (a local competitor to Beaumonts) paid a net purchase price of \$0.4 million for the business and assumed responsibility for the associated employee entitlements and the property lease.

The proceeds from both of these divestments have been used to retire debt.

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.