Washington H. Soul Pattinson and Company Limited

A.B.N. 49 000 002 728

Review of Operations - Year Ended 31 July, 2003

CONSOLIDATED RESULT

The Profit of the Group, after tax and before non regular items, attributable to shareholders for the year ended 31 July 2003 was $78.7 million, an increase of 19.3% over the previous year. The increase in profit is due to increased dividends from the investment portfolio, a strong performance from coal operations and telecommunications and in equity accounted associates Brickworks Limited and Clover Corporation Limited.

The Profit of the Group, after tax and non-regular items, was $88.3 million, an increase of 21.4% over the previous year. During the year the Company sold properties and shares and received a demerger dividend, realising an after tax profit of $9.6 million on those non-regular items.

Comparisons with last year are as follows:-

	2003 $000	**2002 $000**	**% Change**
Sales	340,624	334,307	+ 1.9%
Profit after tax before non regular items	78,706	65,987	+ 19.3%
Profit after tax and non regular items	88,307	72,741	+ 21.4%
Earnings per share	37.0c	30.5c	+ 21.4%
Final Dividend	10.0c	8.0c	+ 25.0%
Interim Dividend	7.0c	6.0c	+ 16.7%
Total Dividends (excluding Special Dividends)	17.0c	14.0c	+ 21.4%

This last financial year has not only been very successful for Washington H. Soul Pattinson and Company Limited but for WHSP shareholders as well.

In addition to increased profits and dividends, participating shareholders have benefited from the share performance on the Australian Stock Exchange (ASX) of Clover Corporation Limited (CLV) and SP Telecommunications Limited (SOT). WHSP shareholders have had the opportunity of participating in the ASX floats of CLV and SOT and as well as receiving shares in these companies a one for ten free option was also allocated.

As at 1 August, 2002 the price of one CLV share was quoted at 18 cents and an option 6.5 cents. At 31 July, 2003 one CLV share was quoted at 65 cents and an option 37 cents.

One SOT share on 1 August, 2002 was quoted at 69 cents and an option 44 cents. On 31 July, 2003 one SOT share was quoted at $1.08 and an option 80 cents.

DIVIDENDS

Directors recommend the payment of a final dividend of 10.0 cents per share in respect of the year ended 31st July, 2003 (2002 – 8.0 cents per share). The final dividend will be fully franked at the tax rate of 30% and payable on 24 November, 2003. As per the table above, the total dividend distribution for this year will be 17 cents per share compared with 14 cents per share last year, an increase of 21.4%.

INVESTMENTS – Share Portfolio

The Company's investment portfolio return for the year, including unrealised gains, was 24.1% compared to the Benchmark S&P/ASX 300 Accumulation Index of 5.9% for the same period.

INVESTMENTS continued

During the year $14.2 million was invested in the equity market. The main purchases were Milton Corporation, API, Challenger International and Huntley Investment Co. Ltd. Sales of equities amounted to $13.6 million and included the sale of shares in Wattyl Ltd, Patrick Corporation and, due to the acceptance of take-over offers, Challenger International/CPH, Bristile and OPSM Group.

Dividend income from investments, excluding Associates and Controlled Entities, increased 51% from $8.6 million to $13.0 million.

The consolidated market value of the listed investment portfolio as at 31 July, 2003 was $1.15 billion compared with $948 million last year, an increase of 16%.

INVESTMENTS –Associated Entities

Australian Pharmaceutical Industries Limited (API) (Group Shareholding 22.9%)
Despite posting a 29.6% increase in revenues to $2.5 billion API's net profit for the year ended 30 April, 2003 declined 32.0% to $23.6 million. The profit was affected by a number of one-off significant expenses totalling $9.9 million. These expenses relate to costs associated with the proposed merger between API and Sigma, a further provision for stock obsolescence, provisions for the closure of the Northmead warehouse and the PAN product recall, a write-off of goodwill in Hospital Supplies of Australia and the development of a loyalty club programme for API's pharmacy banner groups.

The Group's equity accounted profit from API amounted to $5.6 million compared with last year's result of $8.8 million.

Despite a reduction in earnings per share API maintained its full year dividend of 13.0 cents per share.

Brickworks Limited (Brickworks) (Group shareholding 49.8%)
Clay products and investment company, Brickworks Limited, lifted net profit after tax for the year ended 30 June, 2003 to $72.7 million, up 40.0% compared with a profit of $51.9 million in 2002. Underlying the Brickworks result was a 29.1% increase in profit before abnormal items to $34.2 million from clay products, driven by a 20.8% growth in revenue to $180.8 million.

Directors increased the final dividend to 13 cents per share (2002 9 cents per share) taking dividends for the year to 20 cents per share fully franked (2002 15.5 cents per share fully franked).

Brickworks continued its strategy of focusing on improving returns from its core clay products business, supported by redeployment of funds from surplus assets into strategic investments and acquisitions. The strategy has contributed to profit and revenue growth by developing new products, seeking increased efficiencies in production and the development of new related businesses such as waste management and property development, which complement Brickwork's traditional clay products business.

In the period under review the clay products business was able to maintain stable production costs, while experiencing increased volumes and prices, leading to growth in margins. During the year a series of new products were released into the domestic market as well as into the growing export markets.

The new areas of property development and waste management are now making positive contributions to profit as the company continues to assess opportunities for expansion in these and other related areas.

The strong profit result provides Brickworks with a stable platform for consolidating the acquisition of Bristile Limited and strengthening the company's market position.

Brickworks launched a takeover bid for Bristile Limited on 4 March, 2003 and currently holds over 97% of Bristile shares, having moved to compulsory acquisition. Leading the way in rationalising the Australian brick industry, the combination of Brickworks and Bristile will form Australia's largest and most profitable clay brick producer with market presence in all Australian states.

Following a record first half result, the continuation of low interest rates combined with high consumer confidence and increased immigration has supported building commencements resulting in demand exceeding Austral Brick's supply. In addition, export markets experienced strong growth.

Return from Brickworks' total investment portfolio was 3.8% compared with a negative 1.6% from the ASX Accumulation Index over the same period.

Value of the total investment portfolio was steady at $871.8 million, compared with $880.3 million as at 30 June, 2002, with investment income, including dividends and realised gains, increasing 45.3% to $35.1 million.

Over the past 15 years, an investment in Brickworks has delivered a compound return of 14.7% compared with the All Ords Accumulation Index of 8.9% over the same period, demonstrating consistent out performance and good returns for shareholders.

The Group's equity accounted profit from Brickworks amounted to $22.3 million compared with last year's result of $13.4 million.

Clover Corporation Limited (Clover) (Group Shareholding 28.9%)
Clover posted its maiden profit for the year ended 30 June, 2003. The result compares to a loss last year of $5.6 million and reflects the benefits of the structural reorganisation undertaken in the latter half of 2002 as well as the significant increased market penetration of Omega³ DHA sales during the period under review.

Clover's profit was assisted by a positive contribution from its subsidiary Nu-Mega Ingredients Pty. Ltd. (Nu-Mega). Nu-Mega is a joint venture company formed in November, 2002 and is currently 70% owned by Clover with the remaining 30% owned by Nutra-Spec Pty. Ltd.

During the year Nu-Mega continued the development of Omega³ DHA enriched foods with both major local and international food and infant nutrition companies. The most significant being the continued success of George Weston's Omega³ DHA enriched Tip Top-Up™ bread range in Australia and New Zealand, infant formulas throughout Australia, New Zealand and Asia, Omega³ DHA enhanced smallgoods and fish products in Australia as well as an Omega³ DHA bread launch in the United Kingdom. The major infant nutrition development during the year was the $4.0 million per annum contract awarded to Nu-Mega by INC in March, 2003 for inclusion of Omega³ DHA in their infant product for the South East Asian market.

Clover's net cash position improved by $1.9 million during the year resulting in total cash held at 30 June, 2003 of $13.9 million.

The Group's equity accounted loss (after amortisation of goodwill on acquisition) from Clover amounted to $105,000 this year compared with last year's loss of $1.8 million.

CONTROLLED ENTITIES

COAL (New Hope Corporation Limited Group)

The Group's share of profit after tax and outside equity interests of its 69.3% controlled entity New Hope Corporation Limited amounted to $25.4 million, an increase of 15.6% over the previous year. The profit result was due to both increased coal production and sales and operating efficiencies offsetting lower coal prices and a strengthening Australian Dollar. The majority of coal produced was sold under contract thereby overcoming the adverse impact of low spot market thermal coal prices.

Combined coal production of New Hope Australia and its associate P.T. Adaro Indonesia totalled 24.2 million tonnes for the year compared with 21.8 million tonnes in the previous year, an increase of 11.1%. Coal sales increased to 25.3 million tonnes representing an 11.5% improvement on sales last year of 22.7 million tonnes.

Bulk handling operations of New Hope's associates, Queensland Bulk Handling Pty. Ltd. and P.T. Indonesia Bulk Terminal increased combined throughput to 10.7 million tonnes compared with 10.1 million tonnes in the previous year and both contributed positively to the result.

Australian Operations

New Hope Australia's after tax profit was $15.5 million compared with $7.3 million in the previous year. Commencement of operations at the New Acland mine resulted in increased production and sales volumes and lower costs of production for the group. Although world coal prices fell and the Australian Dollar strengthened during the year, export sale prices received by New Hope after the benefit of hedging were similar to last year. Coal production and sales both increased to 2.8 million tonnes from 2.0 and 2.3 million tonnes respectively in 2002. Coal sales revenue increased to $112.9 million from $102.5 million in the preceding period with a sales split of approximately 36% domestic and 64% export.

As indicated above production commenced on 10 October, 2002 at the New Acland mine located 50 km west of Toowoomba in South-east Queensland. Designed to produce 2.0 million tonnes per year by 2004, New Acland has already exceeded expectations by producing 1.3 million tonnes in its first ten months of operation. This increased production at a rate greater than the design capacity, provided impetus to an anticipated total New Hope Australian production for calendar year 2003 of 3 million tonnes. This will be achieved despite the closure of the Swanbank mine on 25 July, 2003 and reduced production from the higher cost Jeebropilly mine.

Associated companies, Queensland Bulk Handing Pty. Ltd (QBH) (50% owned by New Hope) reported improved profits from increased exports through its Port of Brisbane coal loader, however, Queensland Commodity Exports Pty. Ltd. (QCE) (33% owned by New Hope) contributed significantly reduced profits due to low woodchip prices on the world market.

Overseas Operations

New Hope owns 40.8% of P.T. Adaro Indonesia (Adaro) and during the year has increased ownership to 50% of P.T. Indonesia Bulk Terminal (IBT) a 10.0 million tonne per year capacity deepwater coal terminal. Both Adaro and IBT are located in South Kalimantan. A New Hope associate, Vindoor Investments (Mauritius) Ltd. owns Coaltrade Services International Pte Ltd. (Coaltrade) in Singapore which specialises in general coal marketing and trading. The overseas operations contributed an after tax profit of $21.2 million to New Hope compared with $24.4 million in the previous year. The decline in overseas profit is attributable to the appreciating Australian Dollar during 2003 and the inclusion last year of the abnormal profit on the sell down of the shareholding in Adaro from 50.0% to 40.8%.

During the period under review Adaro produced 21.4 million tonnes of saleable coal, an increase from 20.2 million tonnes in the previous period. Sales reached 22.4 million tonnes compared with 20.6 million tonnes previously. Approximately 40% of the coal was sold domestically and 60% exported to 17 overseas countries. The majority of export sales were to Asian markets, however, significant shipments were undertaken to Europe and the east coast USA. Total revenue achieved on sales reached US$506.0 million (2002 US$454.0 million).

Producing the ultra clean 'envirocoal' Adaro has captured niche coal markets and has developed an excellent reputation for reliability and produces the equivalent of one Panamax shipment (60,000 tonnes) of coal every day of the year.

IBT continued to produce satisfactory results handling some 7.2 million tonnes of coal from Adaro and other sources during the period. Debt has been reduced by US$13.0 million during the year and at year end was US$52.0 million. Coaltrade produced a solid contribution to profits, trading 3.4 million tonnes of coal supplemented by agency fees from coal producers.

Critical to its success in Indonesia has been Adaro's continued support of local community development, its latest initiative being a mobile cataract clinic to restore sight to the poor in its area of operations.

MEDIA - NBN Television Limited (NBN)

Due to a decline in its share of market revenue and an increased cost base, NBN's profit after tax decreased to $5.8 million compared with $7.5 million in the previous year.

A new Affiliation Agreement for a period of 5 years was agreed with the Nine Network during the year under review. The new Agreement contained an increase in fees which has already impacted results. However, offsetting this is the fact that the Nine Network remains Australia's leading television Network and our affiliation carries many positive benefits.

The new television audience measurement system with ATR Australia (previously A.C. Nielsen) commenced during the year resulting in a short term drop in ratings which translated into a decline in the share of market revenue. The longer term view is that the new audience measurement system, being the same as that used in capital city markets, puts all regional stations on an equal footing with such information readily available to advertising agencies.

In the last quarter of the financial year ratings increased and NBN reclaimed its position as the highest rating television station in Australia with market revenue improving accordingly.

A significant one-off cost during the year was the production and telecast of six local Telethons throughout NBN's regional markets – a first for any Australian television station. The Telethons raised in excess of $3.5 million for distribution to charities supporting disadvantaged youth organisations in northern NSW. These events are central in defining the unique aspect of NBN's "localism" which results in our share of local market revenue being in excess of 50%.

TELECOMMUNICATIONS - SP Telecommunications Limited (SPT))

SPT is listed on the Australian Stock Exchange (ASX Code SOT) and the Group has a 56.6% shareholding

SPT reported a net profit after tax of $5.8 million for the year an increase of 161% over last year's profit of $2.2 million. Basic earnings per share for 2003 were 3.2 cents (2002 1.2 cents). The profit growth resulted from the management and operation of the SPT Telecommunications Pty. Limited (SPT Joint Venture) and Kooee Pty. Limited (Kooee) Joint Ventures.

Despite only three years of operations, the strong growth in both profitability and cash flow has enabled SPT to declare a maiden final dividend of 0.5 cents per share in respect of the year ended 31 July, 2003 payable on 19 November, 2003.

Network expansion through the SPT Joint Venture has resulted in a broadband network that runs from Melbourne to Cairns, with over 180 "points of presence" (POP's) or interconnects. This now makes SPT one of the largest Regional Access Networks in Australia.

These POP's have been built to satisfy customer contracts and, once established, provide an opportunity to connect new customers with little or no additional capital expenditure thereby increasing overall margins.

Significant contract wins during the year included the NSW Department of Education and Training, with an additional 383 sites in addition to the 786 sites awarded by tender last year. This project represents the largest Private Network ever constructed in Australia, and at present some 55% of the sites are "on-line" with the balance to be completed by December, 2003.

SPT's retail telephony arm, Kooee, entered into a joint venture agreement with WIN Television in May, 2003 creating the opportunity to expand the Kooee business throughout regional areas on the eastern seaboard of Australia, with a population potential of 7 million people.

Kooee has also entered into a new 3 year "reseller" contract with Primus Telecom which has the potential to significantly increase future revenue.

Cromford Pty. Limited

Cromford is a manufacturer and distributor of polyethylene film used in the building industry.

The profit after income tax was $843,079 for the year, a decline of 16.3% over the previous corresponding period. Profit was affected by the high Australian Dollar which favoured imported products whilst sales revenue was 3.8% less than last year due to the ongoing drought conditions resulting in no sales of agricultural film.

Keith Harris & Co. Ltd.

Keith Harris & Co. Ltd. is listed on the Australian Stock Exchange (ASX Code HAK) and the Group has a 84.2% shareholding.

Keith Harris reported a profit after income tax of $2.7 million for the year ended 31 July, 2003. This compares with a profit after income tax of $3.2 million last year, a decline of 15.0%.

The Food Division's result was affected by a downturn in profits from its subsidiary Keith Harris Far East Pte. Ltd. based in Singapore. This downturn was due to increased costs associated with the building of a new manufacturing facility in Indonesia. The Food Division's result was also affected by foreign exchange losses due to the devaluation of the Singapore dollar and the Indonesian Rupiah against the Australian dollar.

The profit from the Juice Division, which markets the Orchy brand in N.S.W. and Queensland, declined by 9.0% due to increased costs associated with the relocation of its manufacturing plant from Sydney to Brisbane. The consolidation of manufacturing plants is expected to provide medium to long term benefits relating to increased efficiencies and lower costs.

The Group's equity accounted profit from Keith Harris amounted to $2.3 million this year compared with $2.7 million last year.

Despite a decline in earnings Keith Harris maintained its full year dividend of 19.5 cents per share.

End document