

Washington H. Soul Pattinson and Company Limited

ABN 49 000 002 728

First Floor, 160 Pitt Street Mall, Sydney NSW 2000



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

Lodged with the ASX under Listing Rule 4.2A

Contents

Financial Results for Announcement to the Market

Directors report

Auditors independence declaration

Condensed consolidated income statement

Condensed consolidated balance sheet

Condensed consolidated statement of changes in equity

Condensed consolidated cash flow statement

Notes to the financial report

Directors declaration

Independent review report to the members

Reporting Period

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

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

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

Results for Announcement to the Market

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

Dividends

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

Comments on above results

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

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

Earnings per share

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

Net tangible assets per security

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

Explanation of Profit after tax

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

Explanation of Net Profit

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

Review of Operations

As attached.

Washington H. Soul Pattinson and Company Limited

A.B.N. 49 000 002 728

Directors' Report

Half Year Ended 31st January, 2007

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, 2007.

DIRECTORS

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

Robert Dobson Millner F.A.I.C.D

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

Michael John Millner M.A.I.C.D

Deputy Chairman (Non-Executive Director since 1997, appointed Deputy Chairman 1998)

Peter Raymond Robinson B. Com (UNSW)

Executive Director, appointed 1984

David John Fairfull B.Com (UNSW), A.C.I.S., C.P.A., fFin., A.S.I.A.

Executive Director, appointed 1997.

David Edward Wills B.Com (UNSW), F.C.A.

Independent Non-executive Director, appointed 2006

Robert Gordon Westphal B. Com (UNSW), F.C.A., fFin., M.A.I.C.D.

Independent Non-executive Director, appointed 2006

CONSOLIDATED PERFORMANCE

The Profit of the Group, **after tax before non regular items**, attributable to shareholders for the half year ended 31 January, 2007 was \$45.5 million, a decrease of 7.0% over the previous corresponding period. The Group's controlled entities produced improved results compared with the same period last year, however, a reduced contribution from associates, in particular Australian Pharmaceutical Industries Limited, contributed to the overall decreased result.

The Profit of the Group, **after tax and non-regular items**, was \$38.8 million, a decrease of 9.7% over the previous corresponding period. The loss on non regular items of \$6.7 million arose from losses attributable to minority interests absorbed by the parent entity, our share of losses from associated entities non regular items, net of profits on the disposal of land and investments.

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

	2007	2006		%
	\$000	\$000		Change
Revenue from ordinary activities	457,634	447,868	+	2.3%
Profit after tax before non regular items	45,456	48,899	-	7.0%
Profit after tax and non regular items	38,784	42,967	-	9.7%
Share of Net profits of Associates	11,286	15,123	-	25.4%
Earnings per share before non regular items	16.3c	18.0c	-	9.7%
Interim Dividend	11.5c	11.0c	+	4.5%

DIVIDENDS

Directors have declared an interim dividend of 11.5 cents per share in respect of the half year ended 31st January, 2007 an increase of 4.5% over last year's interim dividend of 11 cents per share. The dividend will be fully franked and payable on 10 May, 2007.

Since the commencement of the financial year the Company has paid a final dividend for the year ended 31 July, 2006 of 16.0 cents per share and a special dividend of 15.0 cents per share. Both the final and special dividends were fully franked.

REVIEW OF OPERATIONS

INVESTMENTS – Share Portfolio

The market value of the listed investment portfolio, including listed controlled entities and associates, was \$2.4 billion as at 31 January, 2007, compared to a \$2.2 billion valuation at year end 31 July, 2006. In accordance with group accounting policies, this increase is credited to the revaluation reserve.

During the half year \$2.4 million was invested in the equity market. The major transactions included increasing our existing holdings in Southern Cross Broadcasting Limited, Lindsay Australia Limited and Agri Energy Limited and an investment in the Mariner Pipeline Income Fund. Proceeds from disposals totalled \$2.2 million and included the sale of Angus & Coote (Holdings) Limited, Qantas Airways Limited and Fiducian Portfolio Services Limited.

Dividend income from the investment portfolio, excluding dividends received from controlled and associated entities, was up 34% to \$12.1 million which included a 56% increase in special dividends received. Special and increased dividends from Brambles Limited, Wattyl Limited, Milton Corporation Limited, Commonwealth Bank Limited, Macquarie Bank Limited and BHP Billiton Limited contributed to the increase.

Dividend income from controlled entities was down in total, due mainly to the reduction in special dividends paid by New Hope Corporation Limited from 13 cents per share in the previous corresponding period to 4.5 cents per share in this half year.

Dividend income from associated entities was up in total due to a 19% increase in Brickworks Limited 2006 final dividend.

INVESTMENTS – Major Associated Entities

Australian Pharmaceutical Industries Limited (API)

API has reported a net loss after tax for the half year ended 31 October, 2006 of \$17.3 million stating that the disappointing result reflected issues associated with the voluntary share trading suspension and a review process that culminated in the write off of “one off items” totalling \$24.3 million. It was also a period in which new management restructured the business to reduce ongoing costs and improve management capability.

The underlying performance of the business was below that of the prior corresponding period mainly due to flat sales and higher expenses, however, targeted actions taken in priority areas are restoring margins. API also announced that cost savings of \$5 million, through reduced corporate expenditure, will be realised in the second half in addition to annualised savings of \$5.2 million due to a reduction in head office staff.

Earlier this month API provided the market with a third quarter business update stating that:

- The stabilisation of the Pharmacy Division is evident as it has matched the sales performance of the same period last year.
- The Retail Division had a positive Christmas trading period with sales up more than 6%.
- Third quarter operating results are in line with expectations and a second half EBITD of \$39 million has been forecast.

Brickworks Limited (Brickworks)

Brickworks net profit after tax for the half year ended 31 January, 2007 was \$36.7 million, a decrease of 20.4% compared with the previous corresponding period. The decline in profit was mainly due to a significant increase in income tax expense of \$7.0 million to \$7.7 million. However, the current level of income tax expense is considered to be more normal compared with the 2006 comparative result which included a significant tax benefit from the accounting treatment of Brickworks investment in WHSP.

Building Products recorded an increase in pre-tax earnings of 5.2% and revenue of 5.3% for the half year despite the continued deterioration in the building market, particularly in New South Wales.

Pre-tax profit from Land and Development was \$13.0 million compared with \$16.3 million in the previous corresponding period, the decline due to timing issues surrounding transactions.

Brickworks directors have declared an increased fully franked interim dividend of 12 cents per share, up 9.1% on last year.

During the half year Brickworks net debt (debt to equity) increased to 47.0% from 38.5% due to capital expenditure of \$25.7 million, acquisitions of \$30.5 million and \$52.6 million for resumption of control of the Eastwood site.

Brickworks new brick factory at Wollert in Melbourne’s north has been completed on time and on budget and commissioning has commenced. When fully commissioned the factory is expected to produce 85 million bricks per annum and will emit one-third less carbon dioxide than the factory it is replacing.

During the period the activities of Brickworks Property Trust joint venture with Macquarie Goodman Wholesale Property Trust included securing pre-commitments from Kimberly Clarke and Woolworths for the Mamre Road (Sydney) site and securing development approval for the

construction of the Coles cold store and Toll warehouse facilities in the M7 Business Hub. The construction of these facilities commenced during the period.

The carrying value of Brickwork's joint venture properties is currently \$34.1 million compared with a market value of \$58.4 million.

Brickworks associated entity Brickworks Investment Company Limited (BKI) has reported a net profit after tax of \$6.5 million for the half year ended 31 December, 2006, and the value of Brickworks investment in BKI increased by 14.9% to \$66.4 million during the period under review.

MAJOR CONTROLLED ENTITIES

New Hope Corporation Limited Group (NHC)

NHC's profit after tax and outside equity interest for the half year ended 31 January, 2007 was \$40.1 million compared to \$40.3 million for the same period last year. The current period profit included \$6.6 million from the sale of various land holdings.

Profit from continuing operations, excluding land sales, was slightly lower at \$33.5 million reflecting lower coal sales volumes and increased production costs. Interest revenue was also lower during the period due to the payment of a special dividend and expenditure on the stage 2 expansion at Acland.

The New Acland Mine produced 1.2 million tonnes in the six months, down from 1.4 million tonnes in the previous corresponding period, due to the scheduled shutdown of the washplant. The stage 2 expansion costing \$59.0 million has been completed on time and on budget and will take annual production volume capacity at Acland to approximately 3.75 million tonnes.

NHC has met its obligations under the conditions precedent and conditions subsequent in accordance with the coal sales agreement with Tarong Energy.

In July, 2006 NHC acquired an 18.6% shareholding in Arrow Energy N.L. at a cost of \$64.8 million. The current unrealised gain on this investment is approximately \$95.8 million based on Arrow's market price of \$1.57 per share on 16 March, 2007.

NHC has a corporate strategy to develop a mixture of multiple thermal and coking coal projects established from a portfolio of exploration properties primarily in Queensland. The Saraji East, Lenton and Bee Creek projects located in central Queensland all have potential to produce coking coal with Saraji East the most significant economically and logistically. The Lenton and Bee Creek projects also have potential to produce additional thermal coal. The Darling Downs project area has potential for thermal coal only. Current Darling Downs total insitu coal resources are estimated at 791 million tonnes.

NHC has declared a fully franked interim dividend of 2.1 cents per share for the half year ended 31 January, 2007.

SP Telemedia Limited (SPT)

SPT reported a net profit after tax for the half year ended 31 January, 2007 of \$10.1 million a 289% increase compared with \$2.6 million last year. Whilst the prior year result was impacted by a number of significant items, SPT's underlying normalised earnings for the current half year represent a 52% increase.

The following significant transactions have impacted SPT's half year results:-

- The acquisition of B Digital Limited was completed on 22 December, 2006 at a cost of \$73.3 million which was financed by a bank loan. As a result of the acquisition, SPT's net profit for the half year incorporates 45.8% of B Digital's earnings for the 3 months to 31 October, 2006 and 100% of its earnings for the three months to 31 January, 2007.
- In July, 2006 SPT acquired from WIN Corporation the 50% shareholding in SPT Telecommunications Pty. Ltd. that it did not already own. Consideration was satisfied by the issue of SPT shares to WIN Corporation resulting in WIN Corporation holding a 13% shareholding in SPT.

Benefits are now being realised from the significant investment made in the prior year to construct the NSW State Government Network and other government and corporate contracts have started to contribute to profits during the period.

Media operations comprising NBN Television and the multimedia production company one80 Digital Post, contributed a net profit after tax of \$4.1 million, down slightly on the previous corresponding period.

Whilst NBN's television ratings and audience share grew compared with the previous period, its share of the Northern NSW revenue market declined in line with the overall decline in ratings and revenue share of its Network partner, The Nine Network.

SPT has declared a fully franked interim dividend of 1.2 cents per share for the half year ended 31 January, 2007.

KH Foods Limited (KHF)

At the KHF Annual General Meeting in December, 2006 shareholders approved a recapitalisation plan which included the conversion to equity of convertible notes and a renounceable rights issue. The recapitalisation was completed in January, 2007 with working capital being provided and net debt reduced to \$19.9 million from \$59.0 million. As a result of the recapitalisation WHSP's shareholding in KHF is now 86.6%.

Whilst action has been taken to stabilise and improve the fundamentals of the group's trading position, regrettably KHF has reported a trading loss for the half year ended 31 January, 2007 of \$14.0 million, albeit an improvement on the loss of \$22.6 million for the same period last year.

The Board of WHSP concurs with the KHF Board in stating that the current result is unacceptable. However, there is some indication that the key building blocks for the turnaround of the business are now in place, unfortunately the initiatives are taking time to gain traction and the full impact has yet to be realised.

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, 2007 is attached and forms part of this report.

Dated at Sydney this 29th day of March, 2007

Signed in accordance with a resolution of the Directors:

R.D. MILLNER

P.R. ROBINSON

PARTNERS:

Andrew Blackwell CA
Chris Chandran CA
Stephen Humphrys FCA
Garry Leysdon FCA
Wayne Morton FCA
Joe Shannon CA
Robert Southwell CA
Spiro Tzannes FCA
Charlie Viola (Affiliate FCAA)
Bob Webster FCA
Scott Whiddett CA

WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

CONSULTANTS:

Pat Bugden FCA
Anja Dorrell CA

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

As lead auditor for the review of Washington H. Soul Pattinson and Company Limited and its controlled entities for the half year ended 31 January 2007, I declare that to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Washington H. Soul Pattinson and Company Limited and its controlled entities during the period.



S.M. WHIDDETT
Partner
Moore Stephens Sydney

Dated at Sydney this 28th day of March 2007.

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

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

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

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

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

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

Condensed Consolidated Balance Sheet
As at 31 January 2007

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

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

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

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

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

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

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

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

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

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

Washington H. Soul Pattinson and Company Limited

Half year ended 31 January 2007

Notes to the Condensed Consolidated Financial Statements

1. Basis of Preparation of half-year report

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

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 31 July 2006 and any public announcements made by Washington H. Soul Pattinson and Company Limited and its controlled entities ("Consolidated Entity" or "Group") during the interim reporting period in accordance with continuous disclosure requirements of the Corporations Act 2001.

The accounting policies are consistent with those of the previous financial year and corresponding interim reporting period with the exception of the following:

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

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

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

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

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

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

Correction in classification of Available for sale financial asset

An investment acquired in Arrow Energy N.L (Arrow) at the end of July 2006 by New Hope Corporation Limited, a controlled entity, was previously classified as an equity accounted investment as at 31 July 2006 on the basis that New Hope Corporation had significant influence over this company at that date. It has subsequently been determined that significant influence did not exist at that date, thus requiring the investment in Arrow to be reclassified as an Available for sale financial asset. This adjustment has the effect of overstating the consolidated equity accounted investments by \$49.4 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.

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

Notes to the Condensed Consolidated Financial Statements

2. Segment Information

Primary reporting format – business segments (before minority interests)

Half year ended 31 January 2007

	Investing activities \$'000	Media \$'000	Telecomm- unications \$'000	Coal Mining \$'000	Bakery \$'000	Consulting \$'000	Intersegment eliminations/ Unallocated \$'000	Consolidated \$'000
Revenue	68,068	41,381	207,163	123,091	52,963	5,466	(40,498)	457,634
Share of net profits of associates and joint venture partnership	9,367	-	-	2,225	-	73	(379)	11,286
Other income	9,536	10	-	8,012	90	112	(71)	17,689
Total segment revenue/income	86,971	41,391	207,163	133,328	53,053	5,651	(40,948)	486,609
Segment results	74,310	6,254	12,577	50,599	(14,043)	2,631	(48,648)	83,680
Income tax expense								(18,317)
Net profit for half year								65,363

Half year ended 31 January 2006

	Investing activities \$'000	Media \$'000	Telecomm- unications \$'000	Coal Mining \$'000	Bakery \$'000	Consulting \$'000	Intersegment eliminations/ Unallocated \$'000	Consolidated \$'000
Revenue	104,894	41,363	210,636	135,432	52,640	3,106	(79,623)	468,448
Share of net profits of associates and joint venture partnership	16,131	-	(3,631)	2,636	-	(13)	-	15,123
Other income	7,151	-	-	303	2,691	-	(725)	9,420
Total segment revenue/income	128,176	41,363	207,005	138,371	55,331	3,093	(80,348)	492,991
Segment results	120,039	7,168	(6,179)	54,491	(22,627)	401	(86,716)	66,577
Income tax expense								(18,497)
Net profit for half year								48,080

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

Notes to the Condensed Consolidated Financial Statements

3. Profit for the half year

(i) Profit before income tax expense

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

	31 Jan 2007 \$'000	31 Jan 2006 \$'000
Other income		
Profit on disposal of land	8,012	2,052
Fair value gains of financial assets at fair value through profit or loss	7,966	5,200
Gains on sale of available for sale financial assets	1,693	1,977
	<u>16,671</u>	<u>9,229</u>

(ii) Non-regular items after income tax expense attributable to members:

The Directors consider the disclosure of the impact of non-regular items enhances the understanding of the results to members. Details of these items are as follows:

	31 Jan 2007 \$'000	31 Jan 2006 \$'000
Profit on disposal of investments	1,693	1,431
Profit on disposal of property, plant and equipment	4,041	1,090
Operating losses attributable to minority interest absorbed by parent entity interest	(6,498)	-
Impairment write downs	(187)	(6,083)
Share of significant revenue and expenses from associate entities and joint venture entities	(6,002)	(2,370)
Implementation of tax consolidation for controlled entity	281	-
	<u>(6,672)</u>	<u>(5,932)</u>

4. Dividends

		\$'000	Amount per security CPS	Franking per security CPS
Interim dividend	Current half- year declared but not yet recognised in retained profits	27,444	11.5	11.5
	Previous corresponding half year, paid on 11 May 2006	26,250	11.0	11.0
Final dividend 2006	A final dividend, not previously recognised in retained profits, was paid on 2 December 2006	38,182	16.0	16.0
Special dividend	Special dividend resulting from profit distribution by New Hope Coal from sale of its international coal assets – paid on 4 December 2006	35,796	15.0	15.0

No dividend reinvestment plans were in operation during the reporting period

Total number of ordinary shares on issue for the whole of the reporting period was 238,640,580.

Notes to the Condensed Consolidated Financial Statements

5. Controlled entities acquired or disposed of

Increased ownership interest in KH Foods Limited

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

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

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

Acquisition of minority interest of B Digital Limited

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

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

Acquisition of Food and Beverage Company Limited – previously as Associate

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

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

Notes to the Condensed Consolidated Financial Statements

6. Details of investments and results in Associates and Partnerships

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

7 Contingent liabilities

No material changes to contingent liabilities since 31 July 2006.

8 Events occurring after the balance sheet date

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

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

9. Other significant information

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

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

DIRECTORS' DECLARATION

In the opinion of the directors of Washington H. Soul Pattinson and Company Limited:-

- (a) the accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standard AASB 134 "Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 January, 2007 and of its performance as represented by the results of its operations and cash flows for the half year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due and payable.

Signed in accordance with a resolution of
the directors:

R.D. Millner
Director

P.R. Robinson
Director

Dated at Sydney this 29th day of March, 2007.

PARTNERS:

Andrew Blackwell CA
 Chris Chandran CA
 Stephen Humphrys FCA
 Garry Leysdon FCA
 Wayne Morton FCA
 Joe Shannon CA
 Robert Southwell CA
 Spiro Tzannes FCA
 Charlie Viola (Affiliate FCAA)
 Bob Webster FCA
 Scott Whiddett CA

**INDEPENDENT REVIEW REPORT
 TO THE MEMBERS OF
 WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED**

CONSULTANTS:

Pat Bugden FCA
 Anja Dorrell CA

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Washington H. Soul Pattinson and Company Limited and its controlled entities, which comprises the balance sheet as at 31 January 2007, and the income statement, statement of changes in equity and the cash flow statement for the half-year ended on that date, a summary of significant accounting policies, selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company and its controlled entities are responsible for the preparation and fair presentation of the half-year financial report in accordance with Accounting Standards in Australia (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that it is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: "Review of an Interim Financial Report Performed by the Independent Auditor of the Entity", in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 January 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the *Corporations Regulations 2001*. As the auditor of Washington H. Soul Pattinson and Company Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the financial report.

A review of the half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 10 of the financial report has not changed as at the date of providing this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Washington H. Soul Pattinson and Company Limited and its controlled entities is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 31 January 2007 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134: "Interim Financial Reporting" and the *Corporations Regulations 2001*.



S. M. WHIDDETT
Partner



MOORE STEPHENS SYDNEY

Dated at Sydney, this 29th day of March 2007.