WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

A.B.N. 49 000 002 728

DIRECTORS' ANNUAL REPORT and FINANCIAL STATEMENTS

2007

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WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

A.B.N. 49 000 002 728

DIRECTORS

ROBERT D MILLNER
F.A.I.C.D.
Chairman of Directors
Director since 1984

MICHAEL J MILLNER
M.A.I.C.D.
Non-Executive Director - Deputy Chairman
Director since 1997

PETER R ROBINSON
B.Com. (UNSW) F.A.I.C.D.
Executive Director
Joined the Company 1978
Director since 1984

DAVID J FAIRFULL
B.Com., A.C.I.S., C.P.A.,fFin, M.A.I.C.D.
Non-Executive Director
Director since 1997

DAVID E WILLS
B.Com (UNSW), F.C.A., M.A.I.C.D.
Non-Executive Director
Appointed 2006

ROBERT G WESTPHAL
B.Com (UNSW), F.C.A., fFin, M.A.I.C.D.
Non-Executive Director
Appointed 2006

CHIEF FINANCIAL OFFICER
MELINDA R RODERICK, CA

COMPANY SECRETARY
IAN D BLOODWORTH, CA

AUDITORS
MOORE STEPHENS SYDNEY

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DIRECTORS' REPORT

The Directors of Washington H. Soul Pattinson and Company Limited present their report and the financial statements of the company and the consolidated entity, being the company and its subsidiaries, for the financial year ended 31 July, 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)

Mr Millner is a grazier-director and Chairman of the Group's listed entities New Hope Corporation Limited, SP Telemedia Limited and Souls Private Equity Limited. Mr Millner is also Chairman of Brickworks Limited, Brickworks Investment Company Limited, Milton Corporation Limited and Choiseul Investments Limited and is a non-executive director of Australian Pharmaceutical Industries Limited.

Listed company directorships held during the past three years:
- New Hope Corporation Limited – Appointed 1995 (current)
- SP Telemedia Limited – Appointed 2000 (current)
- Souls Private Equity Limited – Appointed 2004 (current)
- Brickworks Limited – Appointed 1997 (current)
- Brickworks Investment Company Limited – Appointed 2003 (current)
- Australian Pharmaceutical Industries Limited – Appointed 2000 (current)
- Milton Corporation Limited – Appointed 1998 (current)
- Choiseul Investments Limited – Appointed 1995 (current)

Michael John Millner M.A.I.C.D.
Deputy Chairman (Non-Executive Director since 1997, appointed Deputy Chairman 1998 and is a member of the Audit Committee)

Mr Millner is a grazier-director and a Councillor of the Royal Agricultural Society of New South Wales. Mr Millner is also a non-executive director of the Group's listed entity SP Telemedia Limited.

Listed company directorships held during the past three years:
- SP Telemedia Limited – Appointed 1997 (current)
- KH Foods Limited – Appointed 1997 Resigned 2006
- Brickworks Limited – Appointed 1998 (current)
- Choiseul Investments Limited – Appointed 2001 (current)
- Ruralco Holdings Limited – Appointed 2007 (current) (previously Appointed 2003 - Resigned 2006)

Peter Raymond Robinson B. Com. (UNSW), F.A.I.C.D.
Executive Director

Joined the Company 1978, appointed Director 1984.

Mr Robinson is Chairman of Australian Pharmaceutical Industries Limited and Clover Corporation Limited as well as a non-executive director of the Group's listed entities New Hope Corporation Limited and SP Telemedia Limited.

Listed company directorships held during the past three years:
- New Hope Corporation Limited – Appointed 1997 (current)
- SP Telemedia Limited – Appointed 2000 (current)
- KH Foods Limited – Appointed 1987 Resigned 2006
- Clover Corporation Limited – Appointed 1997 (current)
- Australian Pharmaceutical Industries Limited – Appointed 2000 (current)

David John Fairfull B.Com. (UNSW), A.C.I.S., C.P.A., fFin, M.A.I.C.D.
Non-Executive Director, appointed Director 1997.

Mr Fairfull is an executive director of Pitt Capital Partners Limited, a controlled entity, and a non-executive director of the Group's listed entities New Hope Corporation Limited, SP Telemedia Limited and Souls Private Equity Limited. Mr Fairfull was also a non-executive director of Australian Pharmaceutical Industries Limited and Chairman of Soul Communications Limited (formerly B Digital Limited) during the year.

Listed company directorships held during the past three years:
- New Hope Corporation Limited – Appointed 1997 (current)
- SP Telemedia Limited – Appointed 2000 (current)
- Souls Private Equity Limited – Appointed 2004 (current)
- Australian Pharmaceutical Industries Limited – Appointed 2000 Resigned 2007
- Stockland Limited – Appointed 1990 Resigned 2006
- Soul Communications Limited (formerly B Digital Limited) – Appointed 2005 Resigned 2007

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

Non-executive Director appointed 2006 and is a member of the Audit Committee.

Mr Wills is a Chartered Accountant, having been a partner in PricewaterhouseCoopers for 25 years. He is an experienced auditor of publicly listed and multinational companies with a focus in the consumer and industrial products sectors.

Listed company directorships held during the past three years:
- Clover Corporation Limited – Appointed 2005 (current)
- Souls Private Equity Limited – Appointed 2004 (current)
- Dyno Nobel Limited – Appointed 2006 (current)

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

Non-executive Director appointed 2006 and is Chairman of the Audit Committee

Mr Westphal is a Chartered Accountant and was a partner of Ernst & Young for 25 years. He has many years experience in corporate transactions with particular emphasis on mergers and acquisitions, due diligence and valuation across a variety of industry sectors. Mr Westphal is also Chairman of the Board of Governors of Queenwood School for Girls Limited as well as a non-executive director of a number of companies in which Souls Private Equity Limited has invested.

Listed company directorships held during the past three years:
- Souls Private Equity Limited – Appointed 2005 (current)

COMPANY SECRETARY

Ian David Bloodworth

Mr Bloodworth is a Chartered Accountant with more than 20 years' accounting and company secretarial experience and was appointed Secretary of Washington H. Soul Pattinson and Company Limited on 11 July, 2007. Prior to joining Washington H. Soul Pattinson & Company Limited, Mr Bloodworth was company secretary of the Garratts Limited Group of Companies for 2 years and Chief Financial Officer of the Group for 6 years.

Robert Alfred O'Brien – retired 11 July 2007

Mr O'Brien has more than 30 years' accounting and company secretarial experience and was appointed secretary of Washington H. Soul Pattinson and Company Limited in June, 1994. Prior to joining Washington H. Soul Pattinson & Company Limited, Mr O'Brien was assistant company secretary and company secretary of the Inchcape Group of Companies in Australia during a period of twenty two years.

DIRECTORS' MEETINGS

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

	Directors' Meetings		Remuneration Committtee Meetings		Audit Committee Meetings	
	Eligible to attend	Number Attended	Eligible to attend	Number Attended	Eligible to attend	Number Attcnded
MR R D Millner	17	17	1	1	-	-
Mr M J Millner * +	17	17	1	1	5	5
Mr P R Robinson	17	17	-	-	-	-
Mr D J Fairfull	17	17	-	-	-	-
Mr D E Wills * +	17	16	1	1	5	5
Mr R G Westphal * +	17	16	1	1	5	5

* Denotes current member of the Audit Committee of Directors.

\+ Denotes member of the Remuneration and Nomination Committees of Directors

DIRECTORS' REPORT (CONTINUED)

CONSOLIDATED FINANCIAL PERFORMANCE

The Profit of the Group, **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. Brickworks Limited produced a more than satisfactory result given the depressed housing market, particularly in New South Wales. New Hope Corporation Limited recorded a solid result due to higher coal prices and an increase in coal export volumes. SP Telemedia Limited reported an increase in profit for the year. The significant loss in KH Foods Limited affected the Group's overall result for the year. The Group profit on the sale of its media assets (NBN) in May 2007 was $68.8 million.

The Profit of the Group, **after tax and non-regular items**, was $130.2 million, an increase of 50.7% over the previous year.

Comparisons with the corresponding period last year (restated *) are as follows:-

	2007	**2006***		**%**
	$000	**$000**		**Change**
Revenue from continuing operations	812,112	786,541	+	3.3%
Profit after tax before non regular items	99,192	93,944	+	5.6%
Profit after tax and non regular items	130,216	86,387	+	50.7%
Share of net profits of Associates	34,291	43,927	–	21.9%
Final Dividend	17.0c	16.0c	+	6.3%
Interim Dividend	11.5c	11.0c	+	4.5%
Total Dividends	28.5c	27.0c	+	5.6%

DIVIDENDS

Final Dividend

Directors have declared a fully franked final dividend of 17 cents per share in respect of the year ended 31 July, 2007 (2006 – 16 cents).

The final dividend of 17 cents per share will be payable on 10 December, 2007. The record date for the final dividend will be 8 November, 2007.

Dividends paid or declared by the Company to members since the end of the previous financial year were:-

	Cents Per Share	**Total amount $'000**	**Franked/ Unfranked**	**Date of Payment**
Declared and paid during the financial year				
Final ordinary dividend 2006	16.0	38,182	Fully Franked	4 Dec 2006
Special dividend 2006	15.0	35,796	Fully Franked	4 Dec 2006
Interim ordinary dividend 2007	11.5	27,444	Fully Franked	10 May 2007
Dealt with in the financial report as dividends	42.5	101,422		
Declared after the end of year				
Proposed final ordinary dividend 2007	17.0	40,569	Fully Franked	10 Dec 2007

REVIEW OF OPERATIONS

INVESTMENTS – Share Portfolio

Group

The members' share of the appreciation in the market value of the listed investment portfolio, excluding controlled entities and associates, was $216.8 million for the year. Under the Group's accounting policies this amount is transferred to the Asset revaluation reserve.

Holding Company

The market value of the listed investment portfolio, including listed controlled entities and associates, was $2.8 billion as at 31 July, 2007. Excluding controlled entities and associates, the market value of the listed investment portfolio increased by $85 million to $562 million. In accordance with group accounting policies, this increase is credited to the revaluation reserve.

During the year, $20 million was invested in the equity market and $1 million was invested in the Souls Select Australian Share Fund. The main purchases were Apex Healthcare Berhad, Fairfax Media Ltd, Huntley Investment Company Ltd, Macquarie Bank Ltd, Mariner Pipeline Income Fund, and Trust Company of Australia Ltd. Proceeds from disposals and takeovers totalled $10 million and included the sale of Fiducian Portfolio Services Ltd, Rural Press Ltd and Santos Ltd.

Dividend and distribution income from investments, excluding controlled entities and associates, was $23.6 million for the year, an increase of 29% on the previous year. Special and increased dividends from Brambles Ltd, Milton Corporation Ltd, Ruralco Holdings Ltd and Wattyl Ltd contributed to the increase.

INVESTMENTS – Associated Entities

Australian Pharmaceutical Industries Limited (API)

API recorded a loss for their financial year of $11.5 million on sales of $2.6 billion. The result for the year was seriously impacted by the level of one-off costs totalling $30.5 million recorded at the half year and balance date. API directors have stated that a number of these costs may be related to prior years, they have however, been fully accounted for in the 2007 financial year.

The net profit performance in the second half of the year was a marked improvement on the first half result. A new management team has been able to focus on the continued rebuilding of the wholesale distribution business to the point where second half sales outperformed the same period in the prior year. At the same time API has continued to develop Priceline Pharmacy as one of the fastest growing retail brand in Australia which has grown by another 50 franchises in 12 months and now has 123 stores nationally. The company has a clear goal to build the Priceline Pharmacy store numbers to 400 over the next 4 years.

In keeping with focusing on core business opportunities API announced on 24 July, 2007 the sale of its House franchise brand for $8.5 million.

Brickworks Limited (Brickworks)

Brickworks normalised net profit after tax for the year ended 31 July 2007 of $102.2 million was up 0.3% compared to $101.9 million for the year ended July 2006. The result was supported by a record EBIT from land and development of $60.3 million and a steady building products EBIT of $65.9 million.

Normalised earnings per share (EPS) increased to 77.0 cents for the year ended July 2007 (normalised EPS was 76.8 cents for the year ended July 2006).

Directors have declared a 4.0% increase in the final dividend to 26 cents per share fully franked, taking the full year dividend to 38 cents per share fully franked, up 5.6% from 36.0 cents the previous year.

Building product sales for the year ended July 2007 were up 7.0% to $516.8 million compared to $483.1 million in the year ended July 2006. Sales were supported by acquisitions as detailed below. On a like-for-like basis sales were up 3.2%.

Capital expenditure totalled $51.7 million in the year ended July 2007. Major projects during the year included the completion of the new brick plant in Wollert, Victoria and the upgrade of the existing brick plants in Golden Grove, South Australia and Bowral, New South Wales.

The Company's extensive capital expenditure and maintenance program continued during the year. The program has delivered many real benefits including production cost reductions and improved product quality, along with safety and environmental performance improvements.

During fiscal 2007, Brickworks expanded its portfolio of building product assets by acquiring the GB Masonry, Caloundra Blocks, Whitsunday Concrete & Block and Ayr Masonry businesses for a total of $40.0 million. Each of these was carefully targeted for their growth potential and strategic fit with Brickworks' existing business in Queensland.

Land and development generated a total profit of $60.3 million for the year. The Brickworks land bank is expected to contribute strongly to future profits with a solid pipeline of developments currently in place.

Clover Corporation Limited (Clover)

Clover recorded a net profit for the year ended 30 June, 2007 of $635,000 (2006: $453,000), an increase of 40%.

The 2007 result was impacted by the expensing of $831,000 in research and development costs relating to the investigation of microalgae as a source of omega-3 oil and the development of an improved microencapsulation technology. The 2007 profit was also affected by the share of losses totalling $534,000 in the 50% owned soy flour joint venture, Future Foods Ingredients Pty Ltd (FFI).

After disappointing sales in the first half of the financial year, due to the disruption of customers operations arising from an earthquake in Indonesia in mid 2006, revenue improved significantly during the second half.

FFI is Clover's 50/50 joint venture with Austgrains Pty Ltd which was formed to commercialise a new technology to produce bland flavoured soy ingredients manufactured from non-GM soybeans. FFI, though still in its early commercialisation phase, is developing a solid sales foundation for

DIRECTORS' REPORT (CONTINUED)

its business. The customer list for FFI soy based ingredients is growing quickly with a visible example being the long term contract secured to supply Nu-Soya® flour to So Natural Foods Australia Ltd for use in their UHT soy milk products. In addition to Australian sales, significant export sales have now been secured in New Zealand and Asia.

On 4 September, 2007 Clover announced that it had entered into a Heads of Agreement to acquire the minority interest in Nu-Mega Ingredients Pty Ltd (Nu-Mega). The transaction, which is subject to shareholder approval, will be considered by Clover shareholders at the company's Annual General Meeting which is to be held on 30 November, 2007.

Nu-Mega is a joint venture between Clover (70%) and Nutra Spec Pty Ltd (Nutra Spec) (30%).

The proposed acquisition is being made at this time in response to Nutra Spec's desire to divest its equity and co-incides with Clover's plan to expedite Nu-Mega's strategy to expand its activities in international markets. Discussions are underway with several parties in relation to marketing Clover/Nu-Mega products in USA, UK and Europe.

CONTROLLED ENTITIES

New Hope Corporation Limited Group (NHC)

New Hope Corporation Limited (New Hope) reported a profit after tax from its coal mining and port operations of $69.3 million for the year ended 31 July, 2007 compared with $68.7 million recorded last year.

During the year under review saleable coal production increased to 3.87 million tonnes, an increase of 4% on last year. Coal export volumes rose 6% to 2.60 million tonnes while domestic sales were 4% lower at 1.27 million tonnes.

New Hope's associate company Queensland Bulk Handling (QBH) maintained a satisfactory profit performance with a new record throughput for the year of 4.53 million tonnes, up 7% on the same period last year. Unlike other ports on the eastern seaboard QBH operated with little disruption during the year with only one New Hope export shipment incurring a very small demurrage claim. On 1 August, 2007 New Hope acquired the remaining 50% equity in QBH. Preliminary design work on the potential future expansion of the port coal loading facilities has commenced.

New Hope continued its exploration activities during the year evaluating the New Saraji project located within the Bowen Basin of Central Queensland with an inferred resource of 678 million tonnes of coal, including hard coking coal and proving up reserves associated with the New Acland tenements. Other exploration projects undertaken during the year were at Lenton and Bee Creek, both tenements located southwest of Mackay, Central Queensland. Exploration work continued in support of the mining operation at New Acland where a new total Inferred Coal Reserve of 793 million tonnes, including 236 million tonnes of Marketable Reserves was confirmed in June 2007.

New Hope's exploration strategy is directed towards evaluating open-cut and underground coking coal resources in Central Queensland; open cut thermal coal in South East Queensland and evaluating coal as a potential source of gasification and liquefaction.

On 10 September, 2007 New Hope advised that Tarong Energy Corporation Ltd (Tarong) had not exercised its option to purchase coal from New Acland commencing 2011. Coal supply to Tarong was one of a number of alternative growth opportunities New Hope had been evaluating for the New Acland mine. Since New Hope commenced negotiations with Tarong the price of coal on the world market has doubled in US Dollar terms. Tonnages previously reserved for Tarong can now be redirected to the more profitable export market.

New Hope has an 18.3% shareholding in Arrow Energy NL, a company with a portfolio of coal seam gas resources in Australia and throughout Asia. Already having supplied Queensland with 15% of its gas needs in 2006, Arrow's operated projects have the potential to supply up to 25% in 2007. As at 31 July, 2007 New Hope's investment in Arrow Energy was valued at $319.2 million representing an unrealised gain before tax of $231.6 million.

New Hope has declared a final dividend of 2.5 cents per share for the year ended 31 July, 2007 and a special dividend of 3.0 cents per share, both fully franked.

SP Telemedia Limited (SPT)

SPT announced a profit after tax of $44.9 million for the year ended 31 July, 2007 compared with $8.2 million for 2006. This result includes an after tax profit of $31.9 million from the sale of SPT's NBN media assets in May 2007.

Operating profit after tax, including nine months trading by NBN, was $13.1 million compared with $8.2 million last year which included NBN's results for twelve months.

Profit after tax from SPT's continuing operations, excluding non-recurring significant items and amortisation of intangible assets increased by 38% to $12.7 million. Operating cash flow from continuing operations was $31.9 million.

SPT have advised that they continue to increase corporate and government business, winning new contracts in the last six months with a total annualised value of more than $14.0 million. SPT continues to upgrade its infrastructure to attract new customers and increase margins with new ADSL2+, mobile 3G and SME products to be launched shortly.

SPT have declared a fully franked final dividend of 1.2 cents per share, unchanged from the previous year, payable on 15 November, 2007.
The final dividend is in addition to the interim dividend of 1.2 cents per share and special dividend of 11.5 cents per share, both fully franked.

KH Foods Limited (KHF)

KHF has reported a loss for the year ended 31 July, 2007 of $58.2 million. The disappointing result included a write-off and impairment of assets along with the provisioning for redundancy, lease payouts, bad debts and aged stock.

KHF is a manufacturer of cakes and savouries. Despite changes to management during this period the business has been unable to deliver on its original forecasts. In June 2007 the KHF board advised that the initiatives announced in December 2006 to curb the ongoing losses in the company had not been successful and the 2007 full trading year outlook was unlikely to show any improvement on the first half performance. Since that announcement the KHF board have taken steps to dramatically cut costs in all areas of its operation, including the closure of its head office in Melbourne planned for late 2007.

On 14 August, 2007 KHF announced the sale of its cake business to George Weston Foods. The sale of the cake operations at Seaton (SA) and O'Connor (WA) resulted in an asset write-off. This asset write-off was included in the 2007 result as the accounting standards called for the directors to impair those assets as part of the KHF 2007 year-end adjustments. Subsequent to the sale of the cake business a small bakery in Geelong (Vic) has been sold to local interests.

KHF now operates a savoury manufacturing and route business at Dudley Park (SA) and Milperra (NSW).

KHF's poor performance had the single largest impact on the Washington H Soul Pattinson and Company Limited (WHSP) 2007 profit result.

Pitt Capital Partners Limited (PCP)

PCP is a merchant bank and through a team of experienced personnel provides specialist corporate advisory and corporate administrative services. PCP recorded a net profit for the year ended 31 July, 2007 of $5.6 million (2006: $1.6 million), an increase of 250%. During the year WHSP increased its direct shareholding in PCP to 75%.

PRINCIPAL ACTIVITIES

The principal activities of the corporations in the consolidated entity in the course of the financial year were ownership of shares and properties, coal mining, bulk handling, commercial television licensee and operator, program and commercial television production, telecommunications carrier, merchant banking, funds management, retailing of pharmaceutical products, manufacture, processing and marketing of savouries and cakes.

In May 2007 SP Telemedia Limited sold its NBN media assets and no longer operates as a commercial television licensee and operator. There were no other significant changes in the nature of the consolidated entity's principal activities during the year.

STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not otherwise disclosed in this report or the consolidated entity's Financial Statements.

REVIEW OF FINANCIAL POSITION

The consolidated entity has net assets of $2.1 billion which includes a diverse group of investments totalling $1.8 billion. The directors believe the Group is in a strong and stable position to grow its current operations, with the exception of the cakes and savouries business.

EVENTS SUBSEQUENT TO BALANCE DATE

On 22 August, 2007 KH Foods Limited completed the sale of its cake operations at Seaton (SA) and O'Connor (WA) to George Weston Foods. In addition, a small bakery in Geelong (Vic) has been sold to local interests.

On 4 September, 2007 Clover Corporation Limited announced that it had entered into a Heads of Agreement to acquire the 30% minority interest in its subsidiary, Nu-Mega Ingredients Pty Ltd. The transaction is subject to approval by Clover Corporation Limited shareholders.

On 26 September, 2007 New Hope Corporation Limited (NHC) announced its intention to launch a takeover bid for Resource Pacific Holdings Limited (RSP) at $2.55 per share, valuing the transaction at $590.8 million. NHC is currently preparing the offer documents and proposes to dispatch those documents to RSP shareholders as soon as possible.

On 8 October, 2007 Australian Pharmaceutical Industries Limited (API) announced that it had entered into an agreement to become the preferred distributor for Alphapharm Pty Limited products. Alphapharm Pty Limited leads the national generic pharmaceutical market in both value and volume. The agreement has an expected annualised EBIT benefit of $7.5 million for API, once fully operational.

The directors are not aware of any other event or circumstance since the end of the financial year not otherwise dealt with in this report or the consolidated financial report that has or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent years.

LIKELY DEVELOPMENTS, BUSINESS STRATEGY AND PROSPECTS

Further information about likely developments, business strategy and prospects and the expected results in subsequent financial years has not been included in this report because the directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the consolidated entity.

DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the Company, as notified to the Australian Stock Exchange in accordance with section 205G of the Corporations Act 2001, at the date of this report is as follows:-

	Ordinary Shares
Mr R D Millner	18,799,670
Mr M J Millner	18,434,650
Mr P R Robinson	74,210
MR D J Fairfull	60,000
Mr D E Wills	113,866
Mr R G Westphal	5,000

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED)

Scope of Report

The scope of this Remuneration Report covers the parent entity and the unlisted controlled entities Pitt Capital Partners Limited and Souls Funds Management Limited. The other controlled entities of the Group are publicly listed and, accordingly, have their own Remuneration Committee. It is the policy of the directors to allow those controlled entities to produce their own Remuneration Report in accordance with Section 300A of the Corporations Act 2001 to be considered by their shareholders.

Remuneration Committee

The Remuneration Committee consists of the non-executive directors whose responsibility is to make recommendations to the full Board on remuneration matters and other terms of employment for executive directors, senior executives and non-executive directors.

The Remuneration Committee ensures that remuneration levels for directors, senior managers and group executives are competitively set to attract and retain qualified and experienced directors and executives. The Committee is authorised by the Board to obtain independent professional advice on the appropriateness of remuneration packages if deemed necessary.

Non-executive Directors

Board policy is to remunerate non-executive directors at comparable market rates and remuneration levels are reviewed annually by the remuneration committee and are not subject to performance based incentives.

The aggregate amount of fees which may be paid to non-executive directors by the parent entity is subject to the approval of shareholders in general meeting and is currently set at $750,000 per annum. Approval for this aggregate amount was given at the 2002 Annual General Meeting.

During the year ended 31 July, 2007 fees paid to the non-executive directors of the parent entity amounted to $474,109 which included the statutory superannuation guarantee contribution of 9%.

With effect from 31 July, 2004 the retiring allowance for non-executive directors was frozen at 3 times the average annual fees for the three years prior to that date. Non-executive directors appointed after 1 August, 2004 do not qualify for a retiring allowance.

Executive Directors and Senior Executives

Remuneration levels are reviewed annually by the Remuneration Committee to reflect individual performance, the overall performance of the parent and consolidated entity and prevailing employment market conditions.

Remuneration of the executive director and senior executives consists of a fixed remuneration package comprising a base salary, superannuation and fringe benefits, where taken. In addition to the foregoing, the remuneration of certain executives of Pitt Capital Partners Limited and Souls Funds Management Limited may include other components which are subject to annual assessment by the Boards of those companies.

In respect of the parent entity and the unlisted controlled entities, no employment contracts for either executive directors or senior executives were in place at any time during the financial year.

Company Performance, Shareholder Wealth and Remuneration

In its review of remuneration policies, the Remuneration Committee has regard to the following measures of the consolidated entity's performance for the current and previous four financial years.

	AGAAP		A-IFRS	
	2004	**2005**	**2006***	**2007**
Revenue from continuing activities ($000)	$392,854	$587,861	$786,541	$812,112
Profit after tax ($000) (before non-regular items)	$81,508	$96,164	$93,944	$99,192
Share price at year end	$7.35	$9.60	$7.80	$9.27
Ordinary dividends paid	20 cents	25 cents	27 cents	28.5 cents
Special dividends paid	10 cents	15 cents	15 cents	-

* 2006 comparatives have been restated for discontinued operations and policy changes.

Key management personnel of the parent entity

Non – executive directors

Mr R D Millner – Chairman

Mr M J Millner – Deputy Chairman

Mr D J Fairfull – Executive director of Pitt Capital Partners Limited

Mr D E Wills

Mr R G Westphal

Executive director

Mr P R Robinson

Other key management personnel of the parent entity

Ms M R Roderick – Chief Financial Officer

Mr R A O'Brien – Company Secretary (retired 11 July 2007)

Mr I D Bloodworth – Company Secretary (appointed 11 July 2007)

Key management personnel of the Consolidated Entity

Mr R C Neale – Chief Executive Officer, New Hope Corporation Limited

Mr P K Mantell – Chief Financial Officer and Company Secretary, New Hope Corporation Limited

Mr M Simmons – Chief Executive Officer, SP Telemedia Limited

Mr J Eather – Chief Executive Officer, NBN Limited (employer subsidiary sold 9 May 2007)

Mr K Parsons – Acting Chief Executive Officer, Chief Financial Officer and Company Secretary, KH Foods Limited

Mr C J Photakis – Managing Director, Pitt Capital Partners Limited (appointed 2 April 2007)

Mr A D Fairfull – General Manger, Souls Private Equity Limited

Details of the nature and amount of each major element of the remuneration of the key management personnel of the Company and the Consolidated Entity, including those receiving the highest remuneration, are as follows:-

Key Management Personnel	Short Term Employee Benefits			Post Employment Benefits		Share Based Payments	Total
	Salary & Fees	Cash Bonus	Non Monetary Benefits	Super-annuation	Termination Benefits	Value of Options	
Name	$000	$000	$000	$000	$000	$000	$000
Non-executive Directors – 2007							
Mr R D Millner – Chairman	325	-	32	29	-	-	386
Mr M J Millner – Deputy Chairman	130	-	-	12	-	-	142
Mr D J Fairfull – Director	622	-	-	56	-	-	678
Mr D E Wills – Director	103	-	-	9	-	-	112
Mr R G Westphal – Director	236	-	-	10	-	-	246
Executive Director – 2007							
Mr P R Robinson	508	-	46	89	-	-	643
Key Management Personnel of the Parent Entity – 2007							
Ms M R Roderick Chief Financial Officer	217	-	23	20	-	-	260
Mr R A O'Brien Company Secretary Retired 11 July 2007	140	-	27	37	-	-	204
Mr I Bloodworth Company Secretary Appointed 11 July 2007	15	-	-	1	-	-	16
Key Management Personnel of the Consolidated Entity – 2007							
Mr R C Neale – Chief Executive Officer New Hope Corporation Limited	553	140	33	22	-	244	992
Mr P K Mantell – Chief Financial Officer & Company Secretary New Hope Corporation Limited	284	48	24	17	-	185	558
Mr M Simmons – Chief Executive Officer SP Telemedia Limited	448	77	41	73	-	139	778
Mr J Eather – Chief Executive Officer NBN Limited Employer subsidiary sold 9 May 2007	346	77	28	59	694	139	1,343
Mr K Parsons – Acting Chief Executive Officer, Chief Financial Officer & Company Secretary KH Foods Limited	210	-	23	21	-	-	254
Mr C J Photakis – Managing Director Pitt Capital Partners Limited Appointed 2 April 2007	183	-	-	17	-	-	200
Mr A D Fairfull – General Manger Souls Private Equity Limited	188	12	-	17	-	-	217
Total	**4,508**	**354**	**277**	**489**	**694**	**707**	**7,029**

DIRECTORS' REPORT (CONTINUED)

Key Management Personnel	Short Term Employee Benefits			Post Employment Benefits		Share Based Payments	Total
	Salary & Fees	Cash Bonus	Non Monetary Benefits	Super-annuation	Termination Benefits	Value of Options	
Name	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Non-executive Directors – 2006							
Mr R D Millner – Chairman	350	-	37	31	-	-	418
Mr M J Millner – Deputy Chairman	168	-	-	15	-	-	183
Mr D J Fairfull – Director	674	-	-	60	-	-	704
Mr D E Wills – Director Appointed 1 April 2006	60	-	-	5	-	-	65
Mr R G Westphal – Director Appointed 1 April 2006	93	-	-	5	-	-	98
Executive Director – 2006		-			-	-	-
Mr P R Robinson	537	-	47	89	-	-	673
Key Management Personnel of the Parent Entity – 2006							
Mr N L Smallbone Financial Controller – retired 7 July 2006	168	-	24	38	-	-	230
Ms M R Roderick Chief Financial Officer Appointed 27 June 2006	21	-	1	2	-	-	24
Mr R A O'Brien Company Secretary	149	-	26	16	-	-	191
Key Management Personnel of the Consolidated Entity – 2006							
Mr R C Neale – Chief Executive Officer New Hope Corporation Limited	390	36	36	95	-	234	791
Mr P K Mantell – Chief Financial Officer & Company Secretary New Hope Corporation Limited	235	20	23	35	-	192	505
Mr M Simmons – Chief Executive Officer SP Telemedia Limited	415	80	23	70	-	18	606
Mr J Eather – Chief Executive Officer NBN Limited	418	80	22	70	-	18	608
Total	**3,678**	**216**	**239**	**531**	**-**	**462**	**5,126**

NOTE: None of the options disclosed above have lapsed.

INDEMNIFICATION OF OFFICERS AND AUDITORS

Indemnification

The Company's Constitution provides for an indemnity of Directors, Secretaries and Executive Officers (as defined in the Corporations Act 2001), where liability is incurred in the performance of their duties in those roles, other than conduct involving a wilful breach of duty in relation to the company. The Constitution further provides for an indemnity in respect of any costs and expenses incurred in defending proceedings in which judgement is given in their favour, they are acquitted, or the Court grants them relief under the Corporations Act 2001.

Insurance

In accordance with the provisions of the Corporations Act, Washington H. Soul Pattinson and Company Limited has a Directors' and Officers' Liability policy covering directors and officers of the Parent Company and its controlled entities. The insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Auditors

No indemnities have been given or insurance premiums paid during or since the end of the financial year to any person who is or has been an auditor of the Parent Company and its controlled entities.

DIRECTORS' REPORT (CONTINUED)

ENVIRONMENTAL COMPLIANCE

New Hope Corporation Limited's (NHC) mining operations are regulated by the Queensland EPA under the Environmental Protection Act 1994. The Company's mining activities are authorised by a series of site based environmental authorities.

For the majority of the 2007 financial year, NHC maintained a proficient standard of environmental management across all coal operations. A number of significant positive environmental outcomes were achieved during a unique period involving the mine closure at Jeebropilly and the mine expansion at New Acland.

However, NHC's environmental management highs were interrupted by two non compliant sediment discharges at the New Oakleigh Mine during late 2006 due to flash flooding following extreme rainfall events. Importantly, no environmental harm occurred to the downstream aquatic environment (Western Creek) and the resultant sediment discharges remained contained within a well grassed gully system on NHC-owned land. The EPA was well informed following both discharge events and was satisfied with the prompt remedial actions on both occasions. As a result of these discharges, NHC received two penalty infringement notices which incurred fines of $1,500 each.

NHC responded by undertaking a voluntary Environmental Management Program to minimise the risk of this situation arising in the future.

Subsequently, NHC has received positive feedback from the EPA on the general standard of environmental management and the status of progressive rehabilitation at its Jeebropilly and New Oakleigh Mines following two major compliance audits during early 2007.

The New Acland Mine received environmental and tenure approvals during late 2006 to allow for the Stage 2 expansion of the mine during early-mid 2007. These approvals were awarded following successful completion of an Environmental Impact Statement under the Environmental Protection Act 1994. Extensive consultation and environmental impact assessment was undertaken as part of this process.

During the 2007 financial year, NHC joined the Commonwealth's Greenhouse Challenge Plus program and registered with the Commonwealth's Energy Efficiency Opportunities program to reduce its operational greenhouse emissions and energy use. NHC is a financial member of Coal21, which is currently investigating clean coal technology. NHC is aware of the significance of this emerging environmental issue and continues to investigate possible operational improvements to ensure it meets its corporate responsibilities.

Environmental management is an important aspect of NHC's business that continues to evolve to keep pace with operational expansion, increasing public expectations and growing regulatory requirements.

NON AUDIT SERVICES

During the year, Moore Stephens Sydney, the Company's auditor, has performed certain other services in addition to their statutory duties. Details of the amounts paid to the auditors are disclosed in note 45 to the financial statements.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor, and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement APES110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 12.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

OPTIONS

The Company has not issued any options over its unissued shares during the year or in prior years.

ROUNDING OF AMOUNTS

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 Class Order 98/100.

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

Signed in accordance with a resolution of the Directors:

R D MILLNER	**P R ROBINSON**
Director	***Director***

MOORE STEPHENS

PARTNERS:
Howard Badger CA
Andrew Blackwell CA
Chris Chandran CA
Stephen Humphrys FCA
Garry Leyshon FCA
Allan Mortel CA
Wayne Morton FCA
Brett Sato CA
Joe Shannon CA
Robert Southwell CA
Spiro Tzannes FCA
Charlie Viola (Affiliate ICAA)
Scott Whiddett CA

CONSULTANTS:
Pat Bugden FCA
Anja Dorrell CA
Bob Webster FCA

Auditor's Independence Declaration

As lead auditor for the audit of Washington H. Soul Pattinson and Company Limited and the Consolidated Entity for the year ended 31 July 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 audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Washington H. Soul Pattinson and Company Limited and the Consolidated Entity during the period.

Moore Stephens Sydney

MOORE STEPHENS SYDNEY
Chartered Accountants

S M WHIDDETT
Partner

Dated in Sydney this 29th day of October 2007

Moore Stephens Sydney ABN 90 773 984 843
Level 7, 20 Hunter Street, Sydney NSW 2000
GPO Box 473, Sydney NSW 2001
Tel: +61 2 8236 7700 Fax: +61 2 9233 4636 Web: www.moorestephens.com.au
A member of the Moore Stephens International Limited network of independent firms.

CORPORATE GOVERNANCE STATEMENT

The Washington H. Soul Pattinson and Company Limited Board is committed to ensuring its policies and practices reflect good corporate governance and recognises that for the success of the Company an appropriate culture is nurtured and developed throughout all levels of the Company.

This statement outlines the Company's Corporate Governance practices in place throughout the year and has been summarised into sections in line with the 10 essential corporate governance principles specified in the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations".

ASX Principle 1 – Lay solid foundations for management and oversight

The Board is ultimately responsible for the operations, management and performance of the Company. In discharging this responsibility the Board delegates to senior management whose role it is to manage the Company in accordance with the directions and policies set by the Board. The Board monitors the activities of senior management in the performance of their delegated duties.

It is the responsibility of the Board to determine policies, practices, management and the operations of the Company and to ensure that the Company is compliant with statutory, legal and other regulatory obligations.

Responsibilities of the Board include the following:

- Determining corporate strategies, policies and guidelines for the successful performance of the Company in the present and in the future;
- Monitoring the performance and conduct of the Company;
- Accountability to shareholders;
- Ensuring that risk management procedures and compliance and control systems are in place and operating effectively;
- Monitoring the performance and conduct of senior management, and ensuring adequate succession plans are in place; and
- Ensuring the Company continually builds an honest and ethical culture.

ASX Principle 2 – Structure the Board to add value

- In accordance with the Company's constitution, the Board should comprise no less than 3 or more than 6 Directors.
- The names of the Directors of the Company at the date of this statement are set out in the Directors' Report.
- At the date of this report the Board consists of 5 non-executive and 1 executive directors. Directors' details are contained in the Directors' Report.
- The Chairman of the Board should be a non-executive director.
- Under ASX Best Practice Recommendations 2 non-executive directors are not independent for the following reason:-

  Mr. Robert Millner and Mr. Michael Millner are both directors of Brickworks Limited, a major shareholder in Washington H. Soul Pattinson and Company Limited.
- Whilst the above 2 non-executive directors cannot be considered "independent" in accordance with the ASX Best Practice recommendations, all Directors are expected to bring their independent views and judgement to the Board and, in accordance with the Corporations Act 2001, must inform the Board if they have any interest that could conflict with those of the Company. Where the Board considers that a significant conflict exists it may exercise its discretion to determine whether the Director concerned may be present at the meeting while the item is considered.
- In the discharge of their duties and responsibilities, the Directors individually (as well as the Board) have the right to seek independent professional advice at the Company's expense. However, for advice to individual Directors, prior approval of the Chairman is required, which would not be unreasonably withheld. The Chairman is entitled to receive a copy of any such advice obtained.
- The nomination committee consists of the non-executive directors who periodically review the membership of the Board having regard to the Company's particular needs, both present and future. Where a director is due for re-election at the next Annual General Meeting that director will not serve on the Nomination Committee during the year preceding re-election.
- Directors are initially appointed by the full Board, subject to election by shareholders at the next Annual General Meeting. Under the Constitution, one third of the Board retire from office each year and may submit themselves for re-election by shareholders at the Annual General Meeting.

ASX Principle 3 – Promote ethical and responsible decision making

The Company has an established code of conduct dealing with matters of integrity and ethical standards. All directors, executives and employees are expected to abide by the code of conduct which covers a number of areas including the following:-

- Professional conduct.
- Ethical standards.
- Standards of workplace behaviour and equal opportunity.
- Relationships with customers, suppliers and competitors.
- Confidentiality and continuous disclosure.
- Anti-discrimination and harassment.
- Trading in Company securities.
- The environment.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

A summary of the main principles of the Washington H. Soul Pattinson and Company Limited's share trading policy are as follows:-

- The policy relates to trading in shares of the parent entity and controlled entities and associated entities of the Company that are publicly listed.
- Trading is prohibited when directors and employees are in possession of price sensitive information which is not available to the public.
- The Company has established the following share trading windows each for a period of 6 weeks commencing from:
    1. The release of the Company's annual result to the Australian Stock Exchange.
    2. The release of the Company's half yearly result to the Australian Stock Exchange.
    3. The date of the Annual General Meeting.
    4. The release of a prospectus.
- At times other than those referred to above, directors etc., may trade with the prior approval of the Chairman, or in his absence, two directors.

ASX Principle 4 – Safeguard integrity in financial reporting

Washington H. Soul Pattinson and Company Limited has an established audit committee, which has its own charter outlining the committee's function, composition, authority, responsibilities and reporting. The current members of the audit committee are non-executive directors, the majority of whom are independent, namely Mr. R.G. Westphal (Chairman), Mr. D.E. Wills and Mr. M.J. Millner. The non-executive chairman is not a member of the audit committee. The non-executive chairman, executive directors, chief financial officer, company secretary and the internal auditor may attend audit committee meetings by invitation.

The external auditors (Moore Stephens Sydney) are requested by the audit committee to attend the appropriate meetings to report on the results of their half-year review and full year audit.

The external and internal auditors both have direct access to the audit committee if required. The function of the audit committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:-

- The external reporting of financial information, including the selection and application of accounting policies;
- The independence and effectiveness of the external auditors;
- The effectiveness of internal control processes and management information systems;
- Compliance with the Corporations Act, ASX Listing Rules and any other applicable requirements; and
- The application and adequacy of risk management systems within the Company.

The executive director and the chief financial officer are required to state in writing to the Board, by submission to the audit committee, that the Company's financial statements present a true and fair view, in all material respects, of the Company's financial position and operational results and that they are in accordance with relevant accounting standards.

ASX Principle 5 – Make timely and balanced disclosure

The Company has a Continuous Disclosure Policy to ensure compliance with the ASX Listing Rules and the Corporations Act continuous disclosure requirements. The policy requires timely disclosure through the ASX companies' announcement platform of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities. The Board is responsible for determining disclosure obligations and the company secretary is the nominated continuous disclosure officer for the Company.

ASX Principle 6 – Respect the rights of shareholders

The Board is committed to ensuring that shareholders, the stock market and other interested partners are fully informed of all material matters affecting the Company. The dissemination of information is mainly achieved as follows:-

- An Annual Report is distributed to shareholders in November each year;
- The Chairman's Address to the Annual General Meeting is distributed to shareholders in December each year;
- A Half-yearly Review of Operations is distributed to shareholders in May each year;
- Where possible, significant information is posted on the Company's website as soon as it is disclosed to the market; and
- The external auditor is requested to attend the annual general meeting to answer shareholders questions about the conduct of the audit and the content of the auditor's report.

ASX Principle 7 – Recognise and manage risk

The Company is committed to identifying and managing areas of significant business risk to protect shareholders, employees, earnings and the environment. Arrangements in place include:-

- Regular detailed financial, budgetary and management reporting;
- Procedures to manage financial and operational risks;
- Established organisational structures, procedures and policies dealing with the areas of health and safety, environmental issues, industrial relations and legal and regulatory matters;
- Comprehensive insurance and risk management programs;
- Procedures requiring Board approval for all borrowings, guarantees and capital expenditure beyond minor levels; and
- Where applicable, the utilisation of specialised staff and external advisors.

The executive director and the chief financial officer are required to state in writing to the Board, by submission to the audit committee, that the risk management and internal control compliance systems implemented by the Board are operating efficiently and effectively.

ASX Principle 8 – Encourage enhanced performance

The performance of the executive director and senior executive staff is reviewed annually by the non-executive directors. Senior executive performance is continually monitored by the executive director and the executive director's performance is subject to continuous monitoring by the full Board.

The efficiency, effectiveness and operations of the Board are continuously subject to informal monitoring by the chairman and the Board as a whole.

ASX Principle 9 – Remunerate fairly and responsibly

The Remuneration Committee consists of the non-executive directors whose main responsibility is to make recommendations to the full Board on remuneration matters and other terms of employment for executive directors, senior executives and non-executive directors.

Non executive directors' fees are reviewed annually by the full Board after taking into consideration the Company's performance, market rates, level of responsibility and the recommendations of the Remuneration Committee. The aggregate amount of fees which may be paid to non-executive directors is subject to the approval of shareholders at the Annual General Meeting and is currently set at $750,000 per annum. Approval for this amount was given at the 2002 Annual General Meeting.

With effect from 31 July, 2004 the retiring allowance for non-executive directors was frozen at 3 times the average annual fees for the three years prior to that date. Non-executive directors appointed after 1 August, 2004 will not qualify for a retiring allowance.

Under the Company's Constitution it is mandatory for a director to hold a minimum of 2,000 shares.

The Company does not have any equity based remuneration arrangements in place.

Further information of directors' and executives' remuneration is set out in the Remuneration Report.

ASX Principle 10 – Recognise the legitimate interest of stakeholders

In this Corporate Governance Statement reference has already been made to the Code of Conduct under which the Company operates. The Code is designed to comply with the legal and other obligations of legitimate stakeholders and other interested parties and to foster a culture of compliance.

Washington H. Soul Pattinson and Company Limited
Financial report
31 July 2007

Contents

This financial report covers both Washington H. Soul Pattinson and Company Limited as an individual entity and the consolidated entity consisting of Washington H. Soul Pattinson and Company Limited and its controlled entities. The financial report is presented in Australian currency.

Washington H. Soul Pattinson and Company Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is located in New South Wales:

Washington H. Soul Pattinson and Company Limited
Level 1
160 Pitt Street
SYDNEY NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations in the Directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 29 October 2007.

INCOME STATEMENTS
FOR THE YEAR ENDED 31 JULY 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000 Restated*	Parent Entity 2007 $'000	Parent Entity 2006 $'000 Restated*
Revenue from continuing operations	6	**812,112**	786,541	**143,449**	158,138
Other income	7	**40,562**	18,550	**6,895**	4,960
Cost of sales		**(463,153)**	(465,345)	**(7,908)**	(7,681)
Selling and distribution expenses		**(157,136)**	(152,348)	**(2,099)**	(2,281)
Administration expenses		**(65,516)**	(56,915)	**(3,590)**	(2,984)
Occupancy expenses		**(5,570)**	(4,592)	**(346)**	(330)
Other expenses		**(11,740)**	(14,276)	**(208)**	-
Impairment of assets	8	**(21,620)**	(10,177)	**(65,930)**	-
Finance costs		**(5,481)**	(4,685)	**(16,229)**	(1,581)
Share of profits of associates and partnerships using the equity method		**34,291**	43,927	**-**	-
Profit before income tax		**156,749**	140,680	**54,034**	148,241
Income tax (expense)/benefit	9	**(32,651)**	(39,914)	**20,339**	(3,659)
Profit after tax from continuing operations		**124,098**	100,766	**74,373**	144,582
Profit after tax from discontinued operations	10(b)	**66,614**	630	**-**	-
Profit after tax for the year		**190,712**	101,396	**74,373**	144,582
Profit after tax attributable to minority equity interest		**(60,496)**	(15,009)	**-**	-
Profit after tax attributable to members of Washington H. Soul Pattinson and Company Limited		**130,216**	86,387	**74,373**	144,582
Profit before non regular items from ordinary activities after tax attributable to members		**99,192**	93,944	**85,703**	78,201
Profit/(Loss) from non regular items after income tax attributable to members	8 (ii)	**31,024**	(7,557)	**(11,330)**	66,381
Profit after tax and non regular items attributable to members		**130,216**	86,387	**74,373**	144,582

	Note	Cents 2007	Cents 2006
Earnings per share			
Basic and diluted earnings per share to ordinary equity holders of the company			
Continuing operations		**33.94**	36.16
Discontinued operations	10(b)	**20.63**	0.04
		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 have enlarged the Income Statements to highlight the operating profit after tax and before non regular items. The Company is a long-term investor and does not seek to increase its operating profit by the sale of investments when the share market rises but to make its profit from the receipt of dividend income.

* The Income Statements have been restated for discontinued operations (refer note 10) and policy changes (refer note 4).

The above income statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS
AS AT 31 JULY 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000 Restated	Parent Entity 2007 $'000	Parent Entity 2006 $'000 Restated
Current assets					
Cash and cash equivalents	11	**173,272**	77,986	**1,652**	1,173
Trade and other receivables	12	**119,998**	138,073	**2,009**	3,955
Inventories	13	**27,390**	28,907	**825**	911
Intangibles	14	**29,211**	36,690	**-**	-
Other financial assets at fair value through profit or loss	15	**84,884**	64,484	**8,029**	4,631
Held to maturity investments	16	**293,844**	435,059	**104,296**	90,500
Derivative financial instruments	17	**7,361**	8,060	**-**	-
Other assets		**1,410**	161	**-**	-
		737,370	789,420	**116,811**	101,170
Assets of disposal group classified as held for sale	10(c)(ii)	**6,414**	-	**-**	-
Total current assets		**743,784**	789,420	**116,811**	101,170
Non-current assets					
Trade and other receivables	18	**12,043**	29,812	**6,561**	52,912
Investments accounted for using the equity method	19	**512,104**	469,807	**-**	-
Available for sale financial assets	20	**882,904**	524,863	**561,601**	473,048
Other financial assets	21	**16,260**	21,133	**369,800**	382,940
Property, plant and equipment	22	**384,607**	358,749	**4,589**	5,022
Investment property	23	**35**	1,559	**-**	-
Deferred tax assets	24	**12,149**	10,202	**-**	-
Intangible assets	25	**75,609**	176,215	**792**	-
Total non-current assets		**1,895,711**	1,592,340	**943,343**	913,922
Total assets		**2,639,495**	2,381,760	**1,060,154**	1,015,092
Current liabilities					
Trade and other payables	26	**92,326**	122,035	**1,294**	1,838
Short-term borrowings	27	**51,885**	32,882	**28,517**	15,841
Current tax liabilities		**29,908**	27,642	**2,112**	3,871
Short-term provisions	29	**18,681**	17,091	**460**	520
Other	31	**22,995**	36,665	**15,631**	735
		215,795	236,315	**48,014**	22,805
Liabilities directly associated with assets of a disposal group	10(c)(ii)	**3,596**	-	-	-
Total current liabilities		**219,391**	236,315	**48,014**	22,805
Non-current liabilities					
Long-term borrowings	28	**38,642**	65,844	**-**	-
Deferred tax liabilities	32	**211,952**	103,458	**69,087**	71,148
Long-term provisions	30	**15,400**	16,293	**803**	799
Other	33	**7,314**	7,752	**-**	-
Total non-current liabilities		**273,308**	193,347	**69,890**	71,947
Total liabilities		**492,699**	429,662	**117,904**	94,752
Net assets		**2,146,796**	1,952,098	**942,250**	920,340
Equity					
Issued capital	34	**32,900**	32,900	**32,900**	32,900
Reserves	35	**792,115**	638,191	**657,012**	608,053
Retained earnings	35(d)	**754,033**	735,315	**252,338**	279,387
Parent entity interest		**1,579,048**	1,406,406	**942,250**	920,340
Minority equity interest		**567,748**	545,692	**-**	-
Total Equity		**2,146,796**	1,952,098	**942,250**	920,340

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2007

Consolidated Entity	Share Capital $'000	Retained Profits $'000	Reserves $'000	Minority interests $'000	Total $'000
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 (note 4):					
- 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
Total equity at the beginning of the year - 1 August 2005 - restated	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
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 (note 4)	-	-	(712)	-	(712)
Net profit for the year after tax – restated (note 4)	-	86,387	-	15,009	101,396
Total recognised income and expense for the year	-	88,435	210,466	19,212	318,113
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)
Options expense	-	-	1,286	838	2,124
Net movement in treasury reserve	-	-	(230)	-	(230)
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 (note 4)	**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 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
Total recognised income and expense for the year	**-**	**130,216**	**152,477**	**123,362**	**406,055**
Dividends declared and paid	-	(79,922)	-	(63,210)	(143,132)
Contributions of equity, net of transaction costs	-	-	-	9,495	9,495
Net movement in share based payments reserve	-	-	1,345	893	2,238
Net movement in treasury reserve	-	-	102	128	230
Acquisition of additional ownership in subsidiaries – refer note 35(d)	-	(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)	-
Total equity at the end of the year - 31 July 2007	**32,900**	**754,033**	**792,115**	**567,748**	**2,146,796**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2007

Parent entity	Share Capital $'000	Retained Profits $'000	Reserves $'000	Total $’000
Total equity at the beginning of the year - 1 August 2005 as reported in the 2006 financial report	32,900	185,414	402,494	620,808
Effect of change in accounting policy and correction of error in previous year (note 4):				
- Change in approach for the accounting of tax on associates	-	23,370	-	23,370
Total equity at the beginning of the year - 1 August 2005 - restated	32,900	208,784	402,494	644,178
Effect of adoption of AASB 132 and AASB 139 on 1 August 2005 – to reserves	-	-	170,096	170,096
Revaluation of available-for-sale investments, net of tax	-	-	37,243	37,243
Transfer to profit on sale of available-for-sale investments, net of tax	-	-	(1,780)	(1,780)
Net profit for the year- restated	-	144,582	-	144,582
Total recognised income and expense for the year	**-**	**144,582**	**205,559**	**350,141**
Dividends declared and paid at end of year	-	(73,979)	-	(73,979)
Total equity at the end of the year - 31 July 2006 - restated (note 4)	**32,900**	**279,387**	**608,053**	**920,340**
Total equity at the beginning of the year - 1 August 2006 – restated	32,900	279,387	608,053	920,340
Revaluation of available-for-sale investments, net of tax	-	-	51,725	51,725
Transfer to profit on sale of available-for-sale investments, net of tax	-	-	(2,766)	(2,766)
Net profit for the year	-	74,373	-	74,373
Total recognised income and expense for the year	**-**	**74,373**	**48,959**	**123,332**
Dividends declared and paid	-	(101,422)	-	(101,422)
Total equity at the end of the year - 31 July 2007	**32,900**	**252,338**	**657,012**	**942,250**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 JULY 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent Entity 2007 $'000	Parent Entity 2006 $'000
Cash flows from operating activities					
Receipts from customers inclusive of GST		**897,047**	947,416	**14,516**	14,535
Payments to suppliers and employees inclusive of GST		**(804,745)**	(873,541)	**(14,366)**	(13,772)
		92,302	73,875	**150**	763
Dividends received		**54,693**	44,621	**119,925**	136,251
Interest received		**31,353**	38,664	**8,005**	8,567
Finance costs		**(8,581)**	(6,415)	**(66)**	(846)
Income taxes paid		**(50,953)**	(81,255)	**(5,818)**	(4,247)
Net cash inflow from operating activities	46	**118,814**	69,490	**122,196**	140,488
Cash flows from investing activities					
Payment for property, plant and equipment and intangibles		**(126,653)**	(62,302)	**(1,041)**	(203)
Proceeds from sale of property, plant and equipment		**13,385**	5,287	**13**	-
Net proceeds (payments) for investments held to maturity		**141,215**	(315,989)	**(13,796)**	(8,131)
Payments for investments		**(81,175)**	(125,778)	**(67,133)**	(44,183)
Proceeds from sale of investments		**35,467**	20,242	**8,147**	57,856
Acquisition of subsidiary, net of cash acquired		**(76,758)**	(6,050)	**-**	-
Proceeds from sale of subsidiary, net of cash disposed of	10(c)	**236,571**	(50)	**24**	-
Loans to related entities		**(6,532)**	(47,967)	**(5,380)**	(52,735)
Loan repayments from related entities		**3,100**	-	**51,086**	-
Funds received from associated entities		**4,210**	3,100	**-**	-
Net cash inflow/(outflow) from investing activities		**142,830**	(529,507)	**(28,080)**	(47,396)
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)	**(101,422)**	(97,843)
Proceeds from borrowings		**149,749**	23,463	**7,785**	2,446
Repayment of borrowings and leases		**(161,808)**	(3,611)	**-**	-
Restricted cash released		**4,150**	-	**-**	-
Net cash (outflow) from financing activities		**(166,358)**	(157,534)	**(93,637)**	(95,397)
Net increase/(decrease) in cash and cash equivalents		**95,286**	(617,551)	**479**	(2,305)
Cash and cash equivalents at the beginning of the year		**77,986**	695,773	**1,173**	3,478
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	**1,652**	1,173

The above cash flow statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report covers the consolidated entity of Washington H. Soul Pattinson and Company Limited and controlled entities ("Consolidated entity" or "Group"), and Washington H. Soul Pattinson and Company Limited as an individual parent entity ("Company" or "Parent entity").

Washington H. Soul Pattinson and Company Limited is a listed public company, incorporated and domiciled in Australia.

a) Basis of preparation of accounts

This general purpose financial report has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Washington H. Soul Pattinson and Company Limited comply with IFRS except that the entity has elected to apply relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure*.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and liabilities (including derivative instruments) carried at fair value.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Changes in basis of preparation

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);
b) Correction in classification of Available for sale financial asset;
c) Re-assessment of tax base for the accounting of deferred tax on equity accounted associates; and
d) Adoption of AASB-2005-9 Amendments to Australian Accounting Standards in respect to accounting for financial guarantee contracts.

The impact of these are detailed in note 4.

b) Principles of consolidation

i. Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Washington H. Soul Pattinson and Company Limited ("Company" or "parent entity") as at 31 July 2007 and the results of all subsidiaries for the year then ended. Washington H. Soul Pattinson and Company Limited and its subsidiaries together are referred to in this financial report as the 'Group' or 'Consolidated entity'.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity. This represents a change in an accounting policy from previous presented financial reports (refer note 4a).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements of Washington H. Soul Pattinson and Company Limited.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii. Associates

Associates are all entities over which the Group has significant influence but not control over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The consolidated entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

iii. Partnerships

The interest in a partnership is accounted for in the consolidated financial statements using the equity accounting method. The percentage of the partnership's result for the period is recognised in the Group's income statement.

c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

d) Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Washington H. Soul Pattinson and Company Limited functional and presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

iii. Group companies

The results and financial position of all of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rates at the date of that balance sheet;
- income and expenses for each income statement item are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are taken to shareholders' equity. When a foreign operation is sold a proportionate share of such exchange differences is recognised in the income statement as part of the gain or loss on sale.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

- Revenue from the sale of goods (net of returns, discounts and allowances) is recognised when the goods are despatched to the customer and for coal sales when title has transferred to the customer in accordance with the sales terms. Where a sale is settled through instalments, interest revenue is recognised over the contract term, using the effective interest rate method.
- Consulting and management fee income is recognised as the services are performed and the control of the right to be compensated for the commitments undertaken.
- Revenue from the rendering of telecommunication services, including access to mobile networks, telephone calls, connection and retention commissions are recognised in proportion to the stage of completion of the contract.
- Interest income is recognised on a time proportion basis using the effective interest method.
- Dividend income is taken into profit when the right to receive payment is established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.
- Lease income from operating leases is recognised on a straight-line basis over the lease term.

i. Income in advance

Income in advance represents customer access fees invoiced that are not earned at the reporting date. Access fees are normally invoiced to customers one month in advance. This is taken to revenue in the month to which the access fees relate.

f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and the carrying amount in the consolidated financial statements is determined using tax rates (and laws) expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for the deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary difference and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

Some of the entities within the consolidated entity implemented tax consolidation from 1 August 2003. The tax office has been notified on these decisions.

Controlled entities within the relevant tax-consolidated groups, continue to be responsible by the operation of tax funding agreements, for funding tax payments required to be made by the head entity in their tax consolidation groups from underlying transactions of their controlled entities.

g) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Business combinations (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which similar borrowings could be obtained from an independent financier under comparable terms and conditions.

h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if changes or circumstances indicate that they may be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less, net of bank overdrafts. Bank overdrafts are shown within borrowings in the current liabilities in the balance sheet.

j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement between 30 and 45 days from the date of recognition.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for amortisation of doubtful debts is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

k) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Coal stocks are valued at the lower of cost including an appropriate proportion of fixed and variable mining overheads, and net realisable value in the normal course of business.

l) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less cost to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less cost to sell. A gain is recognised for any subsequent increases in fair value less cost to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of the business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of the business or area of operations, or a subsidiary acquired exclusively with the view to resale. The results of discontinued operations are presented separately on the face of the income statement.

m) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Investments and other financial assets (continued)

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired purpose principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities of greater than 12 months after the balance sheet date which are classified as non-current assets. Loan and receivables are included in trade and other receivables in the balance sheet.

iii. Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held to maturity financial assets are included in current assets, except those with maturities of more than 12 months from the reporting date, which are classified as non-current assets.

iv. Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financials assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, are presented in the income statement within other income or other expenses in the period in which they arise.

Changes in the fair value of financial assets classified as available-for-sale are recognised in equity.

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, references to other instruments that are substantially the same, and discounted cash flow analysis.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the value of a security below its cost is considered an indicator that the security may be impaired. Impairment losses are recognised in the income statement.

n) Derivatives - Forward foreign exchange contracts

The Group hedges its foreign currency exposure by entering into forward contracts.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Derivatives - Forward foreign exchange contracts (continued)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

o) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less estimated credit adjustments and impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

p) Property, plant and equipment

Freehold land is carried at the lower of cost and recoverable amount.

Property, plant and equipment, excluding investment properties, are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of self constructed assets includes the cost of materials, direct labour, the initial estimate where relevant, of the cost of dismantling and removing the items and restoring the site under which they are located and an appropriate proportion of production overhead.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Property, plant and equipment:	Depreciation rate
Buildings	0 – 5%
Machinery	5 – 33⅓%
Vehicles	15 – 33⅓%
Furniture, fittings and equipment	5 – 40%
Leasehold improvements	0 – 5%
Mining reserves & leases	Over productive life of mine
Mine development costs	Over productive life of mine

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

q) Mine properties, mine development costs, mining reserves and mining leases

Development expenditure incurred by the Group is accumulated separately for each area of interest in which economically recoverable mineral resources have been identified to the satisfaction of the Directors. Direct development expenditure, pre-operating mine start-up costs, and an appropriate portion of related overhead expenditure are capitalised as mine development costs up until the relevant mine is in commercial production.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2007

q) Mine properties, mine development costs, mining reserves and mining leases (continued)

Mining reserves, leases and mine development costs are amortised over the estimated productive life of each applicable mine on either a unit of production basis or years of operation basis, as appropriate. Amortisation commences when a mine commences commercial production.

r) Investment Property

The investment property, principally comprising freehold commercial buildings, is held for long-term rental yields and is not occupied by the Group. Investment property is accounted for using the historical cost model. Buildings are depreciated on a straight line basis over 40 years.

s) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and benefits incidental to the ownership of the asset are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset or over the term of lease.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payment made under operating leases, are charged to the income statement on a straight-line basis over the period of the lease.

t) Intangible assets

i. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary / associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies, unless there is no reasonable and consistent basis to do so, in which case goodwill is allocated to groups of cash generating units. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where this recoverable amount is less than the carrying amount, an impairment loss is recognised.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

ii. Television Licence

The television license is stated at cost less accumulated impairment losses. The television license is subject to renewal by the Australian Communication and Media Authority. The directors have no reason to believe that the licence will not be renewed. The directors regularly assess the carrying value of the licence to ensure it is not carried at a value greater than its recoverable amount. No amortisation is provided against the licence as the directors believe the licence has an indefinite useful life.

iii. Capitalised subscriber costs

Capitalised subscriber costs comprising dealer connection commissions, fulfilment costs and sim-cards are recognised as an asset and amortised using the straight line method from the date of initial recognition over the period during which the future economic benefits are expected to be obtained, being the contract period.

iv. Acquired customer bases

On acquisition of a subsidiary, customers of the acquired subsidiary are valued and brought to account as intangible assets. The value given to the customers is the expected future economic benefit expected to be derived from these customers.

v. Brand names

The Brand names have a finite useful life and are carried at cost less accumulated amortisation and impaired losses.

vi. Software

Software is stated at historical cost less applicable amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of software. Amortisation is calculated so as to write off the cost of each item of software during its expected economic life to the consolidated entity.

vii. Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

viii. Development costs

Operating costs incurred in developing or acquiring income producing assets are recognised as an asset and amortised using the straight line method from the date of initial recognition over the period during which the future economic benefits are expected to be obtained, being the contract period.

ix. Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Intangible assets (continued)

Amortisation of intangible assets

Amortisation is charged to the income statement on a straight-line basis, unless otherwise stated, over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives of intangibles are as follows:

Class of intangible	Useful life
Goodwill	Indefinite life
Television licence	Indefinite life
Capitalised subscriber costs	24 months
Acquired customer base	4 years based on rate of churn of customers
Brand names	20 years
Software	3 – 5 years
Development costs	2 – 20 years

Impairment of assets

The carrying amount of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable value. Impairment losses are recognised in the income statement unless an asset has previously been revalued, in which case the impairment loss is recognised a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use.

u) Trade and other payables

Trade and other payables are stated at their amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and usually paid within 30 to 60 days of recognition.

v) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of facility.

Borrowings are removed from the balance sheet when the obligation specified in the contact is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

w) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs for the construction of a qualifying asset are capitalised at the rate applicable for the facility used to construct the asset. Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings and finance lease charges.

x) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

y) Restoration, rehabilitation and environmental expenditure

Provisions are raised for restoration, rehabilitation and environmental expenditure as soon as an obligation exists, with the cost being charged to the income statement in respect of ongoing rehabilitation. Where the obligation relates to decommissioning of assets and restoring the sites on which they are located, the costs are carried forward in the value of the asset and amortised over its useful life.

The obligations include profiling, stabilisation and revegetation of the completed area, with cost estimates based on current statutory requirements and current technology.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

z) Premises 'make good' provision

Future estimated costs for the restoration of leased factory premises to their condition at lease inception are recognised at the present value of those future costs.

aa) Restructuring costs

Liabilities arising from undertaking a restructuring program, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan of the restructuring activity has been developed and implementation of the restructuring program as planned has commenced, by either entering into contracts to undertake the restructuring activities or making a detailed announcement such that affected parties are in no doubt the restructuring program will proceed.

bb) Employee benefits

i. Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and vested sick leave expected to be settled within 12 months of the reporting date are recognised in current liabilities and measured at the amounts expected to be paid when the liabilities are settled, including related on costs, in respect of employees' services up to that date.

ii Long service leave

A liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using appropriate risk free rates as applicable to the estimated future cash outflows.

iii. Superannuation

The company and other controlled entities contribute to several defined contribution superannuation plans. Contributions are recognised as an expense in the income statement on an accruals basis.

cc) Share-based payments

Share-based payments are provided to employees of Group entities. All options have been granted after 7 November 2002 and vest after 1 January 2005.

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the options. Options are exercisable by current employees during the nominated vesting period or by directors' consent. Detailed vesting conditions are set out in note 47.

The fair value at grant date is independently determined using various option pricing models and are detailed in note 47.

At each balance sheet date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

dd) Exploration and evaluation expenditure

Exploration, evaluation and relevant acquisitions costs are accumulated separately for each area of interest. They comprise acquisition costs, direct exploration and evaluation costs and an appropriate portion of related overhead expenditure. Costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which such costs are expected to be recouped through successful development and exploitation or from sale of the area. Exploration and evaluation expenditure which does not satisfy these criteria is written off.

ee) Benching and forward overburden removal

The costs of overburden removed in advance and establishment of work benches have been deferred and will be charged to the income statement in subsequent years on the basis of saleable tonnes produced. Costs have not been deferred in operations where uncertainty exists as to their recoverability as a result of either remaining mine life or technical conditions within the mine.

ff) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently measured at the higher of the amount of obligation under the contract, as determined in accordance with AASB 137: *Provisions, Contingent Liabilities and Contingent Assets*; or the amount recognised initially less cumulative amortisation recognised in accordance with revenue recognition policies.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Changes in the accounting policy during the year for the Group are described in detail in note 4d.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

gg) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of tax, from the proceeds. The amounts of any capital returns are applied against contributed equity.

hh) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

ii) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus element in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

jj) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

kk) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

ll) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. The comparative income statement has been represented as if an operation discontinued during the current period had been discontinued from the start of the comparative period. (see note 10).

mm) New Accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 31 July 2007 reporting periods. The Group has elected not to early adopt these standards and interpretations. These standards and interpretations are not expected to have a material impact in the future financial periods on any amounts recognised in the financial statements. A list of these standards and interpretations is as follows:

i. AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB1023 & AASB 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial instruments.

ii. AASB-1 10 Interim Financial Reporting and Impairment

AASB-1 10 is applicable to reporting periods commencing on or after 1 November 2006.

The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the type of information disclosed in relation to the Group and the parent entity's financial instruments.

iii. UIG 611 Share-based Payment: Accounting for Group Schemes.

UIG 611 is applicable to annual reporting periods beginning on or after 1 March 2007.

iv. AASB 8 Operating Segments

AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2007

NOTE 2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including currency risk, price risk and fair value interest risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures.

Risk management is carried out in accordance with policies approved by the Board of Directors. The written policies cover specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of forward exchange contracts and investment of excess liquidity.

a) Market Risk

i. Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk arising from currency exposures to the US Dollar.

Forward contracts are used to manage foreign exchange risk. Senior management is responsible for managing exposures in each foreign currency by using external forward currency contracts. Contracts are designated as cash flow hedges. External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific future transactions.

The Group's risk management policy is to hedge up to 50% of anticipated transactions (export coal sales) in US Dollars for the subsequent 5 years. All hedges of projected export coal sales qualify as "highly probable" forecast transactions for hedge accounting purposes.

ii. Price Risk

The Group is exposed to equity securities price risk arising from certain investments held by the Group.

iii. Fair value interest rate risk

Refer to (d) below.

b) Credit Risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

c) Liquidity risk

Prudent liquidity risk management is adopted through maintaining sufficient cash and marketable securities, the ability to borrow funds from credit providers and to close-out market positions.

d) Cash flow and fair value interest rate risk

The Group currently has significant interest-bearing assets which are placed with reputable investment counterparties for up to 12 months. Significant changes in market interest rates may have an effect on the Group's income and operating cash flows. The Group manages its cashflow interest rate risk by placing excess funds in term deposits and other fixed interest bearing assets.

The Group's interest rate risk arises from short and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Interest rate risk is managed with a mixture of floating and fixed rate debt and lease arrangements.

e) Credit risk exposures

Credit risk may arise from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. A material exposure arises from forward exchange contracts and the consolidated entity is exposed to loss in the event that counterparties fail to deliver the contracted amount. At balance date the following amounts are receivable (AUD equivalents).

	Consolidated	
	2007	2006
	$000	$000
Australian Dollars	**83,561**	144,307

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements incorporated into the financial report are based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on trends and economic data, obtained both externally and within the Group.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i. Key estimate – Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets, including receivables, property, plant and equipment, goodwill and intangibles and other assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

ii. Key estimate – Rehabilitation – coal mining operations

The Group makes estimates about the future cost of rehabilitating tenements which are currently disturbed, based on legislative requirements and current costs. Cost estimates take into account past experience, and expectations of future events that are expected to alter past experiences. Any changes to legislative requirements could have a significant impact on the expenditure required to restore these areas.

iii. Determination of coal reserves and coal services

The Group estimates its coal reserves and coal resources based on information supplied by Competent Persons as defined in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves of December 2004 (the "JORC code"). Reserves determined in this way are used in the calculation of depreciation, amortisation and impairment charges, the assessment of mine lives and for forecasting the timing of the payment of close down and restoration costs.

NOTE 4. CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

Changes in basis of preparation

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 the Group's 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2007

NOTE 4. CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS (CONTINUED)

c) Re-assessment of tax base for the accounting of deferred tax on equity accounted associates (continued)

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:

For the Group:

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

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

For the parent entity:

- reducing the deferred tax liability recognised by $23.4 million and;
- increasing opening retained earnings by $23.4 million.

d) Change in accounting policy – financial guarantee contracts

The policy of recognising financial guarantee contracts as financial liabilities was adopted for the first time in the current financial year. In previous reporting periods, a liability for financial guarantee contracts was only recognised if it was probable that the debtor would default and a payment would be required under the contract.

The change was necessary following the change to AASB 139 *Financial Instruments: Recognition and Measurement* made by AASB 2005-9 Amendments to Australian Accounting Standards in September 2005. The new policy has been applied retrospectively and comparative information in relation to the 2006 financial year has been restated accordingly. The impact of the adoption of this new policy on the prior year was to:

- reduce reported profit of the parent entity by $515,000 to $144,582,000 resulting from an increase in expense of $735,000 and reduction in tax expense of $220,000.
- reducing net assets of the parent entity by $515,000 by recognising a financial liability of $735,000 and an increase to deferred tax liabilities of $220,000.

There was no impact on the consolidated financial statements of the Group or the earnings per share.

Summary of impacts on reported 2006 profit and equity

The impact of the changes in accounting polices 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**			**Parent Entity**
Restated profit for 2006	**Profit attributable to members $'000**	**Profit attributable to Minority interests $'000**	**Total $'000**	**$'000**
Profits as reported in the 2006 financial report	91,512	18,562	110,074	145,097
Effect of change in accounting policy and correction of error in previous year:				
Adjustment on adoption of AASB 2005-9, net of tax	-	-	-	(515)
- 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**	**144,582**

Impact on EPS	
EPS as reported in 2006	**38.35 cents**
Restated EPS for 2006	**36.20 cents**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2007

NOTE 4. CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS (CONTINUED)

Impact to Equity as reported in 2006

Consolidated entity – restated equity for 2006	Share Capital $'000	Retained Profits $'000	Reserves $'000	Minority Interests $'000	Total $'000
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**

Impact to Equity as reported in 2006

Parent entity – restated equity for 2006	Share Capital $'000	Retained Profits $'000	Reserves $'000	Total $'000
Total equity at 1 August 2006 as reported in the 2006 financial report	32,900	256,532	608,053	897,485
Effect of change in accounting policy and correction of error in previous year:				
- Adjustment on adoption of AASB 2005-9, net of tax	-	(515)	-	(515)
- Change in approach for the accounting of tax on associates				
- 2006 year impact	-	-	-	-
- opening retained earnings adjustment	-	23,370	-	23,370
Restated equity at 1 August 2006	**32,900**	**279,387**	**608,053**	**920,340**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2007

NOTE 5. SEGMENT INFORMATION

a) Business Segments

The Group is organised into the following divisions by product and service type.

Investing activities

The Group engages in investments in listed and unlisted entities, and short term deposits.

Media – discontinued operations

The Group operated a commercial television station including commercial production and outside broadcast facilities. This segment was sold in May 2007 – refer note 10 – Discontinued operations.

Telecommunications

The Group is a licensed telecommunications carrier selling both wholesale and retail products and services.

Coal Mining

The Group operates coal mining and support activities.

Bakery

The Group is involved in the manufacture and sale of bakery products. Grocery cake divisions were divested in August 2007 and have been reported as discontinued operations. Refer note 10 – Discontinued operations.

Consulting

The Group is involved in the provision of consulting services.

b) Geographical Segment

The Group predominantly operates in Australia.

Australian sales to external customers include coal sales to Asia-Pacific region which originate from Australian companies. For the year ended 31 July 2007 this amounted to $166,232,822 (2006: $155,357,635).

c) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and accounting standard AASB 114 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, investments, inventories, property, plant and equipment, goodwill and intangible assets net of related provisions. While most of these assets are directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits, provisions and interest bearing liabilities. Segment assets and liabilities do not include income taxes.

Intersegment pricing is determined on an arm's length basis.

NOTE 5. SEGMENT INFORMATION (CONTINUED)

d) Primary reporting format – business segments

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**
Segment Assets	1,485,952	380,936	849,329	38,299	14,001	(147,585)	**2,620,932**	-	6,414	-	**6,414**	**2,627,346**
Segment liabilities	51,705	131,888	35,105	49,025	2,550	(23,030)	**247,243**	-	3,596	-	**3,596**	**250,839**
Investments in associates and joint venture partnership	515,274	-	3,366	-	302	(6,838)	**512,104**	-	-	-	**-**	**512,104**
Acquisition of property, plant and equipment, intangibles and other non-current assets	108,342	55,932	123,525	1,595	153	(51,477)	**238,070**	2,353	225	-	**2,578**	**240,648**
Depreciation and amortisation expense	1,624	56,209	16,383	2,663	115	-	**76,994**	3,226	1,444	-	**4,670**	**81,664**
Impairment	11,267	-	-	10,193	160	-	**21,620**	-	18,465	-	**18,465**	**40,085**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2007

NOTE 5. SEGMENT INFORMATION (CONTINUED)

d) Primary reporting format – business segments (continued)

2006	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	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**
Segment Assets	1,385,448	372,492	627,800	81,331	9,063	(201,679)	**2,274,455**	97,103	-	-	**97,103**	**2,371,558**
Segment liabilities	21,002	151,288	36,662	83,569	1,056	(58,143)	**235,434**	63,128	-	-	**63,128**	**298,562**
Investments in associates and joint venture partnership	464,225	-	5,582	-	201	(201)	**469,807**	-	-	-	**-**	**469,807**
Acquisition of property, plant and equipment, intangibles and other non-current assets	96,906	121,072	94,593	1,454	42	-	**314,067**	4,136	1,035	-	**5,171**	**319,238**
Depreciation and amortisation expense	647	44,596	17,005	4,319	105	-	**66,672**	4,052	1,229	-	**5,281**	**71,953**
Impairment	1,456	-	-	8,664	57	-	**10,177**	-	1,558	-	**1,558**	**11,735**

NOTE 6. REVENUE

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
From operating activities				
Sales revenue	**744,374**	718,045	**12,100**	11,927
Other revenue				
Dividends received				
- Associates	**-**	-	**26,035**	24,538
- Controlled entities	**-**	-	**71,613**	94,182
- Other corporations	**23,318**	19,712	**21,264**	17,530
Interest received				
- Associates	**817**	1,011	**-**	-
- Controlled entities	**-**	-	**2,184**	2,529
- Other corporations	**28,027**	40,501	**6,328**	6,038
Rental income	**825**	771	**252**	246
Other	**14,751**	6,501	**3,673**	1,148
Total other revenue	**67,738**	68,496	**131,349**	146,211
Total revenue – continuing operation	**812,112**	786,541	**143,449**	158,138
Total revenue from discontinued operations	**100,263**	128,269	**-**	-

NOTE 7. OTHER INCOME

From continuing operations				
Net gain on disposal of property, plant and equipment (excluding those assets sold as part discontinued operations)	**7,985**	3,315	**-**	-
Fair value gains on other financial assets at fair value through profit or loss	**19,678**	9,641	**2,038**	1,081
Net gain on sale of available-for-sale financial assets	**4,877**	3,879	**4,857**	3,879
Gain on sale of an associate	**7,404**	-	**-**	-
Foreign currency gain	**-**	1,076	**-**	-
Other income	**618**	639	**-**	-
	40,562	18,550	**6,895**	4,960

NOTE 8. EXPENSES

(i) Profit before income tax expense includes the following specific expenses:				
Depreciation				
Buildings	**596**	643	**161**	160
Plant and equipment	**36,862**	31,014	**298**	297
Investment property	**17**	27	**-**	-
Total depreciation	**37,475**	31,684	**459**	457
Amortisation				
Capitalised subscriber costs	**34,447**	22,763	**-**	-
Non-current assets				
Mining reserves and mine development	**2,203**	4,604	**-**	-
Intangible assets	**7,539**	12,912	**208**	-
Total amortisation – non-current assets	**9,742**	17,516	**208**	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2007

NOTE 8. EXPENSES (CONTINUED)

(i) Profit before income tax expense includes the following specific expenses (continued):

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Impairment charges				
Property, plant and equipment	**8,593**	3,564	**-**	-
Intangibles	**3,666**	5,100	**-**	-
Investments	**-**	1,456	**65,680**	-
Loans	**8,995**	-	**250**	-
Other	**366**	57	**-**	-
Impairment – continuing operations	**21,620**	10,177	**65,930**	-
Impairment discontinued operations	**18,465**	1,558	**-**	-
Total impairment	**40,085**	11,735	**65,930**	-
Bad and doubtful debts expense	**7,690**	7,957	**-**	-
Employee benefits expense	**138,137**	129,546	**2,957**	2,947
Finance Costs				
Interest and finance charges paid/payable	**6,972**	6,620	**16,229**	1,581
Rental expense relating to operating leases	**2,510**	3,018	**42**	42
Exploration costs expensed	**7,166**	9,029	**-**	-

(ii) Details of non regular items impacting profit after income tax expense attributable to members

	2007 $'000	2006 $'000 restated	**2007 $'000**	2006 $'000 restated
Special dividend received - controlled entities	**-**	-	**42,933**	64,181
Profit on disposal of investments	**2,615**	2,715	**1,716**	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)	**(45,551)**	-
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	**-**	-
Financial guarantee, net of tax	**4,469**	-	**(10,428)**	(515)
Implementation of tax consolidation for controlled entity	**281**	-	**-**	-
	31,024	(7,557)	**(11,330)**	66,381

NOTE 9. INCOME TAX EXPENSE

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
a) Income Tax Expense				
Current tax	**38,293**	47,309	**3,629**	7,043
Deferred tax – excluding gain on sale of discontinued operations	**(2,837)**	(1,192)	**(24,398)**	(3,384)
Under (over) provided in prior years	**(1,661)**	(2,646)	**430**	-
	33,795	43,471	**(20,339)**	3,659
Income tax expense/(benefit) is attributed to:				
Profit from continuing operations	**32,651**	39,914	**(20,399)**	3,659
Profit from discontinued operations – note 10(a)	**1,144**	3,557	**-**	-
Aggregate income tax expense for operations	**33,795**	43,471	**(20,339)**	3,659
Gain on sale of discontinued operations	**13,305**	-	**-**	-
Total tax expense	**47,100**	43,471	**(20,339)**	3,659
Deferred income tax (revenue)				
Decrease/(increase) in deferred tax assets – note 24	**(3,981)**	(5,799)	**(24,854)**	-
(Decrease)/increase in deferred tax liabilities – note 32	**1,144**	4,607	**456**	(3,384)
	(2,837)	(1,192)	**(24,398)**	(3,384)
b) Reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax	**156,749**	140,680	**54,034**	148,241
Profit from discontinued operations before income tax	**81,063**	4,187	**-**	-
	237,812	144,867	**54,034**	148,241
Tax at the Australian tax rate of 30% (2006 – 30%)	**71,343**	43,460	**16,210**	44,473
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Goodwill impairment & other amortisation	**8,685**	3,151	**63**	-
Non-assessable income	**(2,979)**	(1,769)	**(596)**	(89)
Non-deductible expenses	**909**	2,107	**-**	-
Non-assessable gain on sale of discontinued operation	**(17,021)**	-	**-**	-
Franked dividends and other investment income	**(16,498)**	(8,258)	**(35,846)**	(40,727)
Tax losses and timing differences for which no deferred tax assets are recognised	**4,290**	9,328	**-**	-
Sundry items	**32**	(1,902)	**(600)**	2
Total tax expense	**48,761**	46,117	**(20,769)**	3,659
Under/(over) provision in prior years	**(1,661)**	(2,646)	**430**	-
	47,100	43,471	**(20,339)**	3,659
c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax – debited/(credited) directly to equity (note 32).	**92,717**	17,830	**22,337**	18,739
d) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	**76,717**	57,637	**-**	-
Potential tax benefit @ 30%	**23,015**	17,291	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2007

NOTE 10. DISCONTINUED OPERATIONS

a) Description

2007

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.

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.

The comparative income statement has been re-presented to show the discontinued operations separately from the continuing operations.

2006

There were no discontinued operations during the 2006 financial year.

b) Financial performance and cash flow information - 2007

Financial information relating to the discontinued operations for the period to the date of disposal is set out below:

		2007			2006	
Results of discontinued operations	**Media $'000**	**Bakery $'000**	**Group $'000**	Media $'000	Bakery $'000	Group $'000
Revenue	**64,076**	**36,187**	**100,263**	82,294	45,975	128,269
Expenses	**(56,865)**	**(45,357)**	**(102,222)**	(70,885)	(51,639)	(122,524)
Results from operating activities	**7,211**	**(9,170)**	**(1,959)**	11,409	(5,664)	5,745
Impairment charge	**-**	**(18,465)**	**(18,465)**	-	(1,558)	(1,558)
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	**101,487**	**-**	**101,487**	-	-	-
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
Cash flows from discontinued operations						
Net cash from operating activities	**6,240**	**(2,905)**	**3,335**	10,912	(8,239)	2,673
Net cash from investing activities	**(2,183)**	**-**	**(2,183)**	(4,017)	-	(4,017)
Net cash from financing activities	**-**	**-**	**-**	5,000	-	5,000
Net cash flows from discontinuing operations	**4,057**	**(2,905)**	**1,152**	11,895	(8,239)	3,656

NOTE 10. DISCONTINUED OPERATIONS (CONTINUED)

c) Effect of the discontinued operations of the financial position of the Group

i. Effect of the disposal of media assets on the financial position of the Group.

	2007 $'000
Cash and cash equivalents	**(469)**
Trade and other receivables	**(19,697)**
Prepayments	**(601)**
Investments	**(47)**
Intangible assets	**(89,678)**
Property, plant and equipment	**(33,989)**
Deferred tax assets	**(15,087)**
Trade and other payables	**18,184**
Provisions	**4,079**
Net identifiable assets and liabilities of media assets	**(137,305)**
Total consideration	**244,000**
Consideration received, satisfied in cash	**238,000**
Cash disposed of	**(469)**
Cash inflow	**237,531**
Transaction costs paid	**(960)**
Net cash inflow from disposal of media assets	**236,571**

ii. The carrying amounts of assets and liabilities of the discontinued bakery divisions as at 31 July 2007

For the discontinued Bakery divisions, as at the balance sheet date:

- Inventory, plant and equipment and intangible assets have been restated to fair value less the costs associated with the divestment and reflected as current assets - assets of disposal group classified as held for sale;
- Employee entitlements have been restated to their statutory value and reflected as current liabilities – Liabilities directly associated with assets of a disposal group classified as held for sale; and
- Premises 'make good' provisions and secured hire purchase and finance lease liabilities have been reflected as current liabilities – Liabilities directly associated with assets of a disposal group classified as held for sale.

	Consolidated	
	2007 $'000	2006 $'000
Assets of a disposal group classified as held for sale		
Plant and equipment (note 22)	**14,045**	-
Less: Provision for impairment	**(11,114)**	-
	2,931	-
Intangibles (note 25)	**7,351**	-
Less: Provision for impairment	**(7,351)**	-
	-	-
Inventory	**3,483**	-
Total assets	**6,414**	-
Liabilities directly associated with assets of a disposal group		
Finance lease liability	**327**	-
Hire purchase liability	**2,298**	-
	2,625	
Provision for employee entitlements	**877**	-
Provision for premises make-good	**94**	-
Total liabilities	**3,596**	-
Net assets	**2,818**	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2007

NOTE 10. DISCONTINUED OPERATIONS (CONTINUED)

Sale of bakery divisions

In August 2007, the discontinued bakery divisions were divested. Details of the sales are as follows:

	2007 $'000
Consideration received or receivable:	
Cash	**5,443**
Amount due on 22 August 2008	**500**
Total disposal consideration	**5,943**
Carrying amount of net assets sold	**(5,443)**
Cost of disposals	**(500)**
Gain on sale before income tax	**-**
Income tax expense	**-**
Gain on sale after income tax	**-**

Subsequent to 31 July 2007 and prior to the divestment of the businesses, the finance and hire purchase liabilities were settled and are therefore not included in the carrying amount of assets sold as disclosed above.

NOTE 11. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Cash at bank and on hand	**169,930**	73,455	**1,652**	1,173
Deposits at call	**3,342**	4,531	**-**	-
	173,272	77,986	**1,652**	1,173

a) Reconciliation of cash balance at the end of the year

Cash at the end of the financial year as shown in the cash flow statements is reconciled to items in the balance sheet as follows:-

Cash and cash equivalents	**173,272**	77,986	**1,652**	1,173

b) Cash at bank and on hand and cash equivalents

Cash includes deposits for which there is a short term identified use in the operating cashflows of the group, and earns interest at rates between 0% and 6.42%.

NOTE 12. CURRENT ASSETS – TRADE & OTHER RECEIVABLES

Trade debtors	**104,583**	106,441	**1,389**	343
Less: provision for impairment of receivables	**(13,639)**	(7,486)	**(25)**	(25)
	90,944	98,955	**1,364**	318
Loans and receivables from related entities	**1,291**	1,588	**479**	149
Less impairment loss	**(250)**	-	**(250)**	-
	1,041	1,588	**229**	149
Loans to other parties – secured	**156**	562	**138**	195
Other receivables	**20,110**	28,852	**5**	3,227
Prepayments	**7,747**	8,116	**273**	66
	119,998	138,073	**2,009**	3,955

Effective interest rates and credit risk

Information concerning the effective interest rate and credit risk of current receivables is set out in note 37.

NOTE 13. CURRENT ASSETS – INVENTORIES

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Raw materials and stores – at cost	**8,908**	7,070	**-**	-
Work in progress – at cost	**34**	134	**-**	-
Finished goods – at cost	**18,448**	21,703	**825**	911
	27,390	28,907	**825**	911

Inventory expense

Inventories recognised as expense during the year ended 31 July 2007 amounted to $175,216,000 (2006 - $173,559,000) for the consolidated entity and $7,908,000 (2006 - $7,681,000) for the parent entity.

NOTE 14. CURRENT ASSETS –INTANGIBLES

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Net capitalised subscriber costs - As at August				
Cost	**149,042**	122,074	**-**	-
Accumulated amortisation	**(119,831)**	(85,384)	**-**	-
Net book value as at 31 July	**29,211**	36,690	**-**	-
Opening net book value	**36,690**	36,686	**-**	-
Additions	**26,968**	22,767	**-**	-
Amortisation	**(34,447)**	(22,763)	**-**	-
Closing net book amount	**29,211**	36,690	**-**	-

NOTE 15. CURRENT ASSETS – OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Shares held for trading				
- Listed equity securities	**84,174**	55,178	**7,819**	4,384
- Other securities	**710**	9,306	**210**	247
	84,884	64,484	**8,029**	4,631

NOTE 16. CURRENT ASSETS - HELD TO MATURITY INVESTMENTS

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Bills receivable and term deposits	**293,844**	435,059	**104,296**	90,500

NOTE 17. DERIVATIVES

Refer to note 1(n) for additional information on the accounting policy for derivatives.

Controlled entities are parties to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign currency exchange rates.

These instruments are used in accordance with the group's financial risk management policies. The portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the group reclassifies the gain or loss into the income statement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2007

NOTE 17. DERIVATIVES (CONTINUED)

At balance date the details of outstanding contracts at fair value are (AUD)

	Consolidated	
	2007	2006
	$'000	$'000
Current Assets		
- Forward exchange contracts	**7,361**	8,060
Non-Current Assets		
- Forward exchange contracts (note 21)	**5,122**	4,314
	12,483	12,374

	Buy Australian Dollars		Average Exchange Rate	
Sell US Dollars	**2007**	2006	**2007**	2006
	$'000	$'000		
Maturity				
0 to 6 months	**21,601**	33,027	**0.69441**	0.66613
6 to 12 months	**18,871**	27,719	**0.68889**	0.64938
1 to 2 years	**29,092**	40,472	**0.72185**	0.69184
2 to 5 years	**13,997**	43,089	**0.71442**	0.71944
	83,561	144,307		

Credit risk exposures of derivative financial instruments

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. A material exposure arises from forward exchange contracts and the consolidated entity is exposed to loss in the event that counterparties fail to deliver the contracted amount. At balance date $83,561,000 (2006 - $144,307,000) was receivable (AUD equivalents).

NOTE 18. NON-CURRENT ASSETS – TRADE & OTHER RECEIVABLES

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Loans to controlled entities	**-**	-	**6,561**	52,912
Loans to executives	**-**	110	**-**	-
Loans to related entities	**11,874**	28,092	**-**	-
Less impairment loss on loans to associates	**(8,745)**	-	**-**	-
	3,129	28,202	**6,561**	52,912
Prepayments	**4,278**	530	**-**	-
Other receivables	**4,429**	1,080	**-**	-
Other assets	**207**	-	**-**	-
	12,043	29,812	**6,561**	52,912

Interest rate risks – The Groups exposure to interest rate risk and the effective weighted average interest rate is set out in note 37. Further information relating to loans to related parties and loans to executives is set out in note 44 and 43.

NOTE 19. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Shares in associated companies (refer note 41)	**512,104**	469,807	**-**	-

Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (refer note 41).

NOTE 20. NON-CURRENT - AVAILABLE FOR SALE FINANCIAL ASSETS

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Listed securities				
Equity securities	**877,896**	520,418	**558,998**	471,004
Preference shares	**2,603**	2,044	**2,603**	2,044
	880,499	522,462	**561,601**	473,048
Unlisted securities				
Equity securities	**1,388**	1,388	**-**	-
Floating rate notes	**1,017**	1,013	**-**	-
	2,405	2,401	**-**	-
	882,904	524,863	**561,601**	473,048

NOTE 21. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

Shares in subsidiaries (note 40)	**-**	-	**149,592**	157,666
Shares in associates (note 41)	**-**	-	**209,162**	215,274
Shares in other corporations – fair value	**-**	-	**-**	-
Units in unlisted trusts – at cost	**11,046**	10,000	**11,046**	10,000
Other financial assets	**92**	6,819	**-**	-
Derivatives (note 17)	**5,122**	4,314	**-**	-
	16,260	21,133	**369,800**	382,940

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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NOTE 22. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	Land $'000	Buildings $'000	Plant, fixtures motor vehicles $'000	Leasehold equipment $'000	Mining reserves and leases $'000	Mine development $'000	Port development and infrastructure $'000	Total $'000
At 1 August 2005								
Cost or fair value	48,325	29,472	384,611	1,419	9,813	41,602	17,435	532,677
Accumulated depreciation /amortisation	-	(5,196)	(192,982)	(128)	(3,118)	(24,020)	(17,435)	(242,879)
Net book amount	48,325	24,276	191,629	1,291	6,695	17,582	-	289,798
Year ended 31 July 2006								
Opening net book amount	48,325	24,276	191,629	1,291	6,695	17,582	-	289,798
Asset acquired by purchase of subsidiary	-	-	46,752	-	-	-	-	46,752
Additions	23,562	3,640	36,431	1,316	-	207	-	65,156
Assets included in a disposal group classified as held for sale and other disposals	-	(70)	(1,118)	(500)	-	-	-	(1,688)
Assets written down	-	-	(500)	(286)	-	-	-	(786)
Impairment loss recognised in profit or loss	-	-	(4,222)	-	-	-	-	(4,222)
Depreciation/amortisation charge	-	(643)	(30,458)	(556)	(1,321)	(3,283)	-	(36,261)
Closing net book amount	71,887	27,203	238,514	1,265	5,374	14,506	-	358,749
At 31 July 2006								
Cost or fair value	71,887	32,637	423,979	2,525	9,813	41,809	-	582,650
Accumulated depreciation /amortisation	-	(5,434)	(185,465)	(1,260)	(4,439)	(27,303)	-	(223,901)
Net book amount	71,887	27,203	238,514	1,265	5,374	14,506	-	358,749

NOTE 22. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Consolidated	Land $'000	Buildings $'000	Plant, fixtures motor vehicles $'000	Leasehold equipment $'000	Mining reserves and leases $'000	Mine development $'000	Total $'000
At 1 August 2006							
Cost or fair value	71,887	32,637	423,979	2,525	9,813	41,809	582,650
Accumulated depreciation /amortisation	-	(5,434)	(185,465)	(1,260)	(4,439)	(27,303)	(223,901)
Net book amount	71,887	27,203	238,514	1,265	5,374	14,506	358,749
Year ended 31 July 2007							
Opening net book amount	71,887	27,203	238,514	1,265	5,374	14,506	358,749
Additions	23,104	4,236	94,934	1,345	-	2,117	125,736
Transfers in/out	-	(113)	(4,781)	-	-	4,894	-
Assets included in a disposal group classified as held for sale and other disposals	(9,127)	(5,734)	(37,224)	-	-	-	(52,085)
Assets written down	-	-	461	-	-	-	461
Impairment loss recognised in profit or loss	-	-	(8,593)	-	-	-	(8,593)
Depreciation / amortisation charge	-	(596)	(36,453)	(409)	(562)	(1,641)	(39,661)
Closing net book amount	85,864	24,996	246,858	2,201	4,812	19,876	384,607
At 31 July 2007							
Cost or fair value	85,864	27,061	396,215	2,866	9,813	34,510	556,329
Accumulated depreciation /amortisation	-	(2,065)	(149,357)	(665)	(5,001)	(14,634)	(171,722)
Net book amount	85,864	24,996	246,858	2,201	4,812	19,876	384,607

a) Pledged assets

Assets pledged as security comprise Land and Buildings with a carrying value of $15,197,000 (note 28(b)) and Plant and Equipment held under finance leases with a carrying value of $1,542,000 (2006: $394,000). The leased Plant and Equipment secures the lease obligation.

b) Impairment losses

An impairment loss relating to continuing operations of $8,593,000 (2006: $3,564,000) was recognised in the income statement. An additional impairment loss of $11,114,000 (2006: $658,000) was recognised for discontinued operations. The impairment losses relate to certain plant and equipment in a controlled entity, KH Foods Limited.

Property, plant and equipment are allocated to cash generating units which are based on KH Foods Limited manufacturing factories.

Refer to note 25 for the methodology and assumptions used in assessing the recoverable amount of each cash-generating-unit.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2007

NOTE 22. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Parent Entity	**Land $'000**	**Buildings $'000**	**Plant, fixtures motor vehicles $'000**	**Total $'000**
At 1 August 2005				
Cost or fair value	413	3,399	3,220	7,032
Accumulated depreciation / amortisation	-	(314)	(1,441)	(1,755)
Net book amount	413	3,085	1,779	5,277
Year ended 31 July 2006				
Opening net book amount	413	3,085	1,779	5,277
Additions	-	-	269	269
Assets included in a disposal group classified as held for sale and other disposals	-	-	(67)	(67)
Depreciation charge	-	(160)	(297)	(457)
Closing net book amount	413	2,925	1,684	5,022
At 31 July 2006				
Cost or fair value	413	3,399	3,025	6,837
Accumulated depreciation / amortisation	-	(474)	(1,341)	(1,815)
Net book amount	413	2,925	1,684	5,022
Year ended 31 July 2007				
Opening net book amount	**413**	**2,925**	**1,684**	**5,022**
Additions	**-**	**-**	**41**	**41**
Assets included in a disposal group classified as held for sale and other disposals	**-**	**-**	**(15)**	**(15)**
Depreciation charge	**-**	**(161)**	**(298)**	**(459)**
Closing net book amount	**413**	**2,764**	**1,412**	**4,589**
At 31 July 2007				
Cost or fair value	**413**	**3,399**	**3,051**	**6,863**
Accumulated depreciation / amortisation	**-**	**(635)**	**(1,639)**	**(2,274)**
Net book amount	**413**	**2,764**	**1,412**	**4,589**

NOTE 23. NON-CURRENT ASSETS – INVESTMENT PROPERTIES

	Consolidated		**Parent Entity**	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
The group has elected to apply the cost model to accounting for investment properties.				
Freehold land at cost	**35**	866	**-**	-
Buildings at cost	**-**	1,097	**-**	-
Accumulated depreciation	**-**	(404)	**-**	-
	35	1,559	**-**	-
Reconciliation				
Opening balance 1 August	**1,559**	1,586	**-**	-
Additions/(disposals)	**(1,507)**	-	**-**	-
Depreciation	**(17)**	(27)	**-**	-
Closing balance at 31 July	**35**	1,559	**-**	-
a) Amounts recognised in profit and loss for investment property				
Rental income	**707**	676	**-**	-
Direct operating expenses from property that generated rental income	**(241)**	(655)	**-**	-
	466	21	**-**	-

b) Valuation

As at March 2004, the fair value of the investment property was $2,800,000. This was based upon a valuation performed by a registered valuer. These properties were sold during the year and realised a profit on sale.

NOTE 24. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated		Parent Entity	
The balance comprises temporary differences attributed to:	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Amounts recognised in profit and loss				
Unearned revenue	**5,226**	9,072	**-**	-
Provisions	**14,425**	9,864	**5,202**	667
Receivables and accrued expenses	**2,195**	2,535	**4**	47
Impairment losses	**4,299**	-	**20,304**	-
Tax value of losses carried forward*	**8,658**	10,026	**-**	-
Other	**3,572**	5,484	**58**	-
	38,375	36,981	**25,568**	714
Less: amount not recognised	**-**	(1,249)	**-**	-
	38,375	35,732	**25,568**	714
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions (note 32)	**(26,226)**	(25,530)	**(25,568)**	(714)
Net deferred tax assets	**12,149**	10,202	**-**	-
Movements:				
Opening balance at 1 August	**35,732**	55,090	**714**	2,740
Credited / (charged) to the income statement – operating profit (note 9)	**3,981**	5,799	**24,854**	-
Credited / (charged) to the income statement – gain on sale of discontinued operation	**(1,569)**	-	**-**	-
Transfers	**-**	(2,740)	**-**	(2,026)
Other adjustments	**231**	(22,417)	**-**	-
Closing balance at 31 July	**38,375**	35,732	**25,568**	714

*The deferred tax assets attributed to tax losses does not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

NOTE 25. NON-CURRENT ASSETS – INTANGIBLE ASSETS

Consolidated	**Goodwill $'000**	**Brand names $'000**	**Television Licence & Development Costs $'000**	**Acquired Customer base $'000**	**Other $'000**	**Total $'000**
At 1 August 2005						
Cost	58,286	1,745	74,716	22,023	2,692	159,462
Accumulated amortisation and impairment	-	(87)	(77)	(4,826)	(619)	(5,609)
Net book amount	58,286	1,658	74,639	17,197	2,073	153,853
Year ended 31 July 2006						
Opening net book amount	58,286	1,658	74,639	17,197	2,073	153,853
Additions	31,752	-	2,243	6,318	961	41,274
Impairment charge	(6,000)	-	-	-	-	(6,000)
Amortisation charge	-	(87)	(132)	(12,519)	(174)	(12,912)
Closing net book amount	84,038	1,571	76,750	10,996	2,860	176,215
At 31 July 2006						
Cost	90,038	1,745	76,959	28,341	3,653	200,736
Accumulated amortisation and impairment	(6,000)	(174)	(209)	(17,345)	(793)	(24,521)
Net book amount	84,038	1,571	76,750	10,996	2,860	176,215
Year ended 31 July 2007						
Opening net book amount	**84,038**	**1,571**	**76,750**	**10,996**	**2,860**	**176,215**
Additions	**6,030**	**-**	**271**	**-**	**1,382**	**7,683**
Impairment charge	**(3,666)**	**-**	**-**	**-**	**-**	**(3,666)**
Amortisation charge	**-**	**(87)**	**(430)**	**(6,662)**	**(360)**	**(7,539)**
Assets included in a disposed group and other disposals	**(20,075)**	**(1,484)**	**(75,525)**	**-**	**-**	**(97,084)**
Closing net book amount	**66,327**	**-**	**1,066**	**4,334**	**3,882**	**75,609**
At 31 July 2007						
Cost	**75,093**	**-**	**1,459**	**28,341**	**4,972**	**109,865**
Accumulated amortisation and impairment	**(8,766)**	**-**	**(393)**	**(24,007)**	**(1,090)**	**(34,256)**
Net book amount	**66,327**	**-**	**1,066**	**4,334**	**3,882**	**75,609**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2007

NOTE 25. NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONTINUED)

Amortisation of $7,539,000 (2006: $12,912,000) is charged to the Income statement (note 8).

Parent entity	**Restraint of trade $'000**
At 1 August 2006	
Cost	-
Accumulated amortisation and impairment	-
Net book amount	-
Year ended 31 July 2007	
Opening net book amount	-
Additions	**1,000**
Amortisation charge	**(208)**
Closing net book amount	**792**

a) Impairment

Intangible assets, which have indefinite lives, include goodwill and TV Licence and are allocated to the Group's cash generating units (CGU's) identified according to business segment and country of operation.

A segment-level summary of the goodwill and television licence allocation is presented below:

	2007 $'000	2006 $'000	**Country of operation**
Media*			
- Goodwill	**-**	14,208	Australia
- Television licence	**-**	74,639	
Telecommunications			
- Goodwill	**61,497**	61,461	Australia
Bakery			
- Goodwill	**-**	7,467	Australia
Other			
- Goodwill	**4,830**	902	Australia
	66,327	158,677	

*The media assets were divested in May 2007 – refer note 10.

The recoverable amount of the cash generating units has been determined based on value–in-use calculations and contracted business sales values, as appropriate. Assumptions and methodology applied to each cash-generating unit are as follows:

Telecommunications

Value-in-use calculations use cash flow projections based on board approved budgeted cashflow for the next 3 years together with a further 2 years of zero growth and a terminal value. A pre-tax discount rate of 11% has been used in discounting the projected cash flows. The key assumptions used in determining the future cashflows were with regard to revenue growth, subscriber numbers, average revenue per user and gross margins. These have been determined by reference to historical trends adjusted for the impact of new agreements and expectations from recently completed network builds and recent contract wins.

Bakery

Recoverable amount has been determined by both value-in use calculations and contracted business sale values. Value-in-use is calculated based on the present value of post tax cash flow projections over a 5-year period with the period extending beyond 5 years extrapolated using an estimated growth rate. The cash flows are discounted at 13.8% using the yield of 10-year government bonds at the beginning of the budget period adjusted for risk.

Management has based the value-in-use calculations on a detailed budget and forecasts for each manufacturing factory. Improvements in gross margin through assumptions on price increases and reduced manufacturing costs and general overheads have been included for each cash-generating unit in the 2008 financial year. Assumptions in the 2009 financial year and beyond reflect sales growth between 6% and 7.5% and cost increases of between 4% and 6%.

Impact of possible changes in key assumptions - Bakery

If sales growth at Dudley Park only achieves an increase of 6.7% over the 2009 financial year and beyond and the cost increase assumptions remain unchanged, the entire carrying value of plant and equipment at the Dudley Park cash-generating unit of $7,030,000 would be impaired.

NOTE 25. NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONTINUED)

b) Impairment charges

	Consolidated	
	2007 $'000	2006 $'000
Bakery	**1,600**	6,000
Investments	**2,066**	-
Total impairment – continuing operations	**3,666**	6,000

Additional impairment for Bakery - discontinued operations amounted to $7,351,000 (note 10).

NOTE 26. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Trade payables	**56,194**	72,014	**1,000**	1,736
Other payables	**36,132**	50,021	**294**	102
	92,326	122,035	**1,294**	1,838

NOTE 27. CURRENT LIABILITIES – SHORT-TERM BORROWINGS

Bank loans – secured (note 28a)	**7,510**	2,300	**-**	-
Convertible Notes – unsecured (note 27a)	**-**	5,363	**-**	-
Deposits from related parties - Directors (note 28e)	**28,436**	15,760	**28,436**	15,760
Lease liabilities (note 39b)	**551**	345	**-**	-
Hire Purchase Liabilities (note 39b)	**-**	412	**-**	-
Loans – controlled entities	**-**	-	**81**	81
Bank loans - unsecured (note 28d)	**15,388**	8,702	**-**	-
	51,885	32,882	**28,517**	15,841

a) Convertible notes
As part of KH Foods Limited's acquisition of the minority interest in Balfour Australia Pty Ltd on 31 December 2004, KH Foods Limited convertible notes were issued to two of its minority shareholders to a value equal to the existing loan facilities between Bakery Systems Pty Ltd ("BSL"), Business Management Limited ("BML") and Balfours Australia Pty Ltd. The BSL and BML shareholder loans, which were replaced with convertible notes, amounted to $5,363,069. The interest rate on all convertible notes is fixed at 10% p.a. In December 2006 BSL and BML converted these notes into ordinary share capital in KH Foods Limited.

NOTE 28. NON-CURRENT LIABILITIES – BORROWINGS SECURED

	Consolidated		Parent Entity	
Secured	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Bank loans (a)	**30,000**	39,500	**-**	-
Other loans (b)	**7,110**	7,901	**-**	-
Hire purchase liabilities (note 39b)	**-**	2,298	**-**	-
Finance lease liabilities (note 39b)	**1,087**	345	**-**	-
Total secured non-current borrowings	**38,197**	50,044	**-**	-
Unsecured				
Bank loans (d)	**-**	15,490	**-**	-
Other loans	**445**	310	**-**	-
Total unsecured borrowings	**445**	15,800	**-**	-
Total long-term borrowings	**38,642**	65,844	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2007

NOTE 28. NON-CURRENT LIABILITIES – BORROWINGS SECURED (CONTINUED)

a) Bank loans – secured

Bank loans are on commercial terms and conditions. The loans are secured by interlocking debt and interest guarantees granted by controlled entities.

The bank loans are secured by:

i. a fixed and floating charge over all of the assets of SP Telemedia Limited, Soul Pattinson Telecommunications Pty Limited, SPT Telecommunications Pty Limited and Kooee Mobile Pty Limited and

ii. a mortgage over the shares in Soul Communications Limited and SPTCom Pty Limited held by SP Telemedia Limited and Soul Pattinson Telecommunications Pty Limited.

b) Other loans secured

A deferred purchase agreement exists with Land Management Corporation whereby the loan is repayable by instalments by 30 June 2014 for the purpose of financing the purchase of the manufacturing premises at Dudley Park in South Australia. The interest rate is fixed at 7.19% p.a. Land Management Corporation hold legal title which will transfer to Balfours Property Holdings Pty Ltd, a subsidiary of KH Foods Limited when the loan is repaid. The carrying value of the Dudley Park premises is $15,197,000.

c) Finance and hire purchase leases

Finance and hire purchase lease liabilities are effectively secured as the rights to the leased assets are recognised in the financial statements revert to the lessor in event of default.

d) Bank loan - unsecured

A $32,000,000 advance and guarantee line facility was established with the HSBC Bank of Australia Limited (HSBC) during 2006 for a subsidiary. The facility is for a fixed term with the amount outstanding repayable on 31 December 2007 and has been disclosed as a current liability (note 27). The guarantee and indemnity for this loan has been provided by the Washington H. Soul Pattinson and Company Limited. The interest rate on the cash component of the facility is variable based on BBSY plus a margin. The aggregate of guarantees issued by HSBC on behalf of the Group is $3,965,053 (2006 - $4,224,267). On 18 September 2007, the Group received a written offer from HSBC to reduce the cash and guarantee facility to $25,000,000 and extend the facility maturity to September 2008.

e) Director Deposits

The company accepts deposits from Directors and Director related entities under normal commercial agreements and consistent with deposits received from other parties.

f) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in note 37. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets to maturity.

g) Fair value disclosures

The carrying amount and fair values of borrowings at balance sheet date are set out in note 37.

Financing arrangements	**Consolidated**		**Parent Entity**	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
The economic entity has access to facilities as follows:				
Bank overdraft	**1,000**	1,000	**1,000**	1,000
Used at balance date	**-**	-	**-**	-
Unused at balance date	**1,000**	1,000	**1,000**	1,000
Loan facilities - secured				
Total facilities	**90,010**	41,800	-	-
Used at balance date	**(37,510)**	(41,800)	**-**	-
Unused at balance date	**52,500**	-	**-**	-

The major facilities are summarised as follows:

$90,000,000 secured bank loan facility may be drawn down at any time. The loans are subject to fixed and floating interest rates. $77,000,000 of the facility expires on 22 November 2009 and $13,000,000 expires on 22 November 2007.

NOTE 28. NON-CURRENT LIABILITIES – BORROWINGS SECURED (CONTINUED)

Financing arrangements (continued)	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Other facilities				
Total facilities	**26,000**	26,000	**-**	-
Used at balance date	**(14,942)**	(13,673)	**-**	-
Unused at balance date	**11,058**	12,327	**-**	-

The major facilities are summarised as follows:

$25,000,000 facility which relates to bank guarantees, are unsecured, for no fixed term and bear variable interest rates. $1,000,000 equipment financing facility.

Bank loan facilities – unsecured				
Total facilities	**28,035**	17,776	**-**	-
Used at balance date	**(15,225)**	(15,490)	**-**	-
Unused at balance date	**12,810**	2,286	**-**	-

The major facilities are summarised as follows:

The bank loan facilities may be drawn at any time. The current interest rates on the Bank loan facilities are variable based on the BBSY plus a margin.

NOTE 29. CURRENT LIABILITIES – PROVISIONS

Unexpired airtime	**-**	59	**-**	-
Mining restoration and site rehabilitation	**1,733**	1,815	**-**	-
Restructuring	**1,733**	459	**-**	-
Premises 'make good'	**65**	165	**-**	-
Other	**2,326**	-	**-**	-
	5,857	2,498	**-**	-
Employee benefits	**12,824**	14,593	**460**	520
	18,681	17,091	**460**	520

Movement in total provisions 2007	Unexpired Airtime $'000	Mining restoration & site rehabilitation $'000	Restructuring $'000	Premises 'make good' $'000	TV licence $'000	Lease Increment $'000	Other $'000	Total $'000
Carrying amount at start of year	59	11,629	459	803	1,127	197	-	**14,274**
Additions	-	675	1,564	66	-	10	2,326	**4,641**
Utilised	(59)	-	(290)	(100)	(53)	-	-	**(502)**
Transfer to discontinued operations	-	-	-	-	(1,074)	(43)	-	**(1,117)**
Transfer to a disposal group	-	-	-	(94)	-	-	-	**(94)**
Carrying amount at end of year	**-**	**12,304**	**1,733**	**675**	**-**	**164**	**2,326**	**17,202**
Disclosed as:								
Current liabilities	-	1,733	1,733	65	-	-	2,326	**5,857**
Non-current liabilities	-	10,571	-	610	-	164	-	**11,345**
Total	**-**	**12,304**	**1,733**	**675**	**-**	**164**	**2,326**	**17,202**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2007

NOTE 30. NON-CURRENT LIABILITIES – LONG-TERM PROVISIONS

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Mining restoration and site	**10,571**	9,814	**-**	-
TV Licence	**-**	1,127	**-**	-
Lease increment	**164**	197	**-**	-
Restructuring	**-**	160	**-**	-
Premises 'make good'	**610**	638	**-**	-
	11,345	11,936	**-**	-
Employment benefits	**4,055**	4,357	**803**	799
	15,400	16,293	**803**	799

NOTE 31. CURRENT LIABILITIES – OTHER

	Consolidated 2007	Consolidated 2006	Parent Entity 2007	Parent Entity 2006
Unearned income	**22,995**	36,665	**-**	-
Liability arising under guarantee provided to subsidiary	**-**	-	**15,631**	735
	22,995	36,665	**15,631**	735

The parent entity has provided financial a guarantee in respect of the bank loan and facility provided to KH Foods Limited. A liability has been recognised in relation to this financial guarantee in accordance with the policy set out in note 1 (ff).

NOTE 32. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated 2007	Consolidated 2006	Parent Entity 2007	Parent Entity 2006
The balance comprises temporary differences attributed to:				
Amounts recognised in profit and loss				
Property plant and equipment	**18,302**	8,283	**-**	8
Mine reserves	**1,444**	1,612	**-**	-
Inventories	**2,298**	1,062	**-**	-
Investments	**41,265**	35,500	**-**	-
Receivables	**4,851**	4,325	**148**	118
Other	**568**	1,473	**607**	173
	68,728	52,255	**755**	299
Amounts recognised directly in equity				
Available-for-sale investments	**163,382**	72,309	**93,900**	71,563
Cash flow hedges	**3,744**	3,712	**-**	-
Other	**2,324**	712	**-**	-
	169,450	76,733	**93,900**	71,563
Total deferred tax liabilities	**238,178**	128,988	**94,655**	71,862
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions (note 24)	**(26,226)**	(25,530)	**(25,568)**	(714)
Net deferred tax liabilities	**211,952**	103,458	**69,087**	71,148
Movements:				
Opening balance 1 August	**128,988**	68,074	**71,862**	3,699
Change on adoption of AASB 132 and AASB 139	**-**	58,903	**-**	52,823
Charged / (credited) to the income statement – operating profit (note 9)	**1,144**	4,607	**456**	(3,384)
Charged / (credited) to the income statement – gain on discontinued operations	**13,518**	-	**-**	-
Charged / (credited) to equity (note 9 c)	**92,717**	17,830	**22,337**	18,739
Transfers	**-**	(2,740)	**-**	(2,026)
Other adjustments	**1,811**	(17,686)	**-**	2,011
Closing balance at 31 July	**238,178**	128,988	**94,655**	71,862

Transition to AASB 132 and AASB 139

The Group had taken the exemption under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 August 2005. For further information please refer to our annual report for the year ending 31 July 2006.

NOTE 33. NON-CURRENT LIABILITIES – OTHER

	Consolidated		Parent Entity	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Unearned income	**6,622**	7,621	**-**	-
Other	**692**	131	**-**	-
	7,314	7,752	**-**	-

NOTE 34. CONTRIBUTED EQUITY

	Parent Entity		Parent Entity	
Share Capital	**2007 No of Shares**	**2007 $'000**	2006 No of Shares	2006 $'000
Fully paid ordinary shares	**238,640,580**	**32,900**	238,640,580	32,900

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value.

NOTE 35. RESERVES AND RETAINED EARNINGS

	Consolidated		Parent Entity	
a) Reserves	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
General reserve	**404,548**	404,548	**402,206**	402,206
Capital redemption reserve	**2,800**	2,800	**-**	-
Asset revaluation reserve	**366,507**	212,456	**254,806**	205,847
Capital profits reserve	**11,368**	11,368	**-**	-
Hedging reserve	**5,328**	5,361	**-**	-
Share-based payments reserve	**4,177**	2,832	**-**	-
Foreign currency translation reserve	**308**	(232)	**-**	-
Treasury reserve	**(128)**	(230)	**-**	-
Equity reserve	**(2,793)**	(712)	**-**	-
	792,115	638,191	**657,012**	608,053
b) Movements:				
General reserve				
Balance	**404,548**	404,548	**402,206**	402,206
Capital redemption reserve				
Balance	**2,800**	2,800	**-**	-
Asset revaluation reserve				
Balance 1 August	**212,456**	5,601	**205,847**	288
Adjustment to Available-for-sale investments on adoption of AASB132 & AASB 139, net of tax	**-**	170,096	**-**	170,096
Revaluation of Available-for-sale investments, gross	**216,758**	56,729	**75,217**	56,729
Revaluation of Available-for-sale investments, deferred tax	**(65,954)**	(19,486)	**(23,492)**	(19,486)
Transfer on sale of Available-for-sale investments to profit, gross	**(3,922)**	(2,527)	**(3,921)**	(2,527)
Transfer on sale of Available-for-sale investments to profit, deferred tax	**1,155**	747	**1,155**	747
Transfer to retained earnings	**-**	(2,048)	**-**	-
Share of associates increments	**4,232**	2,373	**-**	-
Other revaluations	**1,782**	971	**-**	-
Balance 31 July	**366,507**	212,456	**254,806**	205,847
Capital profits reserve				
Balance	**11,368**	11,368	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2007

NOTE 35. RESERVES AND RETAINED EARNINGS (CONTINUED)

	Consolidated		Parent Entity	
b) Movements (continued)	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Hedging reserve				
Balance 1 August	**5,361**	-	**-**	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax	**-**	8,782	**-**	-
Revaluation, gross	**(6,276)**	(5,703)	**-**	-
Revaluation, deferred tax	**1,883**	1,711	**-**	-
Transfer to profit, gross	**6,339**	816	**-**	-
Transfer to profit, deferred tax	**(1,901)**	(245)	**-**	-
Shares of associates decrements	**(78)**	-	**-**	-
Balance 31 July	**5,328**	5,361	**-**	-
Share-based payment reserve				
Balance 1 August	**2,832**	1,546	**-**	-
Share-based payment and option expense	**1,345**	1,286	**-**	-
Balance 31 July	**4,177**	2,832	**-**	-
Foreign currency translation reserve				
Balance 1 August	**(232)**	806	**-**	-
Exchange difference on translation of foreign controlled entity and associates	**(204)**	-	**-**	-
Other foreign exchange movements	**42**	(27)	**-**	-
Share of associates increment	**702**	(1,011)	**-**	-
Balance 31 July	**308**	(232)	**-**	-
Treasury reserve				
Balance 1 August	**(230)**	-	**-**	-
Movement	**102**	(230)	**-**	-
Balance 31 July	**(128)**	(230)	**-**	-
Equity reserve				
Balance 1 August	**(712)**	-	**-**	-
Movement	**(2,081)**	(712)	**-**	-
Balance 31 July	**(2,793)**	(712)	**-**	-

Transition to AASB 132 and AASB 139

The Group had taken the exemption under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 August 2005. For further information please refer to our annual report for the year ending 31 July 2006.

NOTE 35. RESERVES AND RETAINED EARNINGS (CONTINUED)

c) Nature and purpose of reserves

General reserve
The general reserve records funds set aside for future requirements of the Group.

Capital redemption reserve
This reserve represents amounts allocated from retained profits that were preserved for capital redemption.

Asset revaluation reserve
This reserve includes net revaluation increments and decrements arising from the revaluation of non-current assets. Changes in the fair value and exchange differences arising from translation of investments, such as equities classified as available-for-sale financial assets, are taken to the available-for-sale investment revaluation reserve as described in note 1 m. Amounts are recognised in profit and loss when the associated assets are sold or impaired.

Capital Profits reserve
This reserve represents amounts allocated from retained profits that were profits of a capital nature.

Hedging reserve
The hedging reserve is used to record the gains and losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(n). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

Share-based payment reserve
The share-based payment reserve is used to recognise the fair value of options issued but not exercised.

Foreign currency translation reserve
The foreign currency reserve recorded the foreign currency differences which arise from the translation of self-sustaining foreign operations, and foreign exchange movements.

Treasury reserve
The treasury reserve represents the value of shares held by an equity compensation plan. The reserve will be reversed against share capital when the underlying shares vest with employees.

Equity reserve
This reserve includes amounts for tax adjustments that are unrelated to other specific reserves and are recognised directly in equity.

d) Retained earnings movements

Increases in ownership of controlled entities

In accordance with AASB 127 *Consolidated and Separate Financial Statements* and the Group's accounting policy for changes in ownership of a subsidiary (without gain or loss of control), any excess purchase consideration paid to minority interest holders, over the net assets acquired, is recognised directly in equity as a transaction between equity holders of the Group. The Group applies this policy by adjusting retained earnings.

During the year, increases in ownership of controlled entities and the impact of these transactions on recorded equity included:

i. Increased ownership to 100% of Souls Communications Limited (formerly B Digital Limited)

On 25 September 2006, SP Telemedia Limited, a controlled entity, announced a conditional offer to acquire the shares in Souls Communications Limited (formerly known as B Digital Limited) 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 the SP Telemedia's relevant interest in B Digital exceeded 90% triggering the compulsory acquisition provisions. The final shares were acquired under compulsory acquisition on 22 December 2006.

The total cost to the Group of acquiring the remaining shares was $72.6 million. The surplus of the acquisition price over the assets acquired from the minority interest had the effect of reducing net assets attributable to members of Washington H. Soul Pattinson and Company Limited by $23 million.

ii. 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.

iii. Increased ownership in Pitt Capital Partners Limited

On 23 February 2007, Washington H. Soul Pattinson and Company Limited (WHSP), acquired an additional direct equity interest of 25% in Pitt Capital Partners Limited (PCP). Prior to this transaction, the Group held a total equity interest of 53% in PCP comprising a direct holding of 50% by WHSP, and an indirect holding of 3% through Souls Private Equity Limited (SPEL), a controlled entity of WHSP.

The total cost of the additional 25% interest in PCP was $6.6 million. The surplus of the acquisition price paid over the net assets acquired lead to a reduction in the net assets attributable to the members of Washington H. Soul Pattinson and Company Limited by $5.0 million. The main activity of PCP is investment banking and consulting and therefore by nature, the net assets recognised in accounting for this transaction may not reflect the fair value of the company. A valuation well in excess of this consideration was provided by an independent expert.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2007

NOTE 36. DIVIDENDS - WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

	Parent Entity	
	2007	2006
a) Ordinary shares	**$'000**	$'000
Final dividend for the year ended 31 July 2006 of 16 cents (2005 – 15 cents) per fully paid share paid on 4 December 2006 (2005 – 28 November 2005) fully franked based on tax paid @ 30%	**38,182**	35,796
Special dividends totalling 15 cents (2005 – 15 cents) per fully paid share paid on 4 December 2006 (2005 – 28 November 2005) fully franked based on tax paid @ 30%	**35,796**	35,796
Interim dividend for the year ended 31 July 2007 of 11.5 cents (2006 – 11 cents) per fully paid share paid on 10 May 2007 (2006 – 11 May 2006) fully franked based on tax paid @ 30%	**27,444**	26,250
Total dividends provided for or paid	**101,422**	97,842
b) Dividends not recognised at year end		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 17 cents per fully paid ordinary share, (2006 – 16 cents) fully franked based on tax paid @ 30%. The aggregate amount of the proposed dividend expected to be paid on 10 December 2007 out of retained profits as at 31 July 2007, but not recognised as a liability at year end is	**40,569**	38,182
In the prior year, additional special dividend per fully paid ordinary share of 15 cents fully franked based on tax paid of 30%	**-**	35,796
	40,569	73,978
c) Franked Dividends		
The franked portions of the final dividends recommended after 31 July 2007 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 July 2007. Franking credits available for subsequent financial years based on a tax rate of 30% (2006 – 30%)	**157,733**	146,446
The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits that will arise from the payment of provision for income tax, franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.		
The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $17,387 (2006 - $31,704)		
Subsequent to year end, the franking account will be reduced by the proposed final dividend (and for 2006, special dividend) to be paid on 10 December 2007.	**(17,387)**	(31,704)
	140,346	114,742

d) Dividend reinvestment plans

There were no dividend reinvestment plans in operation at any time during or since the end of the financial year.

NOTE 37. FINANCIAL INSTRUMENTS

a) Interest Rate Exposure

Exposure arises predominately from assets and liabilities bearing variable interest rates as the economic entity intends to hold fixed interest rate assets and liabilities to maturity.

Financial assets consist of cash, receivables and investments as shown in the Balance Sheets.

Investments are principally of a non-interest bearing nature, short term deposits have maturities between 11am and 180 days. Interest rates on cash at bank and short term deposits and notes range from 4.35% to 6.25% (2006: 4.1% to 5.5%).

Held to maturity investments of $293,844,000 (2006: $435,059,000) are deposits held to maturity for less than one year and carry a weighted average interest rate of 6.42% (2005: 6.02%).

Debtors are generally non interest bearing. This year $699,000 was interest bearing at a rate of up to 8% (2006: $142,000 at a rate up to 10%).

Financial liabilities consist of creditors, bank overdraft and loans as shown in the Balance Sheet. Creditors are non-interest bearing.

	2007 $'000	2006 $'000	**2007 Weighted Average %**	2006 Interest Rate
Deposits received				
Floating interest rate	**28,436**	15,760	**5.75%**	5.00%
Loans, leases and hire purchase liabilities				
Fixed Interest maturities				
Less than 1 year	**26,074**	17,122	**7.53%**	7.93%
1 to 5 years	**38,197**	65,534	**7.03%**	7.25%
Non Interest Bearing	**445**	310	**-**	-
	93,152	98,726		

Reconciliation to balance sheet		**2007 $000**	2006 $000
Current liabilities – Borrowings	Note 27	**51,885**	32,882
Current liabilities – Liabilities directly associated with a disposal group	Note 10	**2,625**	-
Non current liabilities - Borrowing	Note 28	**38,642**	65,844
		93,152	98,726

b) Net Fair Values

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred.

For other assets and other liabilities the net fair value approximates their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2007

NOTE 38. CONTINGENT LIABILITIES

The parent entity and Group had contingent liabilities at 31 July in respect of:

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
a) Secured by charge on the Economic Entities Assets	**$'000**	$'000	**$'000**	$'000
i. Undertakings and guarantees issued by a Controlled Entity's bankers to the Department of Minerals & Energy, Statutory Power Authorities and various other entities.	**6,602**	5,425	**-**	-
b) Not secured by a charge on the Economic Entity's assets				
i. Bank guarantees issued in the normal course of business	**14,942**	13,673	**-**	-
ii. Multiple drawdown revolving loan facility to a controlled entity	**1,000**	1,000	**1,000**	1,000
iii. A $32,000,000 advance and guarantee line facility was stablished with HSBC Bank of Australia Limited during 2006 for a controlled entity. The guarantee and indemnity for this facility has been provided by the parent. Subsequent to the balance sheet date, in September 2007, the facility has been reduced to $25,000,000. The parent's guarantee is limited to amount of $25,000,000 plus interest, fees and associated charges. As at balance date, the parent entity has recognised a liability for $15,631,488 (2006: $734,833).	**9,369**	31,265	**9,369**	31,265
iv. In addition to (iii) above the parent entity has formally resolved to provide additional financial assistance to KH Foods Limited up to a limit of $7,000,000 for a period to September 2008.	**-**	-	**7,000**	-
v. Under the terms of a Deed of Cross Guarantee a subsidiary of SP Telemedia Limited has guaranteed the repayment of all current and future creditors in event any of the entities party to the deed is wound up. No deficiency in net assets exists in these companies at reporting date.	**-**	-	**-**	-
c) Litigation				
i. SP Telemedia Limited (SPT) is defending and cross claiming against a Breach of Employment by a former Employee.	**-**	-	**-**	-
ii. SPT is appealing a judgement handed down relating to damages award to a former supplier. The former supplier has lodged a cross appeal.	**-**	-	**-**	-
No assets or liabilities have been recognised for the above claims and in the opinion of the Directors, the likelihood of any significant cash outflow is considered remote. No further information about these matters is disclosed as the Directors consider disclosure would be prejudicial to the interest of SPT.				
	31,913	51,363	**17,369**	32,265

For contingent liabilities relating to associates and joint ventures refer to note 41.

NOTE 39. COMMITMENTS FOR EXPENDITURE

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
a) Capital commitments				
Capital expenditure contracted for at the reporting date				
Property, plant and equipment				
Payable:				
Within one year	**16,254**	31,875	**-**	-
Later than one year but not later than five years	**5,307**	-	**-**	-
Later than five years	**-**	-	**-**	-
	21,561	31,875	**-**	-
Intangible assets				
Payable:				
Within one year	**1,724**	283	**-**	-
Later than one year but not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	1,724	283	**-**	-
b) Lease commitments:				
Commitments in relation to leases consist of:				
i. Operating leases				
The consolidated entity leases various property under non-cancellable operating leases expiring within one to ten years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated,				
Commitment for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**8,142**	8,946	**-**	-
Later than one year but not later than five years	**16,064**	24,575	**-**	-
Later than five years	**2,259**	7,199	**-**	-
	26,465	40,720	**-**	-
ii. Finance and Hire purchase leases				
The consolidated entity leases various plant and equipment under finance leases expiring within one to ten years. Some leases provide for the payment of incremental contingent rentals based on movements in the Consumer Price Index. Commitment for minimum lease payments in relation to finance leases are payable as follows:				
Within one year	**3,287**	1,000	**-**	-
Later than one year but not later than five years	**1,175**	3,054	**-**	-
Later than five years	**-**	-	**-**	-
	4,462	4,054	**-**	-
Future finance charges	**(199)**	(654)	**-**	-
Recognised as a liability	**4,263**	3,400	**-**	-
Representing lease and hire purchase liabilities:				
Current (note 27)	**551**	757	**-**	-
Current – Liabilities directly associated with assets of a disposal group (note 10)	**2,625**	-	**-**	-
Non-current (note 28)	**1,087**	2,643	**-**	-
	4,263	3,400	**-**	-

The weighted average interest rate implicit in the leases is 8.12% (2006 - 8.12%).

For commitments relating to associates and joint ventures refer to note 41.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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NOTE 40. SUBSIDIARIES

Name of Entity	Country of Incorporation	Equity Holding 2007 %	2006 %
a) Parent Entity			
Washington H. Soul Pattinson and Company Limited	Australia		
b) Controlled Entities			
SP Laboratories Pty. Limited	Australia	**100.0**	100.0
SP Newcastle Pty. Limited	Australia	**100.0**	100.0
SP Runaway Bay Pty. Limited	Australia	**100.0**	100.0
Souls Funds Management Limited	Australia	**67.6**	61.9
Souls Financial Solutions Pty. Limited	Australia	**65.0**	-
Souls Private Equity Limited+	Australia	**12.4**	11.7
PCP Holdings 1 Pty. Limited	Australia	**12.4**	11.7
Geoffrey Hill & Associates Pty. Limited	Australia	**12.4**	11.7
Cromford Pty. Limited	Australia	**12.4**	11.7
Australian Film and Pipe Manufacturing Pty Limited	Australia	**12.4**	-
Soda Brands Limited	Australia	**8.5**	9.4
Food and Beverage Company Limited	Australia	**12.4**	-
Pitt Capital Partners Limited	Australia	**78.1**	53.0
Corporate & Administrative Services Pty. Ltd	Australia	**58.6**	39.8
Pitt Capital Nominees Pty. Ltd	Australia	**78.1**	53.0
Rundle Capital Partners Ltd	Australia	**40.8**	27.7
Pitt Capital Asia Ltd	Hong Kong	**78.1**	53.0
SP Telemedia Limited	Australia	**44.5**	44.5
Kooee Communications Pty. Limited*	Australia	**44.5**	20.5
Soul Pattinson Telecommunications Pty. Limited*	Australia	**44.5**	44.5
NBN Enterprises Pty. Limited	Australia	**-**	44.5
NBN Limited	Australia	**-**	44.5
NBN Investments Pty. Limited	Australia	**-**	44.5
NBN Productions Pty. Limited	Australia	**-**	44.5
NBN Holdings Pty. Limited (deregistered)	Australia	**-**	44.5
SPT Com Pty. Limited*	Australia	**44.5**	32.5
Kooee Mobile Pty. Limited*	Australia	**44.5**	44.5
Soul Communications Limited (previously B Digital Limited)*	Australia	**44.5**	20.5
B Digital Investments Pty. Limited*	Australia	**44.5**	20.5
Digiplus Investments Pty. Limited*	Australia	**44.5**	20.5
Digiplus Holdings Pty. Limited*	Australia	**44.5**	20.5
Digiplus Pty. Limited*	Australia	**44.5**	20.5
Digiplus Limited*	Australia	**44.5**	20.5
Digiplus Contracts Pty. Limited*	New Zealand	**44.5**	20.5
Codex Limited*	New Zealand	**44.5**	20.5
Blue Call Pty. Limited*	Australia	**44.5**	20.5
SPT Telecommunications Pty Limited*	Australia	**44.5**	44.5
Kooee Pty Limited*	Australia	**44.5**	32.5

NOTE 40. SUBSIDIARIES (CONTINUED)

Name of Entity	Country of Incorporation	Equity Holding 2007 %	Equity Holding 2006 %
New Hope Corporation Limited*	Australia	**61.1**	61.3
Jeebropilly Collieries Pty. Ltd*	Australia	**61.1**	61.3
Fowlers Engineering Pty. Ltd*	Australia	**61.1**	61.3
Tivoli Coal (Hawaii) Pty. Ltd*	Australia	**61.1**	61.3
New Hope Collieries Pty. Ltd*	Australia	**61.1**	61.3
Tivoli Collieries Pty. Ltd*	Australia	**61.1**	61.3
Andrew Wright Holdings Pty. Ltd*	Australia	**61.1**	61.3
Tetard Holdings Pty. Ltd*	Australia	**61.1**	61.3
Consolidated Bulk Handling Pty. Ltd*	Australia	**61.1**	61.3
New Hope Finance Pty. Ltd*	Australia	**61.1**	61.3
New Oakleigh Coal Pty. Ltd*	Australia	**61.1**	61.3
New Hope Exploration Pty. Ltd*	Australia	**61.1**	61.3
Seven Mile Coal Pty. Ltd*	Australia	**61.1**	61.3
New Acland Coal Pty Ltd*	Australia	**61.1**	61.3
Acland Pastoral Co. Pty Ltd*	Australia	**61.1**	61.3
Arkdale Pty. Ltd*	Australia	**61.1**	61.3
New Lenton Coal Pty. Ltd*	Australia	**61.1**	61.3
KH Foods Limited			
Jusfrute Limited*	Australia	**86.6**	53.3
United Beverages Pty Ltd*	Australia	**86.6**	53.3
Redland Industries Pty Ltd*	Australia	**86.6**	53.3
Keith Harris Extracts Pty Ltd*	Australia	**86.6**	53.3
Quotidian No.115 Pty Ltd*	Australia	**86.6**	53.3
Balfours Australia Pty Ltd*	Australia	**86.6**	53.3
Balfours Operations VIC Pty Ltd*	Australia	**86.6**	53.3
Balfours Operations NSW Pty Ltd*	Australia	**86.6**	53.3
Balfours Operations Pty Ltd*	Australia	**86.6**	53.3
Balfours Property Holdings Pty Ltd*	Australia	**86.6**	53.3
Balfours NSW Pty Ltd*	Australia	**86.6**	53.3
Balfours Wauchope Pty Ltd*	Australia	**86.6**	53.3
Balfours Pty Ltd*	Australia	**86.6**	53.3
Balfours Retail Pty Ltd*	Australia	**86.6**	53.3

*Companies marked with an asterisk are part of tax consolidation groups.
+Souls Private Equity Limited and its subsidiaries have been consolidated on the basis of control of the board of directors and management control

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2007

NOTE 40. SUBSIDIARIES (CONTINUED)

c) Acquisition of controlled entities

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
i. Aggregate details of Acquisitions	**$'000**	$'000	**$'000**	$'000
Total Purchase Price	**6,763**	39,421	**1**	-
Purchase Price paid in cash	**1,376**	-	**-**	-
Proceeds from Issue of Shares by Controlled Entities	**-**	38,045	**1**	-
Cash held by Acquiree at acquisition	**535**	1,095	**-**	-

ii. Acquisitions during the year included:

Acquisition of Food and Beverage Company Limited (previously an associate)

On 31 July 2006, Souls Private Equity Limited (SPEL), a controlled entity, held a 50% interest in an associate, Food and Beverage Company Limited (FBC). On 1 December 2006 FBC became a controlled entity when SPEL acquired the remaining 50% interest of FBC for $120,000. Net liabilities of $2,066,000 were acquired including cash of $535,000.

	Recognised Values $'000
Cash	**535**
Trade and other receivables	**647**
Investments accounted for using equity method	**17,816**
Financial assets	**8,646**
Other assets	**2**
Trade and other payables	**(276)**
Long term borrowings	**(29,436)**
Net identifiable assets and liabilities	**(2,066)**
Consideration	**(120)**
Consideration satisfied the sale of shares in controlled entity	**-**
Cash acquired	**535**
Net cash inflow	**415**

Acquisition of Salon Only Pty Limited

Soda Brands Limited, a controlled entity of Souls Private Equity Limited, acquired 100% of the equity in Salon Only Pty Limited for purchase consideration of $3,022,000.

Acquisition of Australian Film and Pipe Manufacturing Pty Limited

Cromford Pty Limited, a controlled entity of Souls Private Equity Limited, acquired 100% of the equity in Australian Film and Pipe Manufacturing Pty Limited for purchase consideration of $3,740,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2007

NOTE 40. SUBSIDIARIES (CONTINUED)

iii. Details of significant acquisitions completed during the prior year include:

Acquisition of equity in SPT Telecommunications Pty Limited and Kooee Pty Limited

On 30th June 2006 the consolidated entity acquired the remaining 50% of the issued share capital of both SPT Telecommunications Pty Limited and Kooee Pty Limited that it did not already own. The consideration for the transaction was a cash payment of $1,071,429 plus the issue of 50,000,000 ordinary shares in SP Telemedia Limited. The operating results of SPT Telecommunications Pty Limited and Kooee Pty Limited have been included in the consolidated Income Statement since the date of acquisition. Prior to this date the results of both companies were equity accounted and recognised in the Income Statement as Share of Profit/(loss) from associates. The acquisitions had the following effect on the consolidated entity's assets and liabilities.

SPT Telecommunications Pty Limited's net assets at the acquisition date

	Recognised values $'000	Fair value adjustments $'000	Carrying amounts $'000
Property, plant and equipment	49,295	-	49,295
Intangible assets	6,616	5,440	1,176
Current tax assets	801	-	801
Trade and other receivables	9,983	-	9,983
Deferred tax assets	103	-	103
Other assets	3,939	-	3,939
Cash and cash equivalents	1,021	-	1,021
Interest-bearing loans and borrowings	(32,349)	-	(32,349)
Deferred tax liabilities	(1,632)	(1,632)	-
Provisions	(4,944)	-	(4,944)
Trade and other payables	(14,361)	-	(14,361)
Net identifiable assets and liabilities	18,472	3,808	14,664
Previous ownership interest	(9,236)		
	9,236		
Goodwill on acquisition	28,881		
Consideration*	(38,117)		
Consideration satisfied by issue of shares in parent entity	36,768		
Cash acquired	1,021		
Net cash outflow	328		

*Includes transactions fees and stamp duty

Kooee Pty Limited's net assets at the acquisition date

	Recognised values $'000	Fair value adjustments $'000	Carrying amounts $'000
Trade and other receivables	4,552	-	4,552
Other assets	3	-	3
Cash and cash equivalents	74	-	74
Deferred tax liabilities	(302)	-	(302)
Provisions	(1)	-	(1)
Trade and other payables	(2,807)	-	(2,807)
Net identifiable assets and liabilities	1,519	-	1,519
Previous ownership interest	(760)		
	759		
Goodwill on acquisition	-		
Consideration*	(759)		
Consideration satisfied the sale of shares in controlled entity	732		
Cash acquired	74		
Net cash inflow	47		

*Includes transactions fees and stamp duty

Conversion of loans to equity in Soda Incorporation Pty Limited

Souls Private Equity Limited converted loans to Soda Incorporation Pty Limited into equity resulting in an increase in the company's interest in the entity.

d) Disposal of controlled entities

During the year, SP Telemedia Limited disposed of its entire shareholding in NBN Enterprises Pty. Limited. Details are set out in Discontinued operations (note 10).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2007

NOTE 41. INVESTMENT IN ASSOCIATES

a) Carrying amounts

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (refer note 19). Information relating to significant associates is set out in (g) below.

	Consolidated	
	2007	2006
b) Movement in carrying amounts	**$'000**	$'000
Carrying amount at 1 August	**469,807**	423,529
Adjustment for additional interests in equity investments	**21,399**	19,338
Adjustment from the disposal of the interest in an equity investment	**(4,985)**	-
Adjustment for subsidiary transferred to(from) an equity investment	**-**	(10,200)
Share of profits after income tax, before writedowns	**35,113**	40,689
Writedown of associates	**(4,096)**	(456)
Share of profits after income tax – discontinued operations	**-**	-
Dividends received / receivable	**(30,302)**	(24,897)
Add back share of dividends received by associate	**21,500**	20,741
Share of associates increment in reserve	**3,668**	1,362
AIFRS adjustment on associates	**-**	(299)
Carrying amount at 31 July	**512,104**	469,807

	Consolidated	
	2007	2006
c) Summarised share of associates financial information	**$'000**	$'000
Assets	**1,204,313**	1,090,531
Liabilities	**(543,738)**	(474,272)
Net assets	**660,575**	616,259

The share of Associates net assets of $660,575,000 (2006: $616,259,000) includes our share of the total net assets of Brickworks Limited. Brickworks Limited owns 42.85% (2006: 42.85%) of the issued capital in Washington H. Soul Pattinson and Company Limited. The equity accounted carrying value of this associate of $329,353,000 (2006: $297,233,000) excludes our share of Brickworks Limited equity accounted carrying value of Washington H. Soul Pattinson and Company Limited.

Revenue	**968,830**	944,966
Profit before income tax	**50,942**	53,430
Income tax expense	**(15,829)**	(12,741)
Profit after income tax	**35,113**	40,689
d) Share of associates' expenditure commitments		
Capital commitments	**10,181**	20,124
Lease commitments	**50,871**	56,954
e) Contingent liabilities of associates		
Share of incurred jointly with other investors	**33,747**	38,689

f) Correction in classification of investments in Associated companies

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.

NOTE 41. INVESTMENT IN ASSOCIATES (CONTINUED)

g) Details of significant associates

Name and Principal Activity	Balance date	Group's percentage of holding at balance dates* Balance Date Company 2007 %	Balance Date Company 2006 %	Balance Date Associate 2007 %	Balance Date Associate 2006 %	Contribution to Group net profit** 2007 $'000	Contribution to Group net profit** 2006 $'000	Fair value of Listed investments 2007 $'000	Fair value of Listed investments 2006 $'000
Listed associates									
Brickworks Limited									
Manufacture of clay products	**31 July**	**49.5**	49.5	**49.5**	49.5	**31,585**	33,843	**873,080**	784,459
Australian Pharmaceutical Industries Limited									
Pharmaceutical wholesaler	**30 April*** **	**21.7**	21.6	**21.7**	21.6	**(2,446)**	4,463	**109,499**	****
Unlisted Associates									
Queensland Bulk Handling Pty Limited*****									
Coal handling	**30 June**	**50.0**	50.0	**50.0**	50.0	**1,284**	3,045	**n/a**	n/a
Ampcontrol Pty Limited									
Electrical supplies	**30 June**	**45.0**	45.0	**45.0**	45.0	**4,751**	2,429	**n/a**	n/a
Windsor Farm Foods Limited									
Food processing and distribution	**30 June**	**43.8**	43.8	**43.8**	43.8	**(5,290)**	(582)	**n/a**	n/a
B Shop Telecommunications Pty Limited (disposed of effective 19 July 2006)									
Telecommunications retailer	**30 June**	**-**	-	**-**	-	**-**	(4,183)	**n/a**	n/a
Kooee Pty Limited (controlled from 30 June 2006)									
Telecommunications retailer	**30 June**	**-**	-	**-**	-	**-**	341	**n/a**	n/a
Hydramatic Engineering Pty Limited (disposed 28 February 2007)									
Engineering	**30 June**	**-**	40.0	**-**	40.0	**694**	283	**n/a**	n/a
Krispy Kreme Holdings Australia Pty Ltd									
Food	**30 June**	**24.0**	-	**24.0**	-	**458**	-	**n/a**	n/a

Fair value is determined by reference to the bid price of the security as quoted on 31 July on the Australian Stock Exchange.

All Associates as listed above are incorporated in Australia.

* 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.

*** Information is based on Australian Pharmaceutical Industries Limited (API) financial statement for the 12 month ended 30 April 2007. We note, API has subsequently changed year end to 31 August.

**** 31 July 2006, no bid price was available for Australian Pharmaceutical Industries Limited as the stock was suspended from trading during the period 12 July 2006 through to 22 August 2006.

***** 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 the 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. With effect from 1 August 2007, the operations of QBH and BTS will be fully consolidated in the group financial statements.

NOTE 42. INTEREST IN PARTNERSHIP

	Consolidated 2007 $'000	Consolidated 2006 $'000
During the year Andrew Wright Holdings Pty Ltd, a controlled entity of New Hope Corporation Limited held a 50% interest in a partnership named Bulk Terminal Services, whose principal activity is supply of services. The partnership's year end is 30 June. The consolidated entity did not receive any products or services directly from the partnership. The Group's share of the partnership revenue was $4,945,000 (2006 - $4,432,000).		
Contribution of the partnership to operating profit of the consolidated entity	**3,274**	3,238

On August 1 2007, the Group acquired the remaining 50% equity in Bulk Terminal Services, refer note 41(g). With effect from this date, these operations will be fully consolidated into the Group financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2007

NOTE 43. KEY MANAGEMENT PERSONNEL

a) Directors
The following persons were directors of Washington H Soul Pattinson and Company Limited during the financial year:

i. Chairman – non-executive
Mr R D Millner

ii. Deputy chairman – non-executive
Mr M J Millner

iii. Executive director
Mr P R Robinson

iv. Non-executive directors
Mr D J Fairfull
Mr D E Wills
Mr R G Westphal

b) Other key management personnel
The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	***Position***	***Employer***
Ms M R Roderick	Chief Financial Officer	Washington H. Soul Pattinson and Company Limited
Mr R A O'Brien	Company Secretary (retired 11/07/2007)	Washington H. Soul Pattinson and Company Limited
Mr I D Bloodworth	Company Secretary (appointed 11/07/2007)	Washington H. Soul Pattinson and Company Limited
Mr R C Neale	Chief Executive Officer	New Hope Corporation Limited
Mr P K Mantell	Chief Financial Officer and Company Secretary	New Hope Corporation Limited
Mr M Simmons	Chief Executive Officer – Telecommunications	SP Telemedia Limited
Mr J Eather	Chief Executive Officer – Media (employer subsidiary sold 9/05/2007)	SP Telemedia Limited
Mr K Parsons	Acting Chief Executive Officer, Chief Financial Officer & Company Secretary	KH Foods Limited
Mr C J Photakis	Managing Director (appointed 02/04/2007)	Pitt Capital Partners Limited
Mr A D Fairfull	General Manager	Souls Private Equity Limited

c) Key management personnel compensation	**Consolidated**		**Parent Entity**	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Short-term employee benefits	**5,139**	4,133	**2,424**	2,355
Post-employment benefits	**1,183**	531	**263**	261
Share-based payments	**707**	462	**-**	-
	7,029	5,126	**2,687**	2,616

The Company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the directors report. The relevant information can be found in the remuneration report on pages 8-10.

NOTE 43. KEY MANAGEMENT PERSONNEL (CONTINUED)

d) Equity instrument disclosures relating to key management personnel

i. Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on pages 8-10. Terms and conditions of options are detailed in note 47.

ii. Share holdings

The numbers of shares in the company held during the financial year by each director of Washington H. Soul Pattinson and Company Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2007	Balance at start of year	Acquired during year	Exercised during the year	Sold during year	Balance at end of year
Directors of Washington H. Soul Pattinson and Company Limited (shares in Washington H. Soul Pattinson and Company Limited)					
R D Millner	**16,269,025**	**70,000**	**-**	**-**	**16,339,025**
M J Millner	**15,904,005**	**70,000**	**-**	**-**	**15,974,005**
P R Robinson	**74,210**	**-**	**-**	**-**	**74,210**
D J Fairfull	**60,000**	**-**	**-**	**-**	**60,000**
R G Westphal	**5,000**	**-**	**-**	**-**	**5,000**
D E Wills	**10,000**	**103,866**	**-**	**-**	**113,866**
Other key management personnel of the Group					
R C Neale	**4,000**	**-**	**-**	**-**	**4,000**
P K Mantell	**200**	**-**	**-**	**-**	**200**
M Simmons	**4,400**	**-**	**-**	**-**	**4,400**
J Eather (to 09/05/2007)	**13,200**	**-**	**-**	**-**	**13,200**
A D Fairfull	**200**	**-**	**-**	**-**	**200**
2006					
Directors of Washington H. Soul Pattinson and Company Limited (shares in Washington H. Soul Pattinson and Company Limited)					
R D Millner	16,174,025	95,000	-	-	16,269,025
M J Millner	15,809,005	95,000	-	-	15,904,005
P R Robinson	74,210	-	-	-	74,210
D J Fairfull	60,000	-	-	-	60,000
R G Westphal (from 01/04/2006)	-	5,000	-	-	5,000
D E Wills (from 01/04/2006)	-	(held at date of appointment)			10,000
Other key management personnel of the Group					
R C Neale	4,000	-	-	-	4,000
P K Mantell	200	-	-	-	200
M Simmons	4,400	-	-	-	4,400
J Eather	13,200	-	-	-	13,200

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2007

NOTE 43. KEY MANAGEMENT PERSONNEL (CONTINUED)

d) Equity instrument disclosures relating to key management personnel (continued)

2007	Balance at start of year	Acquired during year	Exercised during the year	Sold during year	Balance at end of year
Directors of New Hope Corporation Limited (shares in New Hope Corporation Limited)					
R D Millner	**2,535,276**	**3,719**	**1,578**	**-**	**2,540,573**
P R Robinson	**57,357**	**-**	**-**	**-**	**57,357**
D J Fairfull	**10,000**	**-**	**-**	**-**	**10,000**
D C Williamson	**20,000**	**-**	**-**	**-**	**20,000**
W H Grant	**-**	**-**	**-**	**-**	**-**
Other key management personnel of the Group					
R C Neale	**5,500**	**-**	**1,200,000**	**-**	**1,205,500**
P K Mantell	**13,000**	**-**	**1,090,000**	**-**	**1,103,000**
2006					
Directors of New Hope Corporation Limited (shares in New Hope Corporation Limited)					
R D Millner	2,134,287	400,989	-	-	2,535,276
P R Robinson	57,357	-	-	-	57,357
D J Fairfull	10,000	-	-	-	10,000
D C Williamson	20,000	-	-	-	20,000
W H Grant (from 25/05/2006)	-	-	-	-	-
Other key management personnel of the Group					
R C Neale	5,500	-	-	-	5,500
P K Mantell	13,000	-	-	-	13,000

2007	Balance at start of year	Acquired during year	Exercised during the year	Sold during year	Balance at end of year
Directors of SP Telemedia Limited (shares in SP Telemedia Limited)					
R D Millner	**1,792,411**	**303,117**	**-**	**-**	**2,095,528**
M J Millner	**1,763,522**	**295,877**	**-**	**-**	**2,059,399**
P R Robinson	**123,556**	**-**	**-**	**-**	**123,556**
D J Fairfull	**144,445**	**-**	**-**	**-**	**144,445**
D J Ledbury	**178,223**	**-**	**-**	**-**	**178,223**
W P Cleaves	**49,889**	**-**	**-**	**-**	**49,889**
Other key management personnel of the Group					
M Simmons	**45,393**	**-**	**-**	**-**	**45,393**
J Eather (to 09/05/2007)	**108,500**	**-**	**-**	**-**	**108,500**
2006					
Directors of SP Telemedia Limited (shares in SP Telemedia Limited)					
R D Millner	1,051,557	740,854	-	-	1,792,411
M J Millner	1,022,668	740,854	-	-	1,763,522
P R Robinson	115,556	-	8,000	-	123,556
D J Fairfull	144,445	-	-	-	144,445
D J Ledbury	174,223	-	4,000	-	178,223
W P Cleaves	28,889	19,000	2,000	-	49,889
Other key management personnel of the Group					
M Simmons	45,393	-	-	-	45,393
J Eather	108,500	-	-	-	108,500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2007

NOTE 43. KEY MANAGEMENT PERSONNEL (CONTINUED)

d) Equity instrument disclosures relating to key management personnel (continued)

2007	**Balance at start of year**	**Acquired during year**	**Exercised during the year**	**Sold during year**	**Balance at end of year**
Directors of SP Telemedia Limited (shares in Soul Communications Limited)					
D J Ledbury	**50,000**	**-**	**-**	**50,000**	**-**
W P Cleaves	**15,000**	**-**		**15,000**	**-**
Other key management personnel of the Group					
M Simmons	**33,000**	**-**	**-**	**33,000**	**-**
J Eather (to 09/05/2007)	**77,000**	**-**	**-**	**77,000**	**-**
2006					
Directors of SP Telemedia Limited (shares in Soul Communications Limited)					
D J Ledbury	50,000	-	-	-	50,000
W P Cleaves	15,000	-	-	-	15,000
Other key management personnel of the Group					
M Simmons	33,000	-	-	-	33,000
J Eather	37,500	39,500	-	-	77,000

2007	**Balance at start of year**	**Acquired during year**	**Exercised during the year**	**Sold during year**	**Balance at end of year**
Directors of Souls Private Equity Limited (shares in Souls Private Equity Limited)					
R D Millner	**718,448**	**506,745**	**-**	**-**	**1,225,193**
D J Fairfull	**8,300,001**	**400,000**	**-**	**-**	**8,700,001**
D E Wills	**299,728**	**123,549**	**-**	**-**	**423,277**
R G Westphal	**180,000**	**190,000**	**-**	**-**	**370,000**
G G Hill (alternate for D J Fairfull)	**8,150,000**	**-**	**-**	**-**	**8,150,000**
Other key management personnel of the Group					
C J Photakis (from 02/04/2007)	**-**	**50,000**	**-**	**-**	**50,000**
A D Fairfull	**28,000**	**-**	**-**	**-**	**28,000**
2006					
Directors of Souls Private Equity Limited (shares in Souls Private Equity Limited)					
R D Millner	718,448	-	-	-	718,448
D J Fairfull	8,300,001	-	-	-	8,300,001
D E Wills	199,728	100,000	-	-	299,728
R G Westphal	40,000	140,000	-	-	180,000
G G Hill (alternate to D J Fairfull)	8,150,000	-	-	-	8,150,000
Other key management personnel of the Group					
No key personnel held shares during the financial year					

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2007

NOTE 43. KEY MANAGEMENT PERSONNEL (CONTINUED)

d) Equity instrument disclosures relating to key management personnel (continued)

2007	Balance at start of year	Acquired during year	Exercised during the year	Sold during year	Balance at end of year
Directors of KH Foods Limited (shares in KH Foods Limited)					
P R Robinson	**2,000**	**-**	**-**	**2,000**	**-**
P T Blizzard	**387,650**	**6,430,724**	**-**	**-**	**6,818,374**
Other key management personnel of the Group					
No key personnel held shares during the financial year					
2006					
Directors of KH Foods Limited (shares in KH Foods Limited)					
P R Robinson	2,000	-	-	-	2,000
P T Blizzard	387,650	-	-	-	387,650
Other key management personnel of the Group					
No key personnel held shares during the financial year					

iii. Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Washington H. Soul Pattinson and Company Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2007	Balance at start of year	Acquired during year	Exercised during the year	Sold during year	Balance at end of year
Directors of New Hope Corporation Limited (New Hope Corporation Limited options)					
R D Millner	**1,206**	**372**	**1,578**	**-**	**-**
P R Robinson	**-**	**-**	**-**	**-**	**-**
D J Fairfull	**1,000**	**-**	**-**	**-**	**1,000**
D C Williamson	**-**	**-**	**-**	**-**	**-**
W H Grant	**-**	**-**	**-**	**-**	**-**
The above options were vested and exercisable at the end of the year.					
Other key management personnel of the Group					
R C Neale	**3,200,000**	**-**	**1,200,000**	**-**	**2,000,000**
P K Mantell	**2,590,000**	**-**	**1,090,000**	**-**	**1,500,000**
The above options were not vested at the end of the year.					
2006					
Directors of New Hope Corporation Limited (New Hope Corporation Limited options)					
R D Millner	1,206	-	-	-	1,206
P R Robinson	-	-	-	-	-
D J Fairfull	1,000	-	-	-	1,000
D C Williamson	-	-	-	-	-
W H Grant	-	-	-	-	-
The above options were vested and exercisable at the end of the year.					
Other key management personnel of the Group					
R C Neale	1,200,000	2,000,000	-	-	3,200,000
P K Mantell	1,090,000	1,500,000	-	-	2,590,000
The above options were not vested at the end of the year.					

NOTE 43. KEY MANAGEMENT PERSONNEL (CONTINUED)

d) Equity instrument disclosures relating to key management personnel (continued)

2007	**Balance at start of year**	**Acquired during year**	**Exercised during the year**	**Sold during year**	**Balance at end of year**
Directors of SP Telemedia Limited					
(SP Telemedia Limited options)					
P R Robinson	**-**	**-**	**-**	**-**	**-**
D J Fairfull	**-**	**-**	**-**	**-**	**-**
D J Ledbury	**-**	**-**	**-**	**-**	**-**
W P Cleaves	**-**	**-**	**-**	**-**	**-**
Other key management personnel of the Group					
No key personnel held options at the end of the financial year					
2006					
Directors of SP Telemedia Limited					
(SP Telemedia Limited options)					
P R Robinson	8,000	-	8,000	-	-
D J Fairfull	10,000	-	-	10,000	-
D J Ledbury	4,000	-	4,000	-	-
W P Cleaves	2,000		2,000	-	-
Other key management personnel of the Group					
No other key personnel held options during the financial year					

2007	**Balance at start of year**	**Acquired during year**	**Exercised during the year**	**Sold during year**	**Balance at end of year**
Directors of Souls Private Equity Limited					
(Souls Private Equity Limited options)					
R D Millner	**86,681**	**843**	**-**	**-**	**87,524**
D J Fairfull	**1,037,500**	**-**	**-**	**-**	**1,037,500**
D E Wills	**24,966**	**2,943**	**-**	**-**	**27,909**
R G Westphal	**10,000**	**-**	**-**	**-**	**10,000**
G G Hill (alternate to D J Fairfull)	**1,018,750**	**271,564**	**-**	**-**	**1,290,314**
The above options were vested and exercisable at the end of the year.					
G G Hill (alternate to D J Fairfull) - management options (unlisted)	**1,250,000**	**-**	**-**	**-**	**1,250,000**
The above options were not vested at the end of the year.					
Other key management personnel of the Group					
A D Fairfull - management options (unlisted)	**500,000**	**-**	**-**	**-**	**500,000**
The above options were not vested at the end of the year.					
2006					
Directors of Souls Private Equity Limited					
(Souls Private Equity Limited options)					
R D Millner	86,681	-	-	-	86,681
D J Fairfull	1,037,500	-	-	-	1,037,500
D E Wills	24,966	-	-	-	24,966
R G Westphal	10,000	-	-	-	10,000
G G Hill (alternate to D J Fairfull)	1,018,750	-	-	-	1,018,750
The above options were vested and exercisable at the end of the year.					
G G Hill (alternate to D J Fairfull) - management options (unlisted)	1,250,000	-	-	-	1,250,000
The above options were not vested at the end of the year.					
Other key management personnel of the Group					
No other key personnel held options during the financial year					

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2007

NOTE 43. KEY MANAGEMENT PERSONNEL (CONTINUED)

e) Loans to key management personnel

Details of loans made to directors of Washington H. Soul Pattinson and Company Limited and other key management personnel of the Group, including their personally related parties, are set out below.

At the beginning of the financial year Mr J Eather had an interest free loan of $109,500 from SP Telemedia Limited in relation to retirement benefits. This loan was recognised in the NBN Television group which was sold during the year and as a result there is no loan owing to the consolidated group as at 31 July 2007.

f) Other transactions with key management personnel

The key management personnel and their related entities received dividends during the year in respect of their shareholdings in the Group companies consistent with other shareholders.

Unsecured deposits are accepted from Directors and their related entities and interest is paid at normal commercial rates. Interest paid during the current financial year amounting to $1,225,514 (2006: $740,188). The balance of deposits at 31 July 2007 was $28,436,000 (2006: $15,760,000).

Deposits were received from Mr R D Millner, Mr M J Millner, and Mr D J Fairfull and/or their related entities.

Mr R D Millner, Mr P R Robinson and Mr D J Fairfull are directors of Pitt Capital Partners Limited (PCP) which is a 78.1% (2006 – 52.9%) controlled entity of Washington H. Soul Pattinson and Company Limited.

During the year the following directors received directors fees from associates:

- Mr R D Millner – Australian Pharmaceutical Industries Limited and Brickworks Limited – 2007 $260,380 (2006: $245,830);
- Mr M J Millner – Brickworks Limited – 2007 $87,000 (2006: $87,000);
- Mr P R Robinson – Australian Pharmaceutical Industries Limited and Clover Corporation Limited – 2007 $195,383 (2006: $195,383);
- Mr D J Fairfull – Australian Pharmaceutical Industries Limited – 2007 $86,380 (2006: $71,830);
- Mr D E Wills – Clover Corporation Limited 2007 $27,250 (2006: $27,250).

Details of shareholdings by each director may be found in the respective annual reports of each associate.

Mr R G Westphal was appointed a director on 1 April, 2006 and received consultancy fees from Pitt Capital Partners Limited of $117,600 during the year (2006 - $121,000). Mr R G Westphal is also a director of an associate, Ampcontrol Pty Limited and a former associate, Hydramatic Engineering Pty Limited. Directors fees received from these entities totalled $55,938 for the year (2006: $45,599).

In February 2007, Mr D J Fairfull and Mr G G Hill, retired as joint Managing Directors of Pitt Capital Partners Limited (PCP). At that time, Richvale Pty Ltd, an associated company of Mr Fairfull, disposed of its 12.5% shareholding in PCP to WHSP for consideration of $3,800,000. Republic Australia Ltd, an associated company of Mr Hill, also disposed of its 12.5% shareholding in PCP to WHSP for total consideration of $2,800,000 in addition to a capital payment of $1,000,000 representing a ‘restraint of trade’. (refer note 35d). The foregoing considerations were supported by an independent expert’s valuation well in excess of the amounts paid.

During the current financial year PCP provided services to companies in the Group including KH Foods Limited $1,220,798 (2006 - $nil), SP Telemedia Limited $3,101,640 (2006 - $1,590,000), New Hope Corporation Limited $75,000 (2006 - $484,583), Souls Private Equity Limited $3,780,361 (2006 - $2,719,357), Souls Financial Solutions Pty Limited $3,801 (2006 – $nil), Clover Corporation Limited $25,000 (2006- $25,000).

Washington H. Soul Pattinson and Company Limited charged PCP $134,000 for rental of office space in its own premises during the year (2006 - $123,600).

PCP paid Washington H. Soul Pattinson and Company Limited sub-underwriting fees of $698,014 (2006 - $nil).

Souls Funds Management Limited received $194,938 from PCP for management fees (2006 - $190,992).

NOTE 44. RELATED PARTIES

a) Parent entities

The ultimate parent entity is Washington H. Soul Pattinson and Company Limited.

b) Subsidiaries and Associates

Interests in Subsidiaries and Associates are set out in notes 40 and note 41 respectively.

c) Key management personnel

Disclosures relating to key management personnel are set out in note 43.

d) Related parties transactions and balances

i. Subsidiaries

Transactions between the parent entity and its subsidiaries and between subsidiaries are at normal commercial terms and conditions. Transactions consist of the transfer of funds for day to day financing, provision of consulting, management and advisory services, loans advanced and repaid, interest, dividend and rental payments.

ii. Associates

Transactions with associates are at normal commercial terms and conditions.

Transactions consist of the supply of pharmaceutical products to the parent entity, consulting, management and advisory fees received from associates, handling and commission revenue and expenses for the coal mining operations, loans advanced and repaid, interest and dividend payments.

NOTE 44. RELATED PARTIES (CONTINUED)

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
Summary of transactions	**$'000**	$'000	**$'000**	$'000
Advisory, consulting , underwriting and management fees received from subsidiaries from:				
- Parent	**-**	-	**763**	46
- Associates	**173**	973	**-**	-
Purchases of pharmaceutical products from:				
- Associates	**5,529**	4,801	**5,529**	4,801
Handling and commission expenses from:				
- Associates	**10,730**	9,477	**-**	-
Management and supervision fees from:				
- Associates	**250**	250	**-**	-
Partnership income	**3,274**	3,238	**-**	-
Dividend revenue from:				
- Subsidiaries	**-**	-	**71,613**	94,182
- Associates	**-**	-	**26,035**	24,538
Interest income from:				
- Subsidiaries	**-**	-	**2,184**	2,529
- Associates	**817**	1,011	**-**	-
Return of capital from:				
- Subsidiaries	**-**	-	**-**	49,370

Loans to subsidiaries

During the year the parent entity was repaid an amount of $16,659,294 from KH Foods Limited. Advances totalling 23,000,000 were made in the 2006 year. Interest is charged at BBSY plus a margin with the total incurred for the year being $1,333,096 (2006: $1,452,000). The balance at the end of the year was $6,511,117. This loan was secured by a fixed charge over specific bakery plant and equipment at Seaton, however due to the divestment of this operation, the loan is unsecured from August 2007.

During the year, the parent entity converted notes of $4,999,989 in KH Foods Limited to equity refer note 35 (d)). Interest incurred on notes for the year totalled $193,150 (2006: $500,000).

During the year the parent entity was repaid $29,742,202 from SP Telemedia Limited. This loan was advanced to SP Telemedia in the 2006 year. Interest was charged at market rates with the total incurred for the year being $658,032 (2006: $577,000). At 31 July 2007, the amount owed by SP Telemedia was nil (2006: $29,742,202).

The parent entity has a loan agreement with Pitt Capital Partners Limited to provide a loan facility of up to $1 million. No amount has been advanced to date.

During the year, the parent entity advanced $50,000 to Souls Financial Solutions Limited. Interest is charged at market rates.

During the year SP Telemedia Limited and Souls Private Equity Limited entered into loan agreements with their respective subsidiaries. Terms and conditions for each transaction are disclosed in detail in each of the subsidiaries accounts. On consolidation, transactions and loan balances are eliminated in full.

Loans to associates

During the year, the parent entity advanced additional funds of $80,464 to Keith Harris and Company (Far East) Private Limited. As at 31 July 2007, the amount owed was $229,423. Interest is now being charged at market rates.

During the year, the parent entity advanced $250,000 to Windsor Farm Foods Group Limited. As at 31 July 2007, this loan was considered non-recoverable and impaired in full. No interest has been charged.

During the 2006 year Souls Private Equity Limited advanced $2,500,000 to its associate Hydramatic Engineering Pty. Limited. Hydramatic was sold during 2007 and the loan was extinguished. Interest on this loan was charged at market rates.

During 2006 Souls Private Equity Limited advanced $24,875,000 to a former associate Food and Beverage Corporation Limited (FBC). FBC became a wholly-owned subsidiary on 1 December 2006. At that date, the total loan amount due to SPEL from FBC was $25,675,000. Interest outstanding on the loan amount was $1,498,806 and was calculated at 8% per annum. Advances to FBC were on-loaned to associates and related entities of FBC. Total amount advanced to those entities through FBC, at 31 July 2007 was $11,007,000 of which an amount of $8,745,000 was considered non recoverable and impaired.

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
Guarantees	**$'000**	$'000	**$'000**	$'000
The following guarantees have been provided:				
Guarantee of a loan facility for KH Foods Limited (refer note 38 (b) iii) for details)	**25,000**	32,000	**25,000**	32,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2007

NOTE 45. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor.

	Consolidated		Parent Entity	
	2007	2006	**2007**	2006
a) Audit Services	**$'000**	$'000	**$'000**	$'000
Moore Stephens Sydney for audit and review of financial reports and other audit work under the Corporations Act 2001	**116**	107	**116**	99
Other audit firms for the audit or review of financial reports of any entity in the Group	**1,368**	1,109	**-**	-
Total remuneration for audit services	**1,484**	1,216	**116**	99
b) Other services				
Moore Stephens Sydney	**9**	-	**9**	-
Other auditors				
Transaction advisory services	**143**	285	**-**	-
Tax compliance services	**354**	389	**-**	-
Other services	**560**	501	**-**	-
Total remuneration for other services	**1,066**	1,175	**9**	-

NOTE 46. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated 2007	Consolidated 2006	Parent Entity 2007	Parent Entity 2006
Profit for the year	**190,712**	101,396	**74,373**	144,582
Adjustments for non-cash items:				
Depreciation and amortisation	**81,664**	71,963	**667**	457
Impairment losses	**40,085**	11,735	**65,930**	-
Bad and doubtful debts	**7,690**	7,957	**-**	-
Gain on disposal of discontinuing operations	**(88,182)**	-	**-**	-
Dividends received (non-cash)	**(1,055)**	(25)	**(1,055)**	-
Net gains on financial assets	**(31,959)**	(13,520)	**(6,895)**	(4,960)
Net (profit)/loss on sale of non-current assets	**(7,841)**	(3,332)	**1**	-
Share based payments	**2,172**	1,877	**-**	-
Share of profits of associates not received as dividends or distributions	**(4,312)**	(19,030)	**-**	-
Net exchange losses	**1,146**	-	**-**	-
Changes in operating assets and liabilities, net of effects from purchase and sales of business				
(Increase)/decrease in Trade Debtors, other debtors and prepayments	**(3,360)**	5,062	**(152)**	3,573
(Increase)/decrease in Inventory	**(1,966)**	(3,867)	**86**	22
(Increase)/decrease in Intangible assets	**(27,477)**	(22,763)	-	-
Increase/(decrease) in Trade Creditors and accruals	**(7,876)**	(4,562)	**558**	350
Increase/(decrease) in Employee Entitlements, other liabilities and provisions	**(13,976)**	(30,650)	**14,840**	145
Increase/(decrease) in Tax Provision	**(13,814)**	(40,497)	**(1,759)**	776
Increase/(decrease) in Deferred Tax Liability	**1,144**	(10,840)	**(24,854)**	(7,197)
Increase/(decrease)in Deferred Tax Asset	**(3,981)**	18,586	**456**	2,740
Net cash (outflow)/inflow from operating activities	**118,814**	69,490	**122,196**	140,488
Non-cash financing and investing activities				
Share swap to purchase minority interest in Balfours Australia Pty Ltd	**-**	4,599	**-**	4,599

NOTE 47. SHARE-BASED PAYMENTS

Entities within the Group grant options and shares to employees through entity specific agreements. Details of these transactions are set out below for each entity.

New Hope Corporation Limited

Options are granted under the New Hope Corporation Limited Employee Share Option Plan. Membership of the Plan is open to those senior employees and those Directors of New Hope Corporation Limited, its subsidiaries and associated bodies corporate whom the Directors believe have a significant role to play in the continued development of the Group's activities. All options have been granted after 7 November 2002 and vest after 1 January 2005.

Options are granted for no consideration. Options are granted for a 5 year period, and vest after the third anniversary of the date of the grant.

Set out below are the summaries of options granted under the plan:

2007 **Grant date**	**Expiry date**	**Exercise price**	**Balance at beginning of the year**	**Granted during the year Number**	**Exercised during the year Number**	**Expired during the year Number**	**Balance at the end of the year Number**	**Exercisable at the end of the year Number**
5 Sept 2003	4 Sept 2008	$0.350*	1,722,500	-	(1,722,500)	-	-	-
5 Sept 2003	4 Sept 2008	$0.375*	1,722,500	-	(1,722,500)	-	-	-
5 Sept 2003	4 Sept 2008	$0.400*	1,722,500	-	(1,722,500)	-	-	-
5 Sept 2003	4 Sept 2008	$0.450*	1,722,500	-	(1,722,500)	-	-	-
31 Aug 2005	30 Aug 2010	$1.198*	800,000	-	-	-	800,000	-
3 Jan 2006	1 Jan 2011	$1.235	16,250,000	-	-	(750,000)	15,500,000	-
8 May 2006	7 May 2011	$1.288	500,000	-	-	-	500,000	-
2 Jan 2007	1 Jan 2012	$1.413	-	1,000,000			1,000,000	
19 Jan 2007	18 Jan 2012	$1.360	-	500,000			500,000	
Total			**24,440,000**	**1,500,000**	**(6,890,000)**	**(750,000)**	**18,300,000**	**-**
Weighted average exercise price		0.9977	1.3953	0.3938	1.2350	1.2480	-	

The weighted average share price at the date of exercise of options exercised during the year was $1.52 (2006 – $1.31).

2006 **Grant date**	**Expiry date**	**Balance at** **Exercise price**	**Granted beginning of the year**	**Exercised during the year Number**	**Expired during the year Number**	**Balance at during the year Number**	**Exercisable the end of the year Number**	**at the end of the year Number**
5 Sept 2003	4 Sept 2008	$0.350*	8,100,000	-	(6,377,500)	-	1,722,500	-
5 Sept 2003	4 Sept 2008	$0.375*	8,100,000	-	(6,377,500)	-	1,722,500	-
5 Sept 2003	4 Sept 2008	$0.400*	8,100,000	-	(6,377,500)	-	1,722,500	-
5 Sept 2003	4 Sept 2008	$0.450*	8,100,000	-	(6,377,500)	-	1,722,500	-
31 Aug 2005	30 Aug 2010	$1.198*	-	800,000	-	-	800,000	-
3 Jan 2006	2 Jan 2011	$1.235	-	17,000,000	-	(750,000)	16,250,000	-
8 May 2006	7 May 2011	$1.288	-	500,000	-	-	500,000	-
Total			**32,400,000**	**18,300,000**	**(25,510,000)**	**(750,000)**	**24,440,000**	**-**
Weighted average exercise price		0.4938	1.2348	0.4938	1.2350	0.9977	-	

*In accordance with ASX guidelines, the option exercise price was reduced by 10 cents following the return of capital paid to shareholders on 16 December 2005. These prices are current exercise prices.

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.5 years (2006 – 1.8 years).

The fair value of options granted under the New Hope Corporation Limited Employee Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the options. Options are exercisable by current employees during the nominated vesting period or by Directors' consent. Detailed vesting conditions are set out in the Directors' report.

The fair value at grant date is independently determined using a monte carlo option pricing model that takes into account the exercise price, the term of the option, the vesting criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

The inputs and assumptions for each grant made during the year are as follows:

Grant date	**Expiry date**	**Exercise price**	**Share price at grant date**	**Expected volatility**	**Expected dividend yield**	**Risk free interest rate**	**Assessed fair value at grant date**
31 Aug 2005	30 Aug 2010	$1.198	$1.350	38.7%	4.6%	4.9%	$0.372
3 Jan 2006	2 Jan 2011	$1.235	$1.230	41.3%	4.6%	5.1%	$0.346
8 May 2006	7 May 2011	$1.288	$1.280	40.5%	3.8%	5.6%	$0.384
02 Jan 2007	01 Jan 2012	$1.413	$1.430	38.0%	6.2%	5.9%	$0.338
19 Jan 2007	18 Jan 2012	$1.360	$1.370	38.0%	6.4%	5.9%	$0.318

Expected volatility was estimated using the weekly (continuously-compounded) returns to New Hope Corporation Limited since its listing in 2003.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2007

NOTE 47. SHARE-BASED PAYMENTS (CONTINUED)

SP Telemedia Limited

Executive Share Option Plan

Soul Communications Limited (formerly B Digital Limited), a subsidiary of SP Telemedia Limited and its consolidated group has in place an Executive Share Option Plan ('ESOP') to selected executives to receive options to purchase ordinary shares in Soul Communications Limited. The ESOP was established during the financial year ended 31 July 2005.

The ESOP provides for 49 executives to receive options over ordinary shares of Soul Communications Limited. The number of options issued to each executive commensurated with market rates assessed for their respective roles. This was independently assessed as part of the total remuneration package to the executive.

All options were to expire on the earlier of their expiry date or termination of the executive's employment. Options were exercisable earlier than the expiry dates where certain events occurred such as where a takeover bid results in a bidder acquiring a relevant interest in more than half of the issued shares in the company or where the executive ceases to be employed for a limited number of reasons (such as death, total disability, redundancy or retirement) or where the board exercises a discretion for an earlier exercise. The acquisition of the remaining shares of Soul Communications Limited by SP Telemedia Limited during the financial year resulted in the options vesting.

There were no voting or dividend rights attached to the options. Voting rights attached to the issued shares when the options have been exercised.

The number of options granted to each executive was conditional on the consolidated entity achieving certain service criteria.

Options did not vest until the certain criteria had been achieved. Each option was convertible to one ordinary share. As the options were low exercise price options, any options that were eligible for vesting required the executive to pay $1 for the exercise of options, regardless of the number exercised.

2007	Expiry and exercise date	Balance at beginning of the year	Granted during the year Number	Exercised during the year Number	Expired/ Cancelled during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
	30 Jun 2015	1,937		(1,345)	(592)	-	-
Total		**1,937**		**(1,345)**	**592**	**-**	**-**
2006							
	30 Jun 2015	3,259	-	(735)	(587)	1,937	1,937
Total		**3,259**	**-**	**(735)**	**(587)**	**1,937**	**1,937**

The weighted average exercise price of share options during the year was $nil.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received was measured based on Black-Scholes formula. The contractual life of the options (10 years) was used as an input into this model. Expectation of early exercise was incorporated in the Black-Scholes formula. The table below shows the assumptions used in the fair value modelling. The share options granted to the former managing director of Soul Communications Limited, are shown separately as Class 2.

2007	Class of options	Option LIfe (weighted average life)	Exercise price(ii)	Share price at grant date	Expected volatility	Risk free interest rate	Assessed fair value at grant date
	Class 1	10	-	39.9¢	49%	5.10%	39.9¢
2006							
	Class 1	10	-	39.9¢	49%	5.10%	39.9¢
	Class 2	10	-	44.0¢	49%	5.10%	44.0¢

i. market share price at grant date

ii. any options that were eligible for vesting required the executive to pay $1 each time they exercised any number of options

The expected volatility was based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

Executive Bonus Share Scheme

SP Telemedia Limited and controlled entities have in place an executive Bonus Share Scheme for selected executives. The scheme was established 6 June 2005. The scheme provides for selected executives to receive ordinary shares in the company.

Under the terms of the scheme a bonus pool is established for the selected executives. The annual bonus pool is equal to 1.6% of SP Telemedia Limited, the consolidated entity, profit before interest expense, income tax, intangible amortisation and significant items. Half of this bonus pool is paid as a cash bonus to the selected executives while the remaining half must be taken as shares through the bonus share scheme.

Under the bonus share scheme the executive receives the voting rights and dividend entitlement to shares purchased under the scheme however they are unable to access the shares until they satisfy the continuity of service criteria. These shares vest to the employee at 20% per annum at the end of each of the following five years, provided they continue to be employed in the consolidated entity. If the employee terminated their employment,

NOTE 47. SHARE-BASED PAYMENTS (CONTINUED)

Executive Bonus Share Scheme (continued)

they forfeit their entitlement to the unvested shares, except in limited circumstances such as medical reasons, bona fide retirement or termination other than for gross misconduct. A treasury share reserve is recognised for the funds transferred to the scheme.

During the year, $229,200 (2006 - $255,000) was paid into the executive bonus share scheme for the benefit of 5 (2006 – 9) employees. During the year ended 31 July 2007, $458,700 (2006 - $25,500) was recognised as an expense as a result of all shares available under the Executive Bonus Share Scheme vesting on the sale of NBN Enterprises Pty Limited.

Souls Private Equity Limited

Souls Private Equity Limited has established an Employee Share Option Plan ("ESOP") under which Directors and eligible employees of the Company, its controlled and associated entities may be granted management options.

At balance date, a total of 10,000,000 management options were granted under four classes, which have identical terms except for the exercise prices, which is as follows:

2007

Class of options	Expiry and exercise date	Exercise price	Balance at beginning of the year	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
Class 1	16 Dec 2009	$0.30	2,500,000	-	-	-	2,500,000	-
Class 2	16 Dec 2009	$0.32	2,500,000	-	-	-	2,500,000	-
Class 3	16 Dec 2009	$0.35	2,500,000	-	-	-	2,500,000	-
Class 4	16 Dec 2009	$0.38	2,500,000	-	-	-	2,500,000	-
Total			**10,000,000**	**-**	**-**	**-**	**10,000,000**	**-**

2006

Class of options	Expiry and exercise date	Exercise price	Balance at beginning of the year	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at the end of the year Number	Exercisable at the end of the year Number
Class 1	16 Dec 2009	$0.30	2,500,000	-	-	-	2,500,000	-
Class 2	16 Dec 2009	$0.32	2,500,000	-	-	-	2,500,000	-
Class 3	16 Dec 2009	$0.35	2,500,000	-	-	-	2,500,000	-
Class 4	16 Dec 2009	$0.38	2,500,000	-	-	-	2,500,000	-
Total			**10,000,000**	**-**	**-**	**-**	**10,000,000**	**-**

All options were granted 16 December 2004 and may only be exercised after 3 years from the grant date.

Souls Funds Management Limited

Employee Share Transactions

Souls Funds Management Limited provides equity-related benefits to employees of the Company under the following two arrangements:

a) The Long Term Incentive Plan ("LTIP") which provides an interest-free loan to employees for the express purpose of purchasing new shares in the Company. The purchase price of these shares is measured by reference to the fair value at the date at which they were issued. The fair value formula having been determined by an external valuer.
   In the year ended 31 July 2006, a total of 167,550 new shares in the Company were issued to employees under the LTIP at a fair value of $11.31 per share, a consideration of $1,894,991.

b) An equity incentive scheme available to the chief investment officer whereby he is issued with new shares in the Company for nil consideration provided he achieves certain investment performance hurdles ("equity-settled transactions"). The costs of these equity-settled transactions are measured by reference to the fair value at the date at which they are granted. The fair value formula having been determined by an external valuer.

NOTE 48. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the end of the financial year several matters have arisen that have or will significantly affect the operations of the Group, the results of those operations or the state of affairs or the Group in subsequent financial years. The following matters have not been referred to elsewhere in this report:

- On 26 September, 2007 New Hope Corporation Limited (NHC) announced its intention to launch a takeover bid for Resource Pacific Holdings Limited (RSP) at $2.55 per share, valuing the transaction at $590.8 million. NHC is currently preparing the offer documents and proposes to dispatch those documents to RSP shareholders as soon as possible.
- On 8 October, 2007 Australian Pharmaceutical Industries Limited (API), an associate, announced that it had entered into an agreement to become the preferred distributor for Alphapharm Pty Limited products. Alphapharm Pty Limited leads the national generic pharmaceutical market in both value and volume. The agreement has an expected annualised EBIT benefit of $7.5 million for API, once fully operational.
- On 4 September, 2007 Clover Corporation Limited, an associate, announced that it had entered into a Heads of Agreement to acquire the 30% minority interest in its subsidiary, Nu-Mega Ingredients Pty Ltd. The transaction is subject to approval by Clover Corporation Limited shareholders.

WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

DIRECTORS' DECLARATION

The Directors' of the Company declare that:

(1) the financial statements and notes, as set out on pages 16 to 81 are in accordance with the Corporations Act 2001 and:

a) complying with Accounting Standards and the Corporations Regulations 2001 and;

b) giving a true and fair view of the financial position as at 31 July 2007 and the performance for the year ended on that date of the Company's and consolidated group;

(2) the Chief Executive Officer and Chief Financial Officer have each declared that:

a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

b) the financial statements and notes for the financial year comply with Accounting Standards; and

c) the financial statements and notes for the financial year give a true and fair view;

(3) in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

R D MILLNER	**P R ROBINSON**
Director	***Director***

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

PARTNERS:
Howard Badger CA
Andrew Blackwell CA
Chris Chandran CA
Stephen Humphrys FCA
Garry Leyshon FCA
Allan Mortel CA
Wayne Morton FCA
Brett Sato CA
Joe Shannon CA
Robert Southwell CA
Spiro Tzannes FCA
Charlie Viola (Affiliate ICAA)
Scott Whiddett CA

CONSULTANTS:
Pat Bugden FCA
Anja Dorrell CA
Bob Webster FCA

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED
AND THE CONSOLIDATED ENTITY

Scope

Report on the Financial Report

We have audited the accompanying financial report of Washington H. Soul Pattinson and Company Limited ("the Company") and its Controlled Entities ("the Consolidated Entity") which comprises the income statements, balance sheets, statements of changes in equity, cash flow statements, accompanying notes to the financial statements, and the directors' declaration for both Washington H. Soul Pattinson and Company Limited and the Consolidated Entity, for the year ended 31 July 2007. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

As permitted by the *Corporations Regulations 2001,* the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures,* under the heading "Remuneration Report" on pages 8 to 10 of the directors' report and not in the financial report.

Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that 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. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors are also responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the *Corporations Regulations 2001.*

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. Our audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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MOORE STEPHENS

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit opinion

In our opinion,

(1) the financial report of Washington H. Soul Pattinson and Company Limited and its Controlled Entities is in accordance with:

  (a) the *Corporations Act 2001*, including:

   (i) giving a true and fair view of Washington H. Soul Pattinson and Company Limited's and the Consolidated Entity's financial position as at 31 July 2007 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

  (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a); and

(2) the remuneration disclosures that are contained in the remuneration report on pages 8 to 10 of the directors' report comply with Accounting Standard AASB 124.

Moore Stephens Sydney

MOORE STEPHENS SYDNEY
Chartered Accountants

SMWhiddett

S.M.WHIDDETT
Partner

Dated in Sydney this 29th day of October 2007.

SHARE REGISTER INFORMATION

As at 19th October, 2007 there were 7,905 holders of ordinary shares in the Company.

Votes of Members – Article 24.4 of the Company's Constitution provides:

Subject to any rights or restrictions attached to any share or class of shares in respect of voting, and subject to these Articles, on a show of hands every member has the right to vote and every member present in person or by proxy or attorney, and each authorised representative of a corporation, at a general meeting shall have one vote and in the case of a poll every member present in person or by proxy or attorney and every authorised representative shall have:

(a) one vote for each fully paid share held by that member, and

(b) for each contributing share held by that member a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price of the share.

DISTRIBUTION OF SHAREHOLDERS AS AT 19TH OCTOBER, 2007

Size of Shareholding	Number of Shareholders	Number of Shares
1 - 1,000	2,557	1,615,187
1,001 - 5,000	3,567	9,327,722
5,001 - 10,000	876	6,834,673
10,001 - 100,0000	821	21,628,838
100,001 - and over	84	199,234,160
TOTAL	**7,905**	**238,640,580**
Holding less than a marketable parcel	**38**	**827**

Substantial shareholders as at 19th October, 2007 as disclosed by notices received by the Company were:

Name	No. of Shares	%
Brickworks Limited	102,257,830	42.85
Perpetual Limited	27,035,042	11.33

LIST OF TOP 20 SHAREHOLDERS AS AT 19th OCTOBER, 2007

Name	No. of Shares	%
Brickworks Limited	102,257,830	42.85
RBC Dexia Investor Services Australia Nominees Pty. Ltd (Pipooled A/C)	16,044,440	6.72
Dixson Trust Pty Limited	8,438,190	3.54
J.S. Millner Holdings Pty. Limited	7,164,460	3.00
J.P. Morgan Nominees Australia Limited	5,148,388	2.16
Milton Corporation Limited	4,842,150	2.03
Choiseul Investments Limited	4,251,690	1.78
T.G. Millner Holdings Pty. Limited	3,121,051	1.31
RBC Dexia Investor Services Australia Nominees Pty. Ltd. (PIIC A/C)	3,054,231	1.28
National Nominees Limited	2,886,901	1.21
Perpetual Trustee Company Limited	2,859,215	1.20
Cogent Nominees Pty. Limited	2,733,296	1.15
Hexham Holdings Pty. Limited	2,710,090	1.14
Mr. Robert Dobson Millner & Michael John Millner (Est James S Millner A/C)	2,402,477	1.01
Citicorp Nominees Pty. Limited (CFSIL Cwlth Aust SHS 4 A/C)	2,024,212	0.85
Australian Reward Investment Alliance	1,911,843	0.80
HSBC Custody Nominees (Australia) Limited	1,537,337	0.64
Argo Investments Limited	1,532,507	0.64
Dixson Trust Pty. Limited (No. 1 A/C)	1,332,200	0.56
UBS Nominees Pty. Ltd	1,155,835	0.48

AUSTRALIAN STOCK EXCHANGE LISTING

Washington H. Soul Pattinson and Company Limited shares are listed on the Australian Stock Exchange under the ASX Code SOL.

WASHINGTON H SOUL PATTINSON

WHSP

- INCORPORATED 1903 -