

Washington H. Soul Pattinson and Company Limited

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First Floor, 160 Pitt Street Mall, Sydney NSW 2000



ASX Appendix 4E & Preliminary final report 31 July 2008

Lodged with the ASX under Listing Rule 4.3A

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Reporting Period

The reporting period for this report is the financial year ended 31 July 2008.

The previous corresponding period is the financial year ended 31 July 2007.

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2008

Results for Announcement to the Market

		Current period 31 July 2008 \$'000	Previous period 31 July 2007 restated \$'000	Change \$'000
Revenue from continuing operations	Down 9.2 % to	681,640	750,618	(68,978)
Profit before non regular items from ordinary activities after tax attributable to members	Up 14.1 % to	113,146	99,192	13,954
Profit after tax and non regular items attributable to members	Down 30.2% to	90,828	130,216	(39,388)

Dividends

	Cents per share	Franking %
This period		
1. Final dividend	18c	100%
2. Interim dividend	12c	100%
Previous corresponding period		
1. Final dividend	17c	100%
2. Interim dividend	11.5c	100%
Record date for determining entitlements to final dividend:		17 Nov 2008
Date the final dividend is payable:		8 Dec 2008

Comments on above results

Group profit after tax and before non-regular items, attributable to members for the year ended 31 July 2008 was \$113.1 million, an increase of 14.1% over the previous year.

Profit after tax and non-regular items, attributable to members was \$90.8 million, a decrease of 30.2% over the previous year. Non-regular net losses totalling \$22.3 million for the current year compare to net \$31.0 million of non-regular gains in 2007 which included the gain from the sale of the media operations NBN.

The net reduction in revenue from continuing operations of 9.2% to \$681.6 million was primarily due to reduced telecommunications revenue resulting from the deconsolidation of that business from April 2008. Coal sales revenue increased by 32.6% over the prior year.

The final dividend of 18.0cps represents an increase of 5.9% over the previous corresponding period taking the total payout to 30.0cps for the year. This represents a payout ratio of 63.3% of profit after tax and before non-regular items.

Refer Review of Operations for further information.

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2008

Earnings per share

	2008	2007 Restated*
From continuing operations		
Basic Earnings per Share	43.59 cents	45.65 cents
Diluted Earnings per Share	43.59 cents	45.65 cents
From discontinued operations		
Basic Earnings per Share	(5.53) cents	8.92 cents
Diluted Earnings per Share	(5.53) cents	8.92cents
From profit before non regular items after tax	47.41 cents	41.57 cents

* The EPS for the 2007 financial year has been restated for consistency with current year discontinued operations (refer note 4 to this Preliminary report)

Net tangible assets per security

	2008	2007
Net tangible asset backing per ordinary security	\$6.52	\$6.18

Explanation of Profit after tax

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

Explanation of Net Profit

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

Review of Operations

As attached.

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Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2008

Consolidated Income Statement
For the year ended 31 July 2008

		Consolidated	
	Notes	2008	2007 Restated*
		\$'000	\$'000
Revenue from continuing operations		681,640	750,618
Other income	3(i)	(7,970)	40,333
Cost of sales		(340,706)	(416,527)
Selling and distribution expenses		(106,751)	(128,681)
Administration expenses	3(ii)	(69,026)	(64,102)
Occupancy expenses		(4,831)	(4,223)
Other expenses	3(ii)	(17,229)	(10,750)
Impairment of assets		(8,987)	(11,427)
Finance costs		(3,870)	(3,674)
Share of profits of associates and partnerships using the equity method	7	26,622	34,291
Profit before income tax		148,892	185,858
Income tax expense		(35,901)	(32,651)
Profit after tax from continuing operations		112,991	153,207
(Loss)/Profit after tax from discontinued operations	4	(13,191)	37,505
Profit after tax for the year		99,800	190,712
Profit after tax attributable to minority interest		(8,972)	(60,496)
Profit after tax attributable to members of Washington H. Soul Pattinson and Company Limited		90,828	130,216
Profit before non regular items from ordinary activities after tax attributable to members		113,146	99,192
(Loss)/Profit from non regular items after income tax attributable to members	3(iii)	(22,318)	31,024
Profit after tax and non regular items for the period attributable to members		90,828	130,216
Earnings per share		Cents	Cents
		2008	2007
Basic and diluted earnings per share to ordinary equity holders of the Company			
Continuing operations		43.59	45.65
Discontinued operations	4	(5.53)	8.92
Total earnings per share		38.06	54.57
Weighted average number of shares used in calculating basic and diluted earnings per share		238,640,580	238,640,580

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

* The Consolidated Income statement for 2007 has been restated for consistency with current year discontinued operations (refer note 4).

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

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2008

Consolidated Balance Sheet
As at 31 July 2008

	Consolidated	
	31 July 2008	31 July 2007
	\$'000	\$'000
Current assets		
Cash and cash equivalents	34,337	173,272
Trade and other receivables	45,937	119,998
Inventories	33,747	27,390
Intangibles	-	29,211
Other financial assets at fair value through profit or loss	74,544	84,884
Held to maturity investments	267,931	293,844
Derivative financial instruments	8,363	7,361
Other assets	1,506	1,410
	466,365	737,370
Assets of disposal group classified as held for sale	7,139	6,414
Total current assets	473,504	743,784
Non-current assets		
Trade and other receivables	6,993	12,043
Investments accounted for using the equity method	671,894	512,104
Available for sale financial assets	794,452	882,904
Other financial assets	11,125	11,138
Derivative financial instruments	7,106	5,122
Property, plant and equipment	327,654	384,607
Exploration and evaluation costs	1,976	-
Investment properties	35	35
Deferred tax assets	16,033	12,149
Intangible assets	14,650	75,609
Total non-current assets	1,851,918	1,895,711
Total assets	2,325,422	2,639,495
Current liabilities		
Trade and other payables	35,828	92,326
Short-term borrowings	28,623	51,885
Current tax liabilities	17,415	29,908
Short-term provisions	11,186	18,681
Other	-	22,995
	93,052	215,795
Liabilities directly associated with assets of a disposal group classified as held for sale	-	3,596
Total current liabilities	93,052	219,391
Non-current liabilities		
Long-term borrowings	-	38,642
Deferred tax liabilities	202,438	211,952
Long-term provisions	13,802	15,400
Other	135	7,314
Total non-current liabilities	216,375	273,308
Total liabilities	309,427	492,699
Net assets	2,015,995	2,146,796
Equity		
Contributed equity	32,900	32,900
Reserves	744,033	792,115
Retained profits	793,887	754,033
Parent entity interest	1,570,820	1,579,048
Minority interest	445,175	567,748
Total Equity	2,015,995	2,146,796

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

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2008

Consolidated Statement of Changes in Equity
For the year ended 31 July 2008

	Share Capital \$'000	Retained Profits \$'000	Reserves \$'000	Total Members Equity \$'000	Minority interests \$'000	Total \$'000
Total equity at the beginning of the year 1 August 2006	32,900	735,315	638,191	1,406,406	545,692	1,952,098
Net movement in asset revaluation reserve, net of tax	-	-	154,051	154,051	62,791	216,842
Net movement in hedge reserve	-	-	(33)	(33)	31	(2)
Net movement in foreign currency translation reserve	-	-	540	540	44	584
Net movement in equity reserve	-	-	(2,081)	(2,081)	-	(2,081)
Net profit for the year after tax	-	130,216	-	130,216	60,496	190,712
Total recognised income and expense for the year	-	130,216	152,477	282,693	123,362	406,055
Dividends declared and paid	-	(79,922)	-	(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	1,345	893	2,238
Net movement in treasury reserve	-	-	102	102	128	230
Acquisition of additional ownership in subsidiaries	-	(29,546)	-	(29,546)	(50,642)	(80,188)
Equity transfer from members on issue of share capital in controlled entities	-	(9,097)	-	(9,097)	9,097	-
Equity transfer - recovery of losses from minority interest, previously absorbed by parent entity interest	-	7,067	-	7,067	(7,067)	-
Total equity at the end of the year 31 July 2007	32,900	754,033	792,115	1,579,048	567,748	2,146,796
Total equity at the beginning of the year 1 August 2007	32,900	754,033	792,115	1,579,048	567,748	2,146,796
Net movement in asset revaluation reserve, net of tax	-	144	(50,307)	(50,163)	24,563	(25,600)
Net movement in hedge reserve	-	-	1,751	1,751	799	2,550
Net movement in foreign currency translation reserve	-	-	(1,472)	(1,472)	(51)	(1,523)
Net movement in equity reserve	-	-	1,035	1,035	3	1,038
Recognising previously Available for sale investment as an equity accounted Associate	-	3,892	(357)	3,535	-	3,535
Net profit for the year after tax	-	90,828	-	90,828	8,972	99,800
Total recognised income and expense for the year	-	94,864	(49,350)	45,514	34,286	79,800
Dividends declared and paid	-	(54,535)	-	(54,535)	(32,270)	(86,805)
Contributions of equity, net of transaction costs	-	-	-	-	94	94
Net movement in share based payments reserve	-	201	1,467	1,668	1,066	2,734
Net movement in treasury reserve	-	-	(199)	(199)	(236)	(435)
Acquisition of additional ownership in subsidiaries	-	(606)	-	(606)	(6,572)	(7,178)
Equity transfer from members on issue of share capital in controlled entities	-	(70)	-	(70)	70	-
Equity transfer - recovery of losses from minority interest, previously absorbed by parent entity interest	-	-	-	-	(119,011)	(119,011)
Total equity at the end of the year 31 July 2008	32,900	793,887	744,033	1,570,820	445,175	2,015,995

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

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2008

Consolidated Cash Flow Statement
For the year ended 31 July 2008

	Consolidated 2008	2007
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers inclusive of GST	672,626	897,047
Payments to suppliers and employees inclusive of GST	(571,412)	(804,745)
	<u>101,214</u>	<u>92,302</u>
Dividends received	56,646	54,693
Interest received	25,561	31,353
Finance costs	(3,652)	(8,581)
Income taxes paid	(53,342)	(50,953)
Net cash inflow from operating activities	<u>126,427</u>	<u>118,814</u>
Cash flows from investing activities		
Payment for property, plant and equipment and intangibles	(60,362)	(126,653)
Proceeds from sale of property, plant and equipment	1,865	13,385
Net proceeds (payments) for investments held to maturity	25,192	141,215
Payments for investments	(65,004)	(81,175)
Proceeds from sale of investments	18,494	35,467
Acquisition of subsidiary, net of cash acquired	(41,257)	(76,758)
Proceeds from sale of subsidiary, net of cash disposed of	-	236,571
Cash outflow from loss of control of a subsidiary	(31,998)	-
Proceeds from divestment of business units	22,117	-
Loans advanced	(2,272)	(6,532)
Loan repayments received	217	3,100
Funds received from associated entities	-	4,210
Net cash (outflow) inflow from investing activities	<u>(133,008)</u>	<u>142,830</u>
Cash flows from financing activities		
Proceeds from issues of equity	93	6,478
Costs on issue of equity	-	(295)
Dividends paid	(101,457)	(164,632)
Proceeds from borrowings	10,577	149,749
Repayment of borrowings and leases	(41,165)	(161,808)
Restricted cash released	553	4,150
Net cash (outflow) from financing activities	<u>(131,399)</u>	<u>(166,358)</u>
Net (decrease) increase in cash and cash equivalents	<u>(137,980)</u>	<u>95,286</u>
Cash and cash equivalents at the beginning of the year	173,272	77,986
Effects of exchange rate changes on cash and cash equivalents	(955)	-
Cash and cash equivalents net of bank overdraft at the end of the year	<u>34,337</u>	<u>173,272</u>

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

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Notes to the Consolidated Financial Statements

1. Basis of Preparation

This preliminary financial report for the year ended 31 July 2008 has been prepared in accordance with Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

This report does not include full disclosures of the type normally included in an annual financial report. It is recommended that this report be read in conjunction with the annual financial report for the year ended 31 July 2007 and any public announcements made by Washington H. Soul Pattinson and Company Limited and its controlled entities ("Consolidated entity" or "Group") during the reporting period in accordance with continuous disclosure requirements of the Corporations Act 2001.

The accounting policies are consistent with those of the previous financial year.

This preliminary report was authorised by the directors on 25th September 2008.

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Notes to the Consolidated Financial Statements

2. Segment Information

Primary reporting format – business segments (before minority interests)
2008

	Investing activities \$'000	Telecomm unications \$'000	Coal Mining \$'000	Consulting \$'000	Intersegment / Unallocated \$'000	Total continuing operations \$'000	Discontinued Operations - Bakery \$'000	Intersegment eliminations/ Unallocated \$'000	Total Discontinued operations \$'000	Consolidated \$'000
Revenue from external customers	61,683	269,160	329,787	9,849	11,161	681,640	39,026	-	39,026	720,666
Intersegment transactions	47,810	259	-	3,703	(51,772)	-	-	-	-	-
Total revenue	109,493	269,419	329,787	13,552	(40,611)	681,640	39,026	-	39,026	720,666
Share of net profits of associates and joint venture partnership	26,954	-	-	73	(405)	26,622	-	-	-	26,622
Other income	(8,531)	21	540	-	-	(7,970)	-	-	-	(7,970)
Total segment revenue/income	127,916	269,440	330,327	13,625	(41,016)	700,292	39,026	-	39,026	739,318
Segment results	62,074	(6,680)	128,729	2,174	(37,405)	148,892	(16,370)	558	(15,812)	133,080
Income tax expense						(35,901)			-	(35,901)
Gain on sale of discontinued after tax						-	2,621	-	2,621	2,621
Net profit for the year						112,991			(13,191)	99,800

Note:
The Telecommunication segment represents SP Telemidia Limited's revenue and results for the period 1 August 2007 through to 7 April 2008.

Notes to the Consolidated Financial Statements

2. Segment Information (continued)

Primary reporting format – business segments

2007 Restated

	Investing activities \$'000	Telecomm- unications \$'000	Coal Mining \$'000	Consulting \$'000	Intersegment eliminations/ Unallocated \$'000	Total continuing operations \$'000	Discontinued Operations - Media \$'000	Discontinued Operations - Bakery \$'000	Intersegment eliminations/ Unallocated \$'000	Total Discontinued operations \$'000	Consolidated \$'000
Revenue from external customers	54,797	426,220	248,754	8,747	12,100	750,618	64,076	97,681	-	161,757	912,375
Intersegment revenue	101,112	348	-	7,502	(108,962)	-	-	-	-	-	-
Total revenue	155,909	426,568	248,754	16,249	(96,862)	750,618	64,076	97,681	-	161,757	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	103	20	40,333	-	319	(90)	229	40,562
Total segment revenue/income	218,926	426,572	261,293	16,454	(98,003)	825,242	64,076	98,000	(90)	161,986	987,228
Segment results	75,762	7,846	92,579	7,866	1,805	185,858	7,211	(58,181)	1,437	(49,533)	136,325
Income tax expense						(32,651)				(1,144)	(33,795)
Gain on sale of discontinued after tax						-	88,182	-	-	88,182	88,182
Net profit for the year						153,207				37,505	190,712

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2008

Notes to the Consolidated Financial Statements

3. Profit for the year

Profit before income tax expense includes the following items:

	31 July 2008 \$'000	31 July 2007 \$'000 Restated
(i)		
Other income from continuing operations:		
Profit on disposal of property, plant and equipment (excluding those sold as part of a disposal group)	521	7,985
Fair value gains / (losses) of financial assets at fair value through profit or loss	(14,920)	19,678
Gains on sale of available for sale financial assets	6,200	4,877
Gain on disposal of Associate	-	7,404
Other	229	389
Total Other income	<u>(7,970)</u>	<u>40,333</u>

	31 July 2008 \$'000	31 July 2007 \$'000
(ii)		
Administration expenses from continuing operations include:		
Bad and doubtful debt expense	<u>(14,811)</u>	<u>(7,690)</u>
Other expenses from continuing operations include:		
Loss of control of SP Telemedia Limited	<u>(9,660)</u>	<u>-</u>

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

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

	31 July 2008 \$'000	31 July 2007 \$'000
Profit on disposal of investments	4,580	2,615
Profit on disposal of land (non-operating)	-	4,037
Gain on sale of businesses	3,313	68,813
Loss of control of SP Telemedia Limited	(9,660)	-
Operating losses attributable to minority interest absorbed by parent entity interest	(1,840)	(7,549)
Impairment and bad debt expense	(13,446)	(25,979)
Share of significant revenue and expenses from associate entities and joint venture entities	(2,793)	(11,840)
Restructure and other corporate costs	(4,547)	(3,823)
Tax credit on financial guarantee	1,248	4,469
Other non-regular items	827	281
	<u>(22,318)</u>	<u>31,024</u>

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2008

Notes to the Consolidated Financial Statements

4. Discontinued operations

Bakery

In August 2007 KH Foods Limited (KHF) completed the divestment of its grocery cake and certain route businesses. These operations were classified as discontinued as at 31 July 2007.

In March 2008 KHF completed the divestment of its remaining businesses, Balfours and Betabake, to a company associated with the San Remo Macaroni Group. These operations were not classified as discontinued operations or held for sale as at 31 July 2007. In this report, the comparative income statement has been restated to disclose all of KHF's operations as discontinued.

Media

In May 2007 the Consolidated entity disposed of its entire media segment through the sale of NBN Enterprises Pty Limited. These operations were classified as discontinued as at 31 July 2007.

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

	2008			2007 Restated		
	\$'000 Media	\$'000 Bakery	\$'000 Group	\$'000 Media	\$'000 Bakery	\$'000 Group
<u>Results of discontinued operations</u>						
Revenue	-	39,026	39,026	64,076	97,910	161,986
Expenses	-	(49,664)	(49,664)	(56,865)	(125,996)	(182,861)
Results from operating activities	-	(10,638)	(10,638)	7,211	(28,086)	(20,875)
Impairment (charge) / writeback	-	(5,174)	(5,174)	-	(28,658)	(28,658)
Income tax (expense) / credit	-	-	-	(1,144)	-	(1,144)
Results from operating activities, net of income tax	-	(15,812)	(15,812)	6,067	(56,744)	(50,677)
Gain on sale of discontinued operation	-	2,621	2,621	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	-	2,621	2,621	88,182	-	88,182
(Loss) / Profit from discontinued operations	-	(13,191)	(13,191)	94,249	(56,744)	37,505
(Loss) / Profit from discontinued operations attributable to members			(13,191)			21,286
Basic earnings per share (cents)			(5.53) cents			8.92 cents
Diluted earnings per share (cents)			(5.53) cents			8.92 cents

Washington H. Soul Pattinson and Company Limited
Year ended 31 July 2008

Notes to the Consolidated Financial Statements

4. Discontinued operations - (continued)

Cash flows from discontinued operations

Incorporated in the consolidated cash flow statement for the year ended 31 July 2008 are the following net cash movements relating to discontinued operations:

	2008			2007 Restated		
	\$'000 Media	\$'000 Bakery	\$'000 Group	\$'000 Media	\$'000 Bakery	\$'000 Group
Net cash from operating activities	-	(17,022)	(17,022)	6,240	(22,453)	(16,213)
Net cash from investing activities	-	21,669	21,669	(2,183)	(1,797)	(3,980)
Net cash outflow from financing activities	-	(18,740)	(18,740)	-	(2,411)	(2,411)
Net cash inflow / (outflow) from discontinuing operations	-	(14,093)	(14,093)	4,057	(26,661)	(22,604)

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Notes to the Consolidated Financial Statements

5. Dividends

		\$'000	Amount per security CPS	Franking per security CPS
Final dividend 2008	A final dividend, not recognised in retained profits, to be paid on 8 December 2008	42,955	18.0c	18.0c
	Previous corresponding year, paid on 10 December 2007	40,569	17.0c	17.0c
Interim dividend	Interim dividend paid on 8 May 2008	28,637	12.0	12.0
	Previous corresponding year, paid on 10 May 2007	27,444	11.5	11.5

No dividend reinvestment plans were in operation during the reporting period.

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

6. Controlled entities acquired or disposed of

Loss of Control - SP Telemedia Limited

On 7 April 2008, SP Telemedia Limited (SOT) acquired 100% of the issued capital of TPG Holdings Pty Limited for total consideration of \$263.4 million, comprising cash of \$150 million and the issue of 270 million SP Telemedia Limited shares.

As a result of the share issue, WHSP's interest in SOT was diluted from 46.49% to 27.81% at that date. Immediately following the completion of the acquisition, the composition of SOT's Board also changed. A Board of a total five (5) directors now consists of two (2) representatives from TPG, including Mr David Teoh as Chairman, one (1) representative from WHSP and 2 independent directors.

As at 7 April 2008, SOT ceased to be controlled by WHSP. From this date, WHSP re-classified its investment in SOT to an equity accounted Associate.

Acquisition of Queensland Bulk Handling Pty Ltd – previously an Associate

On 1 August 2007 Andrew Wright Holdings Pty Ltd (AWH), a fully owned subsidiary of New Hope Corporation Limited, acquired the remaining 50% equity in Queensland Bulk Handling Pty Ltd (QBH) and the Bulk Terminal Services (BTS) partnership as disclosed in the financial statements for the year ended 31 July 2007. Total purchase consideration of \$44.1 million consisted of cash \$42.5 million and transaction costs of \$1.6 million. The fair value of net identifiable assets was \$38.6 million resulting in goodwill acquired of \$5.5 million.

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

7. Details of investments and results in Associates and Partnerships

Name of associated entity	Group's percentage of holding at balance date		Contribution to Group profit after tax and including minority interest	
	2008 %	2007 %	2008 \$000	2007 \$000
Material Associates				
Brickworks Limited	49.5	49.5	37,748	31,585
Australian Pharmaceutical Industries Limited	24.6	21.7	770	(2,446)
Queensland Bulk Handling Pty Limited*	100.0	50.0	-	1,284
Ampcontrol Pty Limited	45.0	45.0	3,811	4,751
Windsor Farm Foods Limited	30.0	43.8	-	(5,290)
Ruralco Holdings Limited (equity accounted from June 2008)***	21.0	-	-	-
Apex Healthcare Berhad (equity accounted from August 2007)**	30.3	-	1,476	-
SP Telemedia Limited (equity accounted from April 2008****)	27.5	-	(4,658)	-
Clover Corporation Limited	28.6	28.6	1,181	181
Krispy Kreme Holdings Australia Pty Ltd	24.0	24.0	(15,191)	458
Contribution by other associates			1,485	494
Contribution by Associates to net profit			26,622	31,017
Contribution to net profit from Partnerships				
Bulk Terminal Services*	100.0	50.0	-	3,274
Total contribution to net profit from Associates and Partnerships			26,622	34,291

Notes:

The Group's percentage holding reflects the Group's total holding in each Associate.

Contribution to Group net profit represents the amount included in profit after tax including the minority interest share.

*On 1 August 2007 Andrew Wright Holdings Pty Ltd (AWH), a fully owned subsidiary of New Hope Corporation Limited, acquired the remaining 50% equity in Queensland Bulk Handling Pty Ltd (QBH) and the Bulk Terminal Services (BTS) partnership for \$42.5 million. This transaction resulted in QBH and BTS becoming 100% owned by the New Hope Group. With effect from 1 August 2007, the operations of QBH and BTS were consolidated in the Group financial statements.

** Washington H. Soul Pattinson and Company Limited increased its holding in Apex Healthcare Berhad to 30.3%. Prior to 1 August 2007, this investment was classified as an 'Available for sale financial asset'.

*** Washington H. Soul Pattinson and Company Limited has increased its holding in Ruralco Holdings Limited to 21.0%. Prior to 4 June 2008, this investment was classified as an 'Available for sale financial asset'.

****Effective 7 April 2008, SP Telemedia Limited (SOT) was equity accounted. Prior to this date, SOT was controlled by WHSP (refer note 6).

Washington H. Soul Pattinson and Company Limited

Year ended 31 July 2008

Notes to the Consolidated Financial Statements

8. Contingent liabilities

New Hope Corporation Limited has increased its estimate of contingent liabilities to \$14.9 million (from \$6.6 million at 31 July 2007) in respect of undertakings and guarantees. No losses are anticipated in respect of these contingent liabilities.

In conjunction with the divestment of the operating divisions of KH Foods Limited (KHF), the \$25 million banking facility provided by HSBC was no longer required and extinguished in May 2008. This facility was guaranteed by Washington H. Soul Pattinson and Company Limited.

There are no other material changes to contingent liabilities of the Group since 31 July 2007.

9. Events occurring after the balance sheet date

New Hope Corporation Limited – Sale of New Saraji

A controlled entity, New Hope Corporation Limited (NHC), completed and settled the sale of the New Saraji Project to BHP Billiton Mitsubishi Alliance on 10 September 2008.

Preliminary details of the sale are as follows:

	\$000
Consideration received	2,450,000
Carrying value of assets disposed	(8,071)
Estimated costs of disposal	(32,000)
Estimated tax	<u>(725,000)</u>
Estimated gain on sale after tax	<u>1,684,929</u>

As a result of the sale, NHC holds significant cash reserves. Management has commenced a capital management review. In the short term, the surplus cash reserves will generate interest revenues substantially higher than has been earned in the current and previous reporting periods.

The gain on sale has not been brought to account in the 2008 financial year as several conditions precedent were still outstanding at 31 July 2008.

10. Other significant information

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

11. Audit

This report is based on financial statements that are in the process of being audited.