

# Washington H. Soul Pattinson and Company Limited

ABN 49 000 002 728

First Floor, 160 Pitt Street Mall, Sydney NSW 2000



## ASX Appendix 4D & Half year financial report 31 January 2010

Lodged with the ASX under Listing Rule 4.2A

### **Contents**

Financial Results for Announcement to the Market

Directors' report

Auditor's independence declaration

Condensed consolidated statement of comprehensive income

Condensed consolidated statement of financial position

Condensed consolidated statement of changes in equity

Condensed consolidated statement of cash flows

Notes to the financial report

Directors' declaration

Independent review report to the members

### **Reporting Period**

The reporting period is the half year ended 31 January 2010.

The previous corresponding period is the half year ended 31 January 2009.

**Washington H. Soul Pattinson and Company Limited**  
**Half year ended 31 January 2010**

**Results for Announcement to the Market**

		<b>Current period 31 January 2010 \$'000</b>	<b>Previous period 31 January 2009 \$'000</b>	<b>Change  \$'000</b>
<b>Revenue from continuing operations</b>	<b>Up 15.2% to</b>	<b>405,036</b>	<b>351,550</b>	<b>53,486</b>
<b>Profit before non-regular items from ordinary activities after tax attributable to members</b>	<b>Down 17.4% to</b>	<b>97,069</b>	<b>117,460</b>	<b>(20,391)</b>
<b>Profit after tax and non-regular items attributable to members</b>	<b>Down 86.9% to</b>	<b>123,412</b>	<b>939,994</b>	<b>(816,582)</b>

**Dividends**

	<b>Cents per share</b>	<b>Franking %</b>
<b>This period</b>		
1. Interim dividend	<b>14c</b>	<b>100%</b>
<b>Previous corresponding period</b>		
1. Interim dividend	13c	100%
Record date for determining entitlements to interim dividend:		<b>22 April 2010</b>
Date the interim dividend is payable:		<b>13 May 2010</b>

**Comments on above results**

- \*\* **The decrease in profit after tax and non-regular items attributable to members was principally due to the Group's profit on the sale of the New Saraji coal project by New Hope in the previous corresponding period.**
- \*\* **Interim dividend increased by 7.7% to 14 cents per share fully franked.**
- \*\* **Refer Review of Operations for further details on the results.**

**Washington H. Soul Pattinson and Company Limited**  
**Half year ended 31 January 2010**

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**Earnings per share**

	<b>2010</b>	2009
<b>From continuing operations</b>		
Basic Earnings per Share	<b>51.71 cents</b>	394.20 cents
Diluted Earnings per Share	<b>51.71 cents</b>	394.20 cents
<b>From discontinued operations</b>		
Basic Earnings per Share	<b>(0.0) cents</b>	(0.31) cents
Diluted Earnings per Share	<b>(0.0) cents</b>	(0.31) cents
From profit before non-regular items after tax	<b>40.68 cents</b>	49.22 cents

**Net tangible assets per security**

	<b>Jan 2010</b>	July 2009
Net tangible asset backing per ordinary security	<b>\$11.11</b>	\$10.91

**Explanation of Profit after tax**

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

**Explanation of Net Profit**

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

**Review of Operations**

As attached.

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**Washington H. Soul Pattinson and Company Limited**  
A.B.N. 49 000 002 728

**Directors' Report**

**Half Year Ended 31 January 2010**

The Directors of Washington H. Soul Pattinson and Company Limited present their report and the financial statements of the parent entity and its controlled entities for the half year ended 31 January 2010.

**DIRECTORS**

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

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

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

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

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

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

Executive Director, appointed 1984

**David John Fairfull** B.Com., A.C.I.S., C.P.A., fFin, M.A.I.C.D.

Non-executive Director, appointed 1997

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

Non-executive Director, appointed 2006

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

Non-executive Director, appointed 2006

**CONSOLIDATED FINANCIAL PERFORMANCE**

The Profit of the Group attributable to Shareholders, **after tax and before non-regular items**, for the half year ended 31 January 2010, was **\$97.1 million**, a decrease of 17.4% from \$117.5 million for the previous corresponding period. This decrease was mainly attributable to a reduced contribution from New Hope Corporation Limited as a result of lower international coal prices and the stronger Australian dollar.

The Profit of the Group, **after tax and non-regular items**, was **\$123.4 million**, compared to \$940.0 million for the previous corresponding period. The net profit on non-regular items was \$26.3 million compared to \$822.5 million, the difference being principally attributable to the Group's profit on the sale of the New Saraji coal project by New Hope in the previous corresponding period.

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

	<b>2010</b>	2009	%
	<b>\$000</b>	\$000	Change
Revenue from continuing operations	<b>405,036</b>	351,550	+ 15.2%
Profit after tax before non-regular items	<b>97,069</b>	117,460	- 17.4%
Profit after tax and non-regular items	<b>123,412</b>	939,994	- 86.9%
Share of results from associates	<b>19,719</b>	(12,295)	+ 260.4%
Earnings per share	<b>51.7c</b>	393.9c	- 86.9%
Interim Dividend	<b>14c</b>	13c	+ 7.7%

### **INTERIM DIVIDEND**

Directors have declared an interim dividend of 14 cents per share in respect of the half year ended 31 January 2010, an increase of 7.7% over last year's interim dividend of 13 cents per share. The dividend will be fully franked and payable on 13 May 2010.

The Directors consider the profit before non-regular items to be the underlying profit of the Group. Accordingly, interim and final dividends are recommended and declared based on that profit.

### **REVIEW OF OPERATIONS**

#### ***HOLDING COMPANY***

The market value of the listed investment portfolio, which includes controlled entities and associates, was \$3.9 billion at 31 January 2010, compared to \$2.8 billion at 31 January 2009.

Excluding controlled entities and associates, the market value of the listed investment portfolio at 31 January 2010 was \$450.8 million, compared to \$310.8 million at 31 January 2009.

During the half year \$59.0 million was invested in listed equities. The main purchases were Australian Pharmaceutical Industries Limited, CBD Energy Limited and Quickstep Holdings Limited. Purchases of shares in associates totalled \$39.0 million.

Dividend and distribution income from the listed investment portfolio, including those from controlled and associated entities, was \$413.9 million, up 371.4% on the same period last year. The majority of this increase was due to the increased special dividend of \$360.6 million from New Hope (2009: \$39.6 million).

Dividend and distribution income from the listed investment portfolio, excluding those from controlled and associated entities, was \$8.8 million, down 19.1% on the same period last year. No special dividends were received for the period (2009: \$0.5 million).

## ***CONTROLLED ENTITIES***

### **New Hope Corporation Limited (New Hope) – (60.0% held\*)**

New Hope has reported a net profit after tax and before non-regular items from its coal mining, treasury, investments and port operations of \$111.6 million for the half year ended 31 January 2010, a 15.8% decrease from the \$132.5 million earned in the corresponding period last year. Despite strong sales the profit result was impacted by lower export prices in Australian dollars and lower interest revenues. The previous corresponding period included non-regular profit after tax on the sale of the New Saraji coal project of \$1.7 billion.

The Directors of New Hope have declared an interim dividend of 5 cents per share fully franked, up from 4.75 cents per share last year. The dividend is payable on 5 May 2010 to shareholders registered at 19 April 2010.

#### Mining Operations

Total saleable coal production from New Hope's operations in the half year ended 31 January 2010 was 2.8 million tonnes, 15.2% higher than the previous corresponding period. Increased production from the New Acland mine and the ramp up in production from the reactivation of the Jeebropilly mine were the main contributors to the higher production.

Total coal sold in the half year ended 31 January 2010 was 24.3% higher at 2.82 million tonnes, compared with 2.26 million tonnes sold in the previous corresponding period. Coal export volumes rose by 534,000 tonnes (or 31.5%) to 2.23 million tonnes while domestic sales were some 16,000 tonnes lower (or 2.8%) at 585,000 tonnes.

Sales revenues were increased by the sale of some 657,000 tonnes of third party coal in order to meet customer demand in excess of contracted volumes. Costs of sales were also proportionately higher to account for the purchases.

The New Acland mine remains as the Company's major production source with some 2.2 million tonnes produced during the half year, a 7.3% increase over the previous corresponding period. Expansion of the New Acland mine to the production rate of 4.8 million tonnes per annum was completed during the half year, ahead of time and on budget.

The balance of New Hope's coal production of 600,000 tonnes in the half year ended 31 January 2010 came from the West Moreton region; an increase of 58.3% over the previous corresponding period.

#### Port Operations

New Hope's 100% owned port facility, Queensland Bulk Handling (QBH), continued to operate effectively, with 3.3 million tonnes loaded through the facility during the half year ended 31 January 2010, 16.2% higher than the previous corresponding period. The QBH facility continues to operate essentially demurrage free.

Coal stockpile and handling capacity expansion is continuing on schedule and on budget. At full capacity in late (calendar year) 2010, the port will be capable of handling up to 10 million tonnes per annum subject to rail performance and shipping schedules.

\* Percentage of the issued capital of the company held by the Group as at 31 January 2010.

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## Exploration

New Hope's exploration strategy continues to be directed toward evaluating open cut and underground coking coal resources in Central Queensland, open cut thermal coal in South East Queensland and evaluating coals as potential sources of gasification and liquefaction.

## Coal to Synfuels

New Hope is continuing its research and development coal-to-liquids project activity.

## Arrow Energy Limited

As at 31 January 2010 New Hope held 122.6 million shares at a total cost of \$119.3 million equivalent to 16.7% of the company. Arrow Energy's share price on 31 January 2010 was \$3.93 valuing the New Hope investment at \$481.8 million, representing an unrealised gain before tax of \$362.5 million.

Since the end of the period, a company jointly owned by Royal Dutch Shell and PetroChina has issued a proposal to acquire shares in Arrow Energy for \$4.70 cash per share, plus a share in a new entity comprised of Arrow Energy's international business. In the absence of a superior proposal, New Hope supports the proposed transactions and intends to vote in favour of the Demerger Scheme and Acquisition Scheme for all the shares it owns or controls.

## Outlook

Planning is underway to take advantage of a new mining lease at the New Acland mine, which if granted in late 2010 or early 2011, will enable production capacity to be incrementally increased up to 10 million tonnes per annum, subject to market conditions, rail and port capacity.

Jeebropilly will continue at a nominal production capacity of 900,000 tonnes per annum during the second half of 2010, with continued New Oakleigh nominal production of 230,000 tonnes per annum during the same period.

The QBH port expansion, which will provide a total site capacity of up to 10 million tonnes per annum, is on schedule and within budget, with completion due in late (calendar year) 2010.

Interest income from cash on deposit will continue to provide short term profit, although at reduced levels following the payment of the special dividend and tax on the New Saraji sale, partially offset by interest rates increasing from the low levels of 2009.

New Hope retains its previously advised production guidance for 2010 of 5.5 to 6.0 million tonnes, subject to finalisation of coal sale contract negotiations with major Asian customers over coming months and achievement of sufficient rail capacity.

As a result of WHSP's 60.0% holding in the issued capital of the company, New Hope contributed a net profit of \$67.4 million to the Group (2009: \$1.1 billion).

\* Percentage of the issued capital of the company held by the Group as at 31 January 2010.

**Pitt Capital Partners Limited (PCP) – (78.3% held\*)**

PCP is a corporate advisory firm specialising in mergers and acquisitions, strategic advice, equity capital markets, private equity, restructuring and debt advisory work.

In last year's half year result, PCP recorded the proceeds from advisory work undertaken on behalf of New Hope Corporation Limited in relation to the sale of their New Saraji project to the BHP Billiton Mitsubishi Alliance. As a transaction of this size was not repeated during the half year ended 31 January 2010 it is difficult to make a comparison from one period to the next. The first half result was also impacted by a number of non-recurring restructuring costs.

The Directors of PCP declared an interim dividend of 1.25 cents per share fully franked which was paid on 12 March 2010.

As a result of WHSP's 78.3% interest in the issued capital of the company, PCP contributed a net loss of \$0.1 million to the Group (2009: \$11.5 million profit).

**ASSOCIATED ENTITIES**

**Australian Pharmaceutical Industries Limited (API) – (24.6% held\*)**

For the year ended 31 August 2009 API reported total revenue of \$3.5 billion and a full year net profit after tax of \$18.6 million.

Compared to API's last full 12 month period which ended 31 August 2008, total revenue increased by 9.6%, earning per share by 22% to 7.2 cents and reported net profit after tax by 22.3%. Revenue from the pharmacy wholesaling division was \$2.8 billion, up 11.3% and the retail division reported sales of \$690 million, up 1.5%.

In December 2009, API completed a \$150 million fully underwritten equity raising in which WHSP took up its pro-rata entitlement, investing \$37 million. The proceeds from the equity raising will be used to reduce debt, allow API to continue to invest in the Priceline retail model and provide flexibility for future growth.

The Directors of API declared a full year ordinary dividend of 2 cents per share fully franked which was paid in December 2009, up from 1 cent per share paid last year.

API is on track to achieve the full year results as provided in their market guidance. API will announce their half year result on 29 April 2010.

As a result of WHSP's 24.6% holding in the issued capital of the company, API contributed a net profit of \$2.9 million to the Group (2009: \$2.2 million).

**Brickworks Limited (Brickworks) – (44.6% held\*)**

Brickworks' net profit after tax and before non-regular items (normalised NPAT) for the half year ended 31 January 2010 was \$57.0 million, an increase of 12.2% from \$50.8 million for the previous corresponding period. Brickworks' NPAT after non-regular items for the half year was down 65.5% to \$88.2 million. These results include the equity accounted profit contributions from WHSP.

\* Percentage of the issued capital of the company held by the Group as at 31 January 2010.

The improved normalised result highlights the benefits of the diversified business model of Brickworks and the stability of earnings derived from the combination of its Building Products, Land and Development and Investment Divisions.

Normalised earnings per share (EPS) were 40.7 cents per share, up 6.4% from 38.3 cents per share for the same period last year notwithstanding a 10.8% increase in the capital base following the successful share purchase plan.

Net Debt decreased by 48.9% to \$195.1 million as at 31 January 2010 and Total Interest Bearing Debt ('TIBD') reduced to \$300 million. Borrowings were primarily reduced by the \$173.6 million net proceeds of the share purchase plan raised in September 2009 and proceeds of \$30.4 million from property sales during the period.

The Directors of Brickworks have declared an increased fully franked interim dividend of 13 cents per share for the half year ended 31 January 2010, up 4% from 12.5 cents per share for the previous corresponding period.

### Building Products

The Building Products Division's result was higher due to increased volume and higher average selling prices. Building Products EBIT was \$21.8 million for the six months to 31 January 2010, up 32.9% from \$16.4 million in the prior corresponding period. Revenue for the half year was \$263.0 million, up 7.0% from \$245.7 million for the same period last year.

Austral Bricks™ overall brick sales volumes were up 1.3% in the six months to 31 January 2010 compared to the six months ended 31 January 2009, while net average selling prices increased by 3.7%.

Austral Masonry™ was able to achieve average selling price increases of 3.0% during the period under review despite the continued weakness of commercial building activity and aggressive competition in some markets. Sales volumes were up 4.1% compared to the prior corresponding period.

Bristle Roofing™ achieved a significant increase in sales volumes on the east coast, up over 20% compared to the previous corresponding period, due principally to strong market conditions in Victoria. Demand in Victoria has overtaken production capacity, with product currently being shipped from Queensland to maintain supply.

### Land and Development

The Land and Development Division recorded an EBIT of \$12.3 million for the half year ended 31 January 2010, an increase of 1.7% from \$12.1 million for the prior corresponding period.

Property Sales contributed strongly to the result with an EBIT of \$8.3 million for the six months to 31 January 2010. The settlement of Stage 2 of the Eastwood site to AV Jennings was completed on 19 January 2010 for \$17.5 million.

\* Percentage of the issued capital of the company held by the Group as at 31 January 2010.

### Significant Items since Balance Sheet Date

Brickworks acquired the assets of Brick & Block Company Pty Ltd from the Receivers and Managers in February 2010 for \$13.5 million. The acquisition of the largest independent masonry block manufacturer in New South Wales provides Austral Masonry™ its first production facility in the state. With a market share in excess of 20% Austral Masonry™ is now a significant East Coast business.

The sale of the third and final stage of the Eastwood site in Sydney to AV Jennings was completed on 3 March 2010 for \$17.5 million. Total proceeds from the sale of the Eastwood site were \$70.0 million including GST.

Brickworks purchased the assets, including land and buildings, of Sasso Precast Concrete (Sasso) in March 2010 for \$35.2 million. Sasso manufactures precast floor and wall panels from its state of the art manufacturing facility at Wetherill Park in western Sydney. This acquisition provides a strong platform for growth in the fastest growing segment of the external walling market in Australia.

The Austral Bricks™ factory at Wollert in Victoria has exceeded expectations, leading to the decision in February 2010 to expand the plant. When complete, the expansion will lift the plant's production design capacity of 85 million standard brick equivalents per annum to 170 million. The expanded facility will include a repressed brick line and an upgraded clay grinding plant for a total cost of \$65.0 million. The expanded facility will be fully commissioned in 2011 and secures Austral Bricks™ leading presence in the Victorian market with state of the art manufacturing facilities.

As a result of WHSP's 44.6% holding in the issued capital of the company, Brickworks contributed a \$7.8 million regular profit to the Group (2009: \$5.3 million). In addition, WHSP's share of the non-regular write downs was \$3.1 million (2009: \$25.4 million). These contributions exclude the WHSP profit taken up by Brickworks under the equity accounting method.

#### **Clover Corporation Limited (Clover) – (28.6% held\*)**

Clover reported a net profit after tax for the first half ended 31 December 2009 of \$1.9 million (2008: \$1.6 million), an increase of 18.8%.

Sales of \$16.3 million were up 80% on the same period last year due to strong sales reported into Asia.

During the reporting period Clover continued to focus on sales of value added microencapsulated products, particularly in infant formula applications. Clover has also expanded its range of products to support growth for the future via an increased investment in their innovations program aimed at building on the broader potential of the company's patented encapsulation technology.

The half year result was impacted by the loss recorded in Clover's 50:50 joint venture, Future Foods Ingredients Pty. Limited (FFI). FFI contributed an equity accounted loss for the period to Clover of \$441,000.

\* Percentage of the issued capital of the company held by the Group as at 31 January 2010.

Clover has stated that the outlook for the second half of their financial year was encouraging with continuing strong sales of omega<sup>3</sup> ingredients and an expected improved performance from FFI.

As a result of WHSP's 28.6% holding in the issued capital of the company, Clover contributed a net profit of \$0.5 million to the Group (2009: \$0.5 million).

**Ruralco Holdings Limited (Ruralco) – (23.5% held\*)**

For the year ended 30 September 2009 Ruralco reported total revenue of \$836.7 million a decrease of 5.5% over the prior year. Net profit after tax, attributable to shareholders, was \$8.5 million a decrease of 47%. Ruralco has advised that it was adversely affected by the global financial crisis, particularly in its real estate business and by extreme weather conditions in south eastern Australia.

Over the 12 months, net debt was reduced by 54% to \$51.2 million through a capital raising of \$24.7 million and working capital management. Despite difficult trading conditions strong positive cash flow from operations of \$51.2 million was achieved.

A final dividend of 6 cents per share fully franked was paid in January 2010 bringing total dividends for the year to 12 cents per share fully franked.

As a result of WHSP's 23.5% holding in the issued capital of the company, Ruralco contributed a total net profit of \$0.5 million to the Group (2009: \$1.2 million).

**TPG Telecom Limited (TPG) – (28.2% held\*)**

TPG has reported earnings before interest, tax, depreciation and amortisation (EBITDA) of \$77.1 million and a net profit after tax (NPAT) of \$27.5 million for the half year ended 31 January 2010.

These results represent a 34% increase on the EBITDA of \$57.5 million achieved in the corresponding period last year and a 443% increase on the \$5.1 million NPAT achieved for the same period.

Earnings per share for the 6 months of 3.8 cents represent a 443% increase on the 0.7 cents for the 6 months to 31 January 2009.

Broadband subscriber growth has continued strongly, with net additions of 54,000 in the 6 months to 31 January 2010, 48,000 of which were on-net. Total broadband subscribers now exceed 450,000.

TPG's strong cash flow generation has also continued with a net cash inflow from operations before interest, tax, capex and finance lease payments during the half year of \$80.4 million.

Following this strong cash flow, TPG's Directors have declared a fully franked interim dividend of 2 cents per share, payable on 27 May 2010, up from 1 cent per share last year.

\* Percentage of the issued capital of the company held by the Group as at 31 January 2010.

### Pipe Networks Limited (Pipe)

The acquisition of Pipe through a scheme of arrangement became effective on 17 March 2010 after being unanimously supported by Pipe's board and by 94% of Pipe shareholders.

Pipe has a solid and unbroken 5 year history of growing revenue and profits through its main business of providing fibre connectivity in Australian east coast capital cities and recently the provision of international bandwidth through its own cable system. In October 2009 Pipe completed its 6,900 km system linking Sydney to Guam with connection into Papua New Guinea and direct onward arrangements into the key international hubs of USA and Japan. This infrastructure uses the industry's most advanced subsea equipment and provides diversity to the few existing routes from Australia.

TPG has advised that it remains on track to meet its previously published guidance and will release a revised guidance, which includes 4.5 months contribution from Pipe, at a future time.

As a result of WHSP's 28.2% holding in the issued capital of the company, TPG contributed a net profit of \$7.9 million to the Group (2009: \$1.4 million).

### **AUDITORS' INDEPENDENCE DECLARATION**

The auditor's independence declaration for the half year ended 31 January 2010, as required under section 307C of the Corporations Act 2001, is set out on page 13.

### **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 this 25<sup>th</sup> day of March 2010

Signed in accordance with a resolution of the Board of Directors:



R.D. Millner  
Director



P.R. Robinson  
Director

**Auditor's Independence Declaration  
to the Directors of Washington H. Soul Pattinson and Company Limited  
and its Controlled Entities**

As lead auditor for the review of Washington H. Soul Pattinson and Company Limited and its Controlled Entities for the half year ended 31 January 2010, I declare that to the best of my knowledge and belief, there have been:

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

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

*Moore Stephens Sydney*

**Moore Stephens Sydney**  
Chartered Accountants

*Martin J. Shannon*

**Martin J. (Joe) Shannon**  
Partner

Dated in Sydney this 25<sup>th</sup> day of March 2010.

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**Washington H. Soul Pattinson and Company Limited**  
**Half year ended 31 January 2010**

**Condensed Consolidated Statement of Comprehensive Income**  
**For the half year ended 31 January 2010**

	Notes	Consolidated	
		2010 \$'000	2009 \$'000
<b>Revenue from continuing operations</b>	3(i)	<b>405,036</b>	351,550
Other income	3(i)	<b>53,422</b>	2,414,919
Cost of sales		<b>(173,019)</b>	(90,659)
Selling and distribution expenses		<b>(53,193)</b>	(38,782)
Administration expenses		<b>(16,413)</b>	(26,677)
Exploration costs		<b>(5,477)</b>	(3,489)
Occupancy expenses		<b>(443)</b>	(460)
Other expenses		<b>(1,329)</b>	(1,454)
Impairment of assets	3(i) & 6	<b>(3,014)</b>	(189,933)
Finance costs		<b>(650)</b>	(906)
Share of results from equity accounted associates	6	<b>19,719</b>	(12,295)
<b>Profit before income tax</b>		<b>224,639</b>	2,401,814
Income tax (expense)		<b>(55,954)</b>	(771,176)
Profit after tax from continuing operations		<b>168,685</b>	1,630,638
(Loss) after tax from discontinued operations		-	(730)
<b>Profit after tax for the half year</b>		<b>168,685</b>	1,629,908
<b>Other comprehensive income</b>			
Net movement in the fair value of available for sale financial assets, net of tax		<b>1,971</b>	(150,064)
Net movement in hedge reserve, net of tax		<b>5,248</b>	(67,631)
Net movement in treasury reserve, net of tax		<b>906</b>	-
Net movement in foreign currency translation reserve, net of tax		<b>1,124</b>	(825)
Net movement in equity reserve, net of tax		<b>864</b>	3,658
<b>Total other comprehensive income for the half year, net of tax</b>		<b>10,113</b>	(214,862)
<b>Total comprehensive income for the half year</b>		<b>178,798</b>	1,415,046
<b>Profit after tax for the half year is attributable to:</b>			
Members of Washington H. Soul Pattinson and Company Limited		<b>123,412</b>	939,994
Non-controlling interest		<b>45,273</b>	689,914
		<b>168,685</b>	1,629,908
<b>Total comprehensive income for the half year is attributable to:</b>			
Members of Washington H. Soul Pattinson and Company Limited		<b>141,380</b>	787,805
Non-controlling interest		<b>37,418</b>	627,241
		<b>178,798</b>	1,415,046

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

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**Washington H. Soul Pattinson and Company Limited**  
**Half year ended 31 January 2010**

**Condensed Consolidated Statement of Comprehensive Income (continued)**  
**For the half year ended 31 January 2010**

**Analysis of profit attributable to members of Washington H. Soul Pattinson and Company Limited**

The Directors consider the following disclosure of the impact of non-regular items included in profits enhances the understanding of the results to members. Further details are provided in note 3(ii).

	Notes	<b>2010</b> <b>\$'000</b>	2009 \$'000
Profit before non-regular items from ordinary activities after tax attributable to members		<b>97,069</b>	117,460
Profit from non-regular items after income tax attributable to members	3(ii)	<b>26,343</b>	822,534
<b>Profit after tax and non-regular items for the period attributable to members</b>		<b>123,412</b>	939,994

	<b>2010</b> <b>Cents</b>	2009 Cents
<b>Earnings per share</b>		
Basic and diluted earnings per share to ordinary equity holders of the company		
Continuing operations	<b>51.71</b>	394.20
Discontinued operations	<b>0.00</b>	(0.31)
<b>Earnings per share from all operations</b>	<b>51.71</b>	393.89

	<b>No. of shares</b>
Weighted average number of shares used in calculating basic and diluted earnings per share	<b>238,640,580</b>

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

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**Washington H. Soul Pattinson and Company Limited**  
**Half year ended 31 January 2010**

**Condensed Consolidated Statement of Financial Position**  
**As at 31 January 2010**

	Consolidated	
	31 Jan 2010 \$'000	31 July 2009 \$'000
<b>Current assets</b>		
Cash and cash equivalents	103,020	228,530
Term deposits	1,682,136	2,619,238
Trade and other receivables	60,904	48,956
Inventories	45,104	45,421
Other financial assets at fair value through profit or loss	49,009	45,056
Derivative financial instruments	17,572	14,525
Other assets	3,137	124
<b>Total current assets</b>	<b>1,960,882</b>	<b>3,001,850</b>
<b>Non-current assets</b>		
Trade and other receivables	4,935	4,607
Investments accounted for using the equity method	650,101	526,798
Available for sale financial assets	950,262	924,907
Other financial assets	1,500	12,553
Derivative financial instruments	12,660	8,157
Property, plant and equipment	453,075	416,121
Exploration and evaluation assets	3,240	2,572
Investment property	35	35
Deferred tax assets	36,043	38,700
Intangible assets	7,301	8,360
<b>Total non-current assets</b>	<b>2,119,152</b>	<b>1,942,810</b>
<b>Total assets</b>	<b>4,080,034</b>	<b>4,944,660</b>
<b>Current liabilities</b>		
Trade and other payables	48,305	52,872
Interest bearing liabilities	40,190	33,827
Current tax liabilities	27,183	746,156
Provisions	9,711	10,495
<b>Total current liabilities</b>	<b>125,389</b>	<b>843,350</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	258,923	255,983
Provisions	18,496	17,942
Other	-	122
<b>Total non-current liabilities</b>	<b>277,419</b>	<b>274,047</b>
<b>Total liabilities</b>	<b>402,808</b>	<b>1,117,397</b>
<b>Net assets</b>	<b>3,677,226</b>	<b>3,827,263</b>
<b>Equity</b>		
Contributed equity	32,900	32,900
Reserves	785,264	768,942
Retained profits	1,868,663	1,841,068
Parent entity interest	2,686,827	2,642,910
Non-controlling interest	990,399	1,184,353
<b>Total equity</b>	<b>3,677,226</b>	<b>3,827,263</b>

*The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.*

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**Washington H. Soul Pattinson and Company Limited**  
**Half year ended 31 January 2010**

**Condensed Consolidated Statement of Changes in Equity**  
**For the half year ended 31 January 2010**

Consolidated entity	Share capital \$'000	Retained profits \$'000	Reserves \$'000	Total members equity \$'000	Non-controlling interest \$'000	Total \$'000
<b>Total equity at the beginning of the half year - 1 August 2009</b>	<b>32,900</b>	<b>1,841,068</b>	<b>768,942</b>	<b>2,642,910</b>	<b>1,184,353</b>	<b>3,827,263</b>
<b>Net profit for the half year after tax</b>	-	<b>123,412</b>	-	<b>123,412</b>	<b>45,273</b>	<b>168,685</b>
<b>Other comprehensive income for the half year</b>						
Net movement in asset revaluation reserve, net of tax	-	-	<b>11,927</b>	<b>11,927</b>	<b>(9,956)</b>	<b>1,971</b>
Net movement in hedge reserve	-	-	<b>3,155</b>	<b>3,155</b>	<b>2,093</b>	<b>5,248</b>
Net movement in treasury reserve	-	-	<b>906</b>	<b>906</b>	-	<b>906</b>
Net movement in foreign currency translation reserve	-	-	<b>1,116</b>	<b>1,116</b>	<b>8</b>	<b>1,124</b>
Net movement in equity reserve	-	<b>(164)</b>	<b>1,028</b>	<b>864</b>	-	<b>864</b>
<b>Total comprehensive income for the half year</b>	-	<b>123,248</b>	<b>18,132</b>	<b>141,380</b>	<b>37,418</b>	<b>178,798</b>
<b>Transactions with owners</b>						
Dividends declared and paid	-	<b>(84,941)</b>	-	<b>(84,941)</b>	<b>(256,215)</b>	<b>(341,156)</b>
Contributions of equity, net of transaction costs	-	-	-	-	<b>15,417</b>	<b>15,417</b>
Net movement in share based payments reserve	-	-	<b>(1,810)</b>	<b>(1,810)</b>	<b>(1,186)</b>	<b>(2,996)</b>
Equity transfer from members on issue of share capital in controlled entities	-	<b>(10,712)</b>	-	<b>(10,712)</b>	<b>10,712</b>	-
Exit from Group of controlled entity	-	-	-	-	<b>(100)</b>	<b>(100)</b>
<b>Total equity at the end of the half year - 31 January 2010</b>	<b>32,900</b>	<b>1,868,663</b>	<b>785,264</b>	<b>2,686,827</b>	<b>990,399</b>	<b>3,677,226</b>
<b>Total equity at the beginning of the half year - 1 August 2008</b>	<b>32,900</b>	<b>793,887</b>	<b>744,033</b>	<b>1,570,820</b>	<b>445,175</b>	<b>2,015,995</b>
<b>Net profit for the half year after tax</b>	-	<b>939,994</b>	-	<b>939,994</b>	<b>689,914</b>	<b>1,629,908</b>
<b>Other comprehensive income for the half year</b>						
Net movement in asset revaluation reserve, net of tax	-	-	<b>(113,436)</b>	<b>(113,436)</b>	<b>(36,628)</b>	<b>(150,064)</b>
Net movement in hedge reserve	-	-	<b>(41,521)</b>	<b>(41,521)</b>	<b>(26,110)</b>	<b>(67,631)</b>
Net movement in foreign currency translation reserve	-	-	<b>(890)</b>	<b>(890)</b>	<b>65</b>	<b>(825)</b>
Net movement in equity reserve	-	-	<b>3,658</b>	<b>3,658</b>	-	<b>3,658</b>
<b>Total comprehensive income for the half year</b>	-	<b>939,994</b>	<b>(152,189)</b>	<b>787,805</b>	<b>627,241</b>	<b>1,415,046</b>
<b>Transactions with owners</b>						
Dividends declared and paid	-	<b>(33,849)</b>	-	<b>(33,849)</b>	<b>(36,283)</b>	<b>(70,132)</b>
Contributions of equity, net of transaction costs	-	-	-	-	<b>2,174</b>	<b>2,174</b>
Net movement in share based payments reserve	-	-	<b>264</b>	<b>264</b>	<b>186</b>	<b>450</b>
Acquisition of additional ownership in subsidiaries	-	<b>272</b>	-	<b>272</b>	<b>(485)</b>	<b>(213)</b>
Equity transfer from members on issue of share capital in controlled entities	-	<b>(4,757)</b>	-	<b>(4,757)</b>	<b>5,257</b>	<b>500</b>
<b>Total equity at the end of the half year - 31 January 2009</b>	<b>32,900</b>	<b>1,695,547</b>	<b>592,108</b>	<b>2,320,555</b>	<b>1,043,265</b>	<b>3,363,820</b>

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

**Washington H. Soul Pattinson and Company Limited**  
**Half year ended 31 January 2010**

**Condensed Consolidated Statement of Cash Flows**  
**For the half year ended 31 January 2010**

	Consolidated	
	2010 \$'000	2009 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers inclusive of GST	329,658	262,840
Receipt of GST on sale of the New Saraji coal project	-	245,000
Payments to suppliers and employees inclusive of GST	(247,734)	(159,436)
Payment of GST on the sale of the New Saraji coal project	-	(245,000)
	81,924	103,404
Dividends received	30,836	33,003
Interest received	182,288	16,300
Finance costs	(86)	(136)
Income taxes paid	(771,684)	(30,374)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(476,722)</b>	<b>122,197</b>
<b>Cash flows from investing activities</b>		
Payment for property, plant and equipment and intangibles	(56,092)	(54,497)
Proceeds from sale of property, plant and equipment	141	2,450,078
Costs incurred on the sale of the New Saraji coal project	-	(163)
Payments for exploration and evaluation activities	(5,762)	(3,489)
Net (payments for) / proceeds from term deposits	803,000	(2,419,570)
Payments for investments	(83,140)	(14,372)
Proceeds from sale of investments	17,311	5,370
Cash outflow from loss of control of a subsidiary	(2,070)	-
Loans advanced	(3,204)	(244)
Loans repaid	1,330	66
<b>Net cash inflow/(outflow) from investing activities</b>	<b>671,514</b>	<b>(36,821)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of equity	11,976	4,243
Dividends paid	(361,217)	(79,238)
Proceeds from interest bearing liabilities	5,871	3,547
<b>Net cash (outflow) from financing activities</b>	<b>(343,370)</b>	<b>(71,448)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(148,578)</b>	<b>13,928</b>
Cash and cash equivalents at the beginning of the half year	228,530	34,337
Restatement of 'cash equivalents' at July 2009	23,500	-
Effects of exchange rate changes on cash and cash equivalents	(432)	2,473
<b>Cash and cash equivalents</b>	<b>103,020</b>	<b>50,738</b>

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

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## Notes to the Condensed Consolidated Financial Statements

### 1. Statement of significant accounting policies

#### (a) Basis of preparation

The condensed financial report for the half year ended 31 January 2010 is a general purpose financial report and has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 31 July 2009 and any public announcements made by Washington H. Soul Pattinson and Company Limited and its controlled entities ("Consolidated Entity" or "Group") during the interim reporting period in accordance with continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and the corresponding half year reporting period.

The following new Accounting Standards have been adopted in preparing this half year financial report:

#### AASB 101 *Presentation of Financial Statements*

The revised Standard requires the presentation of a statement of comprehensive income which presents all items of recognised income and expense either in one statement or in two linked statements. The Consolidated Entity has elected to present one statement.

AASB 8 *Operating Segments* replaces AASB 114 *Segment Reporting*. The accounting policy for identifying segments is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker. AASB 8 disclosures are shown below, including the revised comparative information.

The Consolidated entity has elected not to adopt any other new standards or amendments that are issued but not yet effective.

#### (b) Estimates

The preparation of the half year financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The actual results may differ from these estimates.

In preparing this half year financial report, the significant judgements made by management and the key sources of estimation were the same as those that applied to the consolidated financial report as at and for the year ended 31 July 2009.

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the financial results for the half year ended 31 January 2010 include the assessment of the recoverable amounts for non current assets, including investments in associates and available for sale financial assets (refer to note 3(i)).

## Notes to the Condensed Consolidated Financial Statements

### 2. Segment Information

#### a) Business segments

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

##### *Continuing operations*

##### *Investing activities*

The Group engages in investments, including cash, held to maturity investments, and available for sale financial assets.

##### *Coal mining*

The Group engages in coal mining activities including exploration, development, production, processing, associated transport infrastructure and ancillary activities. Coal mining operations are managed as a single integrated coal chain including transportation and infrastructure.

##### *Consulting*

The Group is involved in the provision of consulting services.

##### *Discontinued operations*

##### *Bakery*

In the prior year, the Group controlled KH Foods Limited, an entity involved in the manufacture and sale of bakery products.

**Washington H. Soul Pattinson and Company Limited**  
**Half year ended 31 January 2010**

**Notes to the Condensed Consolidated Financial Statements**

**2. Segment Information (continued)**

<b>Business segments</b>	<b>Investing activities</b>	<b>Coal mining</b>	<b>Consulting</b>	<b>Intersegment eliminations/ unallocated</b>	<b>Consolidated</b>
<b>Half year ended 31 January 2010</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue from external customers</b>	<b>95,605</b>	<b>301,125</b>	<b>2,668</b>	<b>5,638</b>	<b>405,036</b>
Intersegment revenue	386,777	-	1,135	(387,912)	-
Total revenue	<u>482,382</u>	<u>301,125</u>	<u>3,803</u>	<u>(382,274)</u>	<u>405,036</u>
Share of results from equity accounted associates	19,667	-	(31)	83	19,719
Other income					
- net gain on deemed disposals of associates	48,495	-	-	-	48,495
- loss on loss of control of subsidiaries	(904)	-	(128)	9	(1,023)
- gains on revaluing other financial assets to fair value	6,266	-	-	-	6,266
- other	(382)	66	-	-	(316)
Total other income	<u>53,475</u>	<u>66</u>	<u>(128)</u>	<u>9</u>	<u>53,422</u>
Total segment revenue/income	<u>555,524</u>	<u>301,191</u>	<u>3,644</u>	<u>(382,182)</u>	<u>478,177</u>
Segment results	<u>533,351</u>	<u>78,160</u>	<u>130</u>	<u>(387,002)</u>	<u>224,639</u>
Income tax (expense)					<u>(55,954)</u>
<b>Net profit for the half year</b>					<u><b>168,685</b></u>
<b>Impairment (expenses) / write back included in segment results</b>					
- (Impairment) of listed equity investments	(3,215)	-	-	-	(3,215)
- (Impairment) / reversal of other assets	201	-	-	-	201
Total impairment (expense)	<u>(3,014)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,014)</u>
<b>Segment assets</b>					
<b>As at 31 January 2010</b>	<u><b>3,490,916</b></u>	<u><b>566,131</b></u>	<u><b>19,723</b></u>	<u><b>3,264</b></u>	<u><b>4,080,034</b></u>
As at 31 July 2009	4,403,284	508,343	29,195	3,838	4,944,660

The reduction in total segment assets for the 6 month period ending 31 January 2010 of \$864,626,000 is predominantly due to the payment of income tax of \$723,266,000 on the gain on sale of New Saraji and dividends paid to non-Group entities totalling \$361,217,000.

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**Washington H. Soul Pattinson and Company Limited**  
**Half year ended 31 January 2010**

**Notes to the Condensed Consolidated Financial Statements**

**2. Segment Information (continued)**

<b>Business segments</b>	Investing activities	Coal mining	Consulting	Intersegment eliminations/ unallocated	<b>Total continuing operations</b>	Discontinued operations - Bakery	Intersegment eliminations/ unallocated	<b>Total discontinued operations</b>	<b>Consolidated</b>
<b>Half year ended 31 January 2009</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue from external customers</b>	111,605	231,241	2,992	5,712	<b>351,550</b>	179	-	<b>179</b>	<b>351,729</b>
Intersegment revenue	58,381	-	30,190	(88,571)	-	-	-	-	-
Total revenue	169,986	231,241	33,182	(82,859)	<b>351,550</b>	179	-	<b>179</b>	<b>351,729</b>
Share of results from equity accounted associates	(8,773)	-	312	(3,834)	<b>(12,295)</b>	-	-	-	<b>(12,295)</b>
Other income									
- gain on sale of New Saraji coal project	-	-	-	2,440,365	<b>2,440,365</b>	-	-	-	<b>2,440,365</b>
- gain on sale of available for sale investments	2,723	-	-	-	<b>2,723</b>	-	-	-	<b>2,723</b>
- loss on revaluing other financial assets to fair value	(28,435)	-	-	-	<b>(28,435)</b>	-	-	-	<b>(28,435)</b>
- other	215	-	51	-	<b>266</b>	-	-	-	<b>266</b>
Total other income	(25,497)	-	51	2,440,365	<b>2,414,919</b>	-	-	-	<b>2,414,919</b>
Total segment revenue/income	135,716	231,241	33,545	2,353,672	<b>2,754,174</b>	179	-	<b>179</b>	<b>2,754,353</b>
Segment results	(74,403)	108,893	21,162	2,346,162	<b>2,401,814</b>	(966)	236	<b>(730)</b>	<b>2,401,084</b>
Income tax (expense)					<b>(771,176)</b>			<b>-</b>	<b>(771,176)</b>
<b>Net profit/(loss) for the half year</b>					<b>1,630,638</b>			<b>(730)</b>	<b>1,629,908</b>
<b>Impairment (expenses) / write back included in segment results</b>									
- (Impairment) of equity accounted associates	(171,817)	-	-	-	<b>(171,817)</b>	-	-	-	<b>(171,817)</b>
- (Impairment) of listed equity investments	(12,083)	-	-	-	<b>(12,083)</b>	-	-	-	<b>(12,083)</b>
- (Impairment) of goodwill	(3,426)	-	-	-	<b>(3,426)</b>	-	-	-	<b>(3,426)</b>
- (Impairment) of other assets	193	-	-	(2,800)	<b>(2,607)</b>	-	-	-	<b>(2,607)</b>
Total impairment (expense)	(187,133)	-	-	(2,800)	<b>(189,933)</b>	-	-	-	<b>(189,933)</b>
<b>Segment assets – as at January 2009</b>	<b>3,956,666</b>	<b>442,157</b>	<b>32,006</b>	<b>(8,050)</b>	<b>4,422,779</b>	<b>1,832</b>	<b>-</b>	<b>1,832</b>	<b>4,424,611</b>

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**Washington H. Soul Pattinson and Company Limited**  
**Half year ended 31 January 2010**

**Notes to the Condensed Consolidated Financial Statements**

**3. Profit for the half year**

**(i) Profit before income tax expense**

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

	2010 \$'000	2009 \$'000
<b>(a) Revenue</b>		
Sales revenue	318,301	254,245
Dividend revenue	10,256	12,780
Interest revenue	73,239	82,460
Other	3,240	2,065
	<b>405,036</b>	<b>351,550</b>

	2010 \$'000	2009 \$'000
<b>(b) Other income</b>		
Gain on sale of New Saraji coal project	-	2,440,365
Gain on deemed disposal of equity accounted associates	48,495	-
Gains/(losses) on financial assets at fair value through profit or loss	6,266	(28,435)
(Loss) on loss of control of subsidiaries	(1,023)	-
(Losses)/gains on sale of available for sale financial assets	(227)	2,723
Other	(89)	266
	<b>53,422</b>	<b>2,414,919</b>

	2010 \$'000	2009 \$'000
<b>(c) Expenses</b>		
Impairment of equity accounted associates (1)	-	(171,817)
Impairment of listed equity investments (2)	(3,215)	(12,083)
Impairment of goodwill	-	(3,426)
Impairment (expense)/reversal of other assets	201	(2,607)
	<b>(3,014)</b>	<b>(189,933)</b>

(1) The recoverable amount of investments in equity accounted associates has been assessed as at 31 January 2010. Where the carrying values of the investments exceeded the recoverable amounts, the investment has been impaired. At each reporting date, an assessment will be made as to whether there are any circumstances that would indicate that the impairment recognised has decreased or no longer exists. Where evidence supports a reduction in the impairment, the impairment expense may be reversed through profit. In the six month period ended 31 July 2009, the impairment expense relating to TPG Telecom Limited of \$50.8 million, was reversed.

(2) During the half year ended 31 January 2010, there were significant decreases in the share prices of certain listed equity investments held by the Group. In accordance with AASB 139, a 'prolonged decline in the fair value of an investment in an equity instrument below its cost is objective evidence of impairment'. Where an 'available for sale' financial asset's market bid price is lower than the original cost, and the investment is considered by management to be 'impaired', the Group has recognised an impairment expense in respect of these investments. An impairment recognised for an 'available for sale' financial asset is prohibited from being reversed through profit and loss. Any future increments in the bid price of these investments will be recognised as a fair value increment in the asset revaluation reserve.

**Washington H. Soul Pattinson and Company Limited**  
**Half year ended 31 January 2010**

**Notes to the Condensed Consolidated Financial Statements**

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

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

	2010 \$'000	2009 \$'000
(Loss) / profit on disposal of investments	(185)	2,566
Gain on deemed disposals of associates, net of tax	33,924	-
Profit on sale of the New Saraji coal project	-	1,031,082
(Loss) on sale of business units	(1,047)	(95)
Operating losses attributable to non-controlling interest absorbed by parent entity interest	-	(129)
Impairment (expense)	(3,198)	(182,956)
Share of significant revenue and (expenses) from associate entities	(3,151)	(27,457)
Other non-regular items	-	(477)
<b>Total non-regular items, net of tax</b>	<b>26,343</b>	<b>822,534</b>

**4. Dividends**

		\$'000	Amount per security CPS	Franking per security CPS
<b>Interim dividend</b>	Current half year dividend declared but not yet recognised in retained profits, payable on 13 May 2010	33,410	14c	14c
	Previous corresponding half year, paid on 14 May 2009	31,023	13c	13c
<b>Final dividend 2009</b>	A final dividend, not previously recognised in retained profits, was paid on 7 December 2009	45,342	19c	19c
<b>Special dividend 2009</b>	A special dividend, not previously recognised in retained profits, was paid on 7 December 2009	59,660	25c	25c

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.

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**Washington H. Soul Pattinson and Company Limited**  
**Half year ended 31 January 2010**

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**Notes to the Condensed Consolidated Financial Statements**

**5. Controlled entities acquired or disposed of**

The Group did not acquire of any controlled entities during the six months to 31 January 2010.

**Entities no longer controlled**

During the period ended 31 January 2010, the Group ceased to control the following entities:

Souls Funds Management Limited (SFM)

SFM was disposed of on 11 November 2009. From this date, SFM was no longer controlled by the Group.

Rundle Capital Limited (Rundle) – Held by Pitt Capital Partners

Rundle was disposed of on 1 October 2009. From this date, Rundle was no longer controlled by the Group.

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**Washington H. Soul Pattinson and Company Limited**  
**Half year ended 31 January 2010**

**Notes to the Condensed Consolidated Financial Statements**

**6. Details of investments and results in associates and jointly controlled entities**

Name of associated entity	Group's percentage of holding at balance date *		Contribution to Group net profit for the year **	
	Jan 2010 %	Jan 2009 %	2010 \$000	2009 \$000
<b>Associates – held by WHSP</b>				
Brickworks Limited (i)	44.6	49.5	4,689	(20,129)
Australian Pharmaceutical Industries Limited (ii)	24.6	24.6	2,934	2,233
Ruralco Holdings Limited	23.5	23.5	501	769
TPG Telecom Limited(formerly SP Telemedia Limited) (iii)	28.2	27.5	7,891	1,393
Apex Healthcare	30.0	30.0	1,352	930
Clover Corporation Limited	28.6	28.6	546	459
Keith Harris & Company (Far East) Pte Limited	49.0	49.0	58	42
<b>Jointly Controlled entity – held by WHSP</b>				
CopperChem Limited	50.0	-	-	-
<b>Associates – held by Controlled entities***</b>				
Ampcontrol Pty Limited	45.0	45.0	2,022	1,685
Austgrains Pty Limited	48.0	48.0	68	12
Belaroma Coffee Pty Ltd	40.0	40.0	108	70
InterRISK Australia Pty Ltd	40.0	40.0	(239)	88
SODA Brands Limited (iv)	47.9	-	(227)	-
Specialist Oncology Property Pty Limited	31.4	21.3	48	66
Supercorp Pty Limited	30.2	30.2	(32)	87
<b>Share of results from equity accounted associates and joint venture before impairment</b>			<b>19,719</b>	<b>(12,295)</b>
Impairment of investment in associates (refer note 3i)				
- Australian Pharmaceutical Industries Limited			-	(101,137)
- TPG Telecom Limited(formerly SP Telemedia Limited)			-	(54,714)
- Other associates			-	(15,966)
<b>Total impairment of investment in associates</b>			<b>-</b>	<b>(171,817)</b>
<b>Share of results and impairment from equity accounted associates and joint venture</b>			<b>19,719</b>	<b>(184,112)</b>

\* The percentage holding represents the Group's total holding in each Associate.

\*\* Contribution to Group net profit represents the amount included in profit after tax before non-controlling interest.

\*\*\* Investments in these Associates are held by a controlled entity, Souls Private Equity Limited (SPEL).

**Change in Associate status**

(i) During the period, Brickworks Limited completed share issues to their employees (September 2009) and to ordinary shareholders (November 2009).

WHSP did not participate in the Brickworks Limited share issues, resulting in WHSP's percentage holding in Brickworks decreasing by 4.9% to 44.6%.

In accordance with accounting standards, a 'deemed disposal' was considered to have taken place and a gain of \$49.1m (less tax \$14.8m) has been recognised in profit for the period ended 31 January 2010.

**Washington H. Soul Pattinson and Company Limited**  
**Half year ended 31 January 2010**

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**Notes to the Condensed Consolidated Financial Statements**

**6. Details of investments and results in Associates and Jointly controlled entities  
(Continued)**

(ii) Australian Pharmaceutical Industries Limited (API) raised capital through an institutional placement and completed an equity raising (November 2009). WHSP maintained its percentage shareholding in API by participating in these offers.

(iii) WHSP participated in the TPG Telecom Limited dividend reinvestment plan (DRP) issued on 25 November 2009. As a result of the DRP, WHSP increased its shareholding by 0.7% to 28.2%.

(iv) As a result of a capital raising by SODA Brands Limited (SODA), on the 18<sup>th</sup> December 2009, the Group's shareholding in SODA was reduced from 50.3% to 47.9%. From the date of this change in shareholding, SODA ceased to be accounted for as a subsidiary of SPEL and is equity accounted as an associate entity.

**7. Jointly Controlled Entities**

On 23 September 2009, WHSP acquired a 50% interest in CopperChem Limited.

**8. Contingent liabilities**

Souls Private Equity Limited, a controlled entity, acts as guarantor (on a Joint and Several basis with one other party) over the Trade Finance Facility of Austgrains Pty Limited. The amount of the guarantee is limited to \$6,000,000. Austgrains Pty Limited uses the funds from the facility to purchase grain. As at balance date, Austgrains have drawn \$5.8 million of this facility.

There are no other material changes to contingent liabilities of the Group since 31 July 2009.

**9. Events occurring after the balance sheet date**

New Hope Corporation Limited (NHC), through its wholly owned subsidiary Arkdale Pty Limited, owns 122.6 million shares in Arrow Energy equal to 16.7% of the company.

On 8 March 2010 Arrow Energy announced that it had received a non-binding indicative and conditional proposal from a company jointly owned by Royal Dutch Shell and Petrochina.

In the absence of a superior proposal, NHC supports the proposed transactions and intends to vote in favour of the Demerger Scheme and Acquisition Scheme for all the shares it owns or controls.

**10. Other significant information**

Please refer to the Review of Operations contained in this report.

# Washington H. Soul Pattinson and Company Limited

A.B.N. 49 000 002 728

## Directors' Declaration

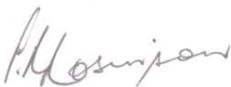
The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 4 to 27, are in accordance with the Corporations Act 2001 and:
  - a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
  - b. give a true and fair view of the economic entity's financial position as at 31 January 2010 and of its performance for the half year ended on that date.
2. 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  
Director



P.R. Robinson  
Director

Dated this 25<sup>th</sup> day of March 2010

## INDEPENDENT AUDITOR'S REVIEW REPORT

### TO THE MEMBERS OF WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED AND ITS CONTROLLED ENTITIES

#### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Washington H. Soul Pattinson and Company Limited ("the company") and its Controlled Entities ("the consolidated entity"), which comprises the statement of financial position as at 31 January 2010, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration of the consolidated entity comprising Washington H. Soul Pattinson and Company Limited and the entities it controlled at half year's end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of Washington H. Soul Pattinson and Company Limited are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 January 2010 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Washington H. Soul Pattinson and Company Limited and its Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

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**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

**Conclusion**

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

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 January 2010 and of its performance for the half-year ended on that date; and
- (ii) complying with *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Moore Stephens Sydney*

**Moore Stephens Sydney**  
Chartered Accountants

*Martin J. Shannon*

**Martin J. (Joe) Shannon**  
Partner

Dated in Sydney, the 25<sup>th</sup> day of March 2010

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