WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

A.B.N. 49 000 002 728

DIRECTORS' ANNUAL REPORT
and
FINANCIAL STATEMENTS

2008

CONTENTS

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

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

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

CHIEF FINANCIAL OFFICER
MELINDA R RODERICK, CA

COMPANY SECRETARY
IAN D BLOODWORTH, CA

AUDITORS
MOORE STEPHENS SYDNEY

REGISTERED OFFICE:
FIRST FLOOR
160 PITT STREET MALL
SYDNEY NSW 2000
Telephone: (02) 9232 7166
Facsimile: (02) 9235 1747
Internet Website Address: www.whsp.com.au

SHARE REGISTER
Computershare Investor Services Pty. Limited
Level 3, 60 Carrington Street, Sydney NSW 2000
Telephone: 1300 850 505 (within Australia)
Telephone: +61 3 9415 4000 (outside Australia)
Facsimile: 1800 783 447 (within Australia)
Facsimile: +61 3 9473 2555 (outside Australia)
Email: web.queries@computershare.com

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 2008.

CONSOLIDATED FINANCIAL PERFORMANCE

The profit of the Group, after tax and before non-regular items, attributable to shareholders for the year ended 31 July 2008 was $113.1 million, an increase of 14.1% over the previous year. This increase of $14.0 million was mainly attributable to improved results by New Hope Corporation Limited and reduced trading losses in KH Foods Limited.

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

The profit of the Group, after tax and non-regular items, attributable to shareholders was $90.8 million, a decrease of 30.2% over the previous year. The fall in contribution from non-regular items was mainly attributable the gain on sale of the media business (NBN Television) which was included in last year. This was partially offset by significantly reduced one-off costs and a reduction in the losses attributable to minority interests absorbed by the parent entity, both of which related to KH Foods Limited.

The return on Washington H. Soul Pattinson and Company Limited's investment portfolio was well in excess of the benchmark S&P/ASX 300. New Hope Corporation Limited recorded a significantly increased profit due to higher coal prices and increased coal export volumes. Despite the continuing depressed housing market Brickworks Limited has achieved its seventh successive increase in after tax profit.

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.

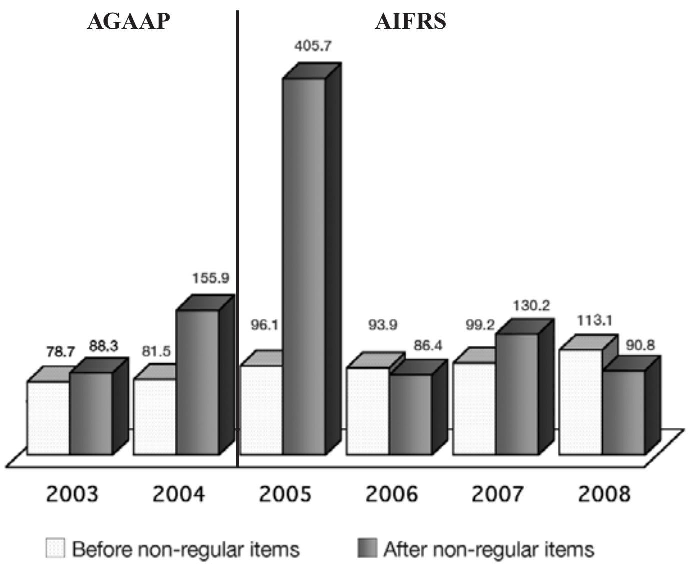
At the end of the financial year the Group had no external borrowings from financial institutions.

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

	2008 $'000	2007* $'000		% Change
Profit after tax before non regular items	113,146	99,192	+	14.1%
Profit after tax and non regular items	90,828	130,216	-	30.2%
Revenue from continuing operations	681,640	750,618*	-	9.2%
Final Dividend	18 cents	17 cents	+	5.9%
Interim Dividend	12 cents	11.5 cents	+	4.3%
Total Dividends	30 cents	28.5 cents	+	5.3%

* 2007 comparatives have been restated for discontinued operations.

Consolidated Profit Results
Profit After Tax and Outside Equity ($M)



DIVIDENDS

Final Dividend

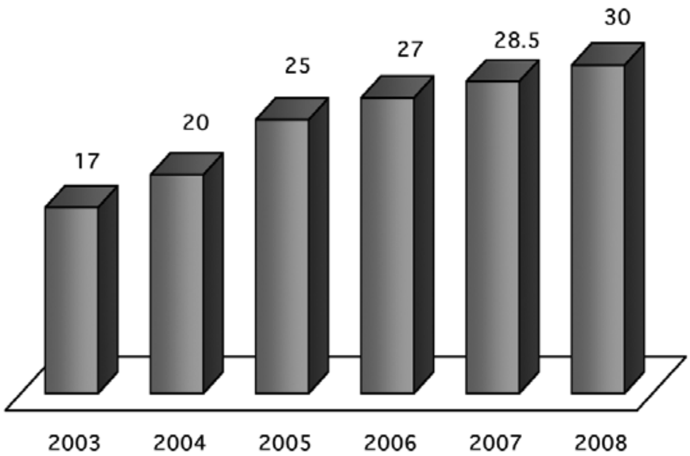
Directors recommend the payment of a fully franked final dividend of 18 cents per share in respect of the year ended 31 July 2008 (2007: 17 cents).

The final dividend of 18 cents per share, to be approved by Shareholders at the Annual General Meeting, will be payable on 8 December 2008. The record date for the final dividend will be 17 November 2008.

Dividends paid or recommended by the Company 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 2007	17	40,569	Fully Franked	10 December 2007
Interim ordinary dividend 2008	12	28,637	Fully Franked	8 May 2008
Dealt with in the financial report as dividends	29	69,206		
Recommended after the end of year				
Proposed final ordinary dividend 2008	18	42,955	Fully Franked	8 December 2008

Dividend Performance
(excluding Special Dividends)
Cents per share



REVIEW OF OPERATIONS

HOLDING COMPANY

The market value of the listed investment portfolio, including listed controlled entities and associates, was $3.62 billion as at 31 July 2008 compared with $2.76 billion as at 31 July 2007, an increase of $860 million.

The portfolio return was 34.6% compared to the benchmark S&P/ASX 300 accumulation index of negative 16.0%. Directors consider this was an outstanding return given the continuing market volatility and uncertain times.

The performance was mostly due to the significant increase in the New Hope Corporation Limited (New Hope) share price. On 1 August 2007 the New Hope share price was $2.10, at year end it had increased to $4.69. New Hope market capitalisation was $3.8 billion as at 31 July 2008.

Excluding controlled entities and associates, the market value of the listed investment portfolio decreased by $120 million to $394 million (after adjusting for investments transferred to associates). Under the Group's accounting policies the movement in market values is transferred to the asset revaluation reserve.

During the year $30.2 million was invested in the equities market, including shares acquired as a result of takeovers. Purchases of shares in controlled entities and associates totalled $19.7 million. The main purchases were Australian Pharmaceutical Industries Limited, New Hope Corporation Limited, Ruralco Holdings Limited, SP Telemedia Limited, Suncorp-Metway Limited (convertible preference shares) and Wesfarmers Limited.

The net gain on disposals for the period was $6.2 million before tax. Proceeds from disposals totalled $13.2 million including cash and shares of $10.7 million received as a result of takeovers. The main disposals were Publishing and Broadcasting Limited, Southern Cross Broadcasting (Aust.) Limited, Coles Group Limited and Coates Hire Limited.

Dividend and distribution income from the investment portfolio, excluding special dividends and dividends received from controlled and associated entities, was $21.9 million, up 15.8% on the previous year. Including special dividends, income from the investment portfolio was $22.6 million, up 4.5%. Special dividends received were down by $2.0 million compared to last year.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

ASSOCIATED ENTITIES

Australian Pharmaceutical Industries Limited (API) - (24.6% held)*

API changed its financial year from an April close to an August close. API will report its 2008 financial year results on 30 October 2008. Up until this change Washington H. Soul Pattinson and Company Limited (WHSP) equity accounted the API result. However due to the year end balance date change WHSP is unable to fully equity account API's annual result in this year's accounts.

API's half year result which was released in April 2008 clearly indicated that the company had re-aligned its business with sales growth of 19.8% over the same period last year resulting in a net profit after tax of $6.1 million. In the same release API provided detail of a three year $60 million supply chain initiative which when fully implemented will result in an $18 million annualised cost reduction when the program is completed. Benefits are expected to flow in the 2010 financial year. API stated that they remained comfortable with consensus forecasts of earnings before interest and tax of approximately $49.5 million for its full year ending 31 August 2008.

WHSP has equity accounted 10 months of API's profit result for 2008. As a result of WHSP's 24.6% holding in the issued capital of API, API contributed a net profit of $0.8 million to the Group (2007: $2.5m loss).

Brickworks Limited (Brickworks) - (49.5% held)*

Brickworks has posted a net profit after tax for the year ended 31 July 2008 of $108.2 million (2007: $102.2 million), an increase of 5.9% over last year. This is the seventh increase in succession.

The result continues to highlight the benefits of the growing diversification of Brickworks' earnings from its three divisions, Building Products, Land and Development, and Investments.

Normalised earnings per share increased to 81.5 cents per share for the year ended 31 July 2008, up from 77.0 cents per share for the year ended 31 July 2007.

Brickworks has declared a 1.9% increase in the final dividend to 26.5 cents per share fully franked, taking the full year dividend to 39.0 cents per share fully franked, up 2.6% from 38.0 cents the previous year.

Sales for the year ended 31 July 2008 increased 0.6% to $520.0 million compared to $516.8 million in the year ended 31 July 2007.

Sales levels continue to be depressed by housing affordability issues. During the year four official interest rate rises were passed by the Reserve Bank ('RBA'). The major banks also increased interest rates independently of the RBA due to higher underlying cost of funds. This combined with higher fuel costs has impacted on housing affordability.

Business acquisitions totalling $13.1 million were completed during the year, comprising Smart State Blocks (Yatala, South East Queensland) and NQ Blox (Silkwood, 100km south of Cairns). These masonry businesses have increased Brickworks' exposure to the Queensland market and provide further diversification of earnings for the company.

Capital expenditure totalled $24.2 million in the year ended 31 July 2008, including $6.1 million of major projects and $18.1 million of stay-in-business capital works..

Austral Bricks™ overall brick sales volumes were down approximately 6.3% compared to the previous corresponding period, while net average selling prices increased by approximately 2.0%.

Austral Masonry™ continues to grow with a 55.4% increase in sales revenue compared to the previous year, despite the extreme wet weather conditions during the second half of the year. The Austral Masonry™ business now has a greater than 20% market share of the concrete block market in Queensland.

Bristile Roofing™ again delivered a solid performance, ahead of budget and last year, despite the poor market and weather conditions on the east coast. The continued focus on higher quality product and service drove a further 1.7% increase in selling prices. The Bristile Roofing West Coast factory was closed for a period of six weeks after the Apache Gas explosion, with the opportunity taken to undertake necessary maintenance on the factory. During the year an extra shift was added at the Dandenong, Victoria plant to meet market demand for product.

Eureka Tiles™ achieved a much improved result on overall improved sales volumes of 7.5%, combined with a 3.2% increase in selling price. Imported tile sales volumes increased by 80.9% during the year, with the lower cost of imported product delivering improved selling margins. The development of new products and relationships with Asian suppliers continues to provide the Eureka Tiles division with growth opportunities.

Property Sales generated a profit of $68.7 million for the year ended 31 July 2008.

The Property Trust generated a profit of $24.7 million from development profit and trust income during the year ended 31 July 2008.

As a result of WHSP's 49.5% holding in the issued capital of Brickworks, Brickworks contributed a net profit of $37.8 million to the Group (2007: $31.6m).

Clover Corporation Limited (Clover) - (28.6% held)*

Clover recorded a net profit after tax for the year ended 30 June 2008 of $4.1 million (2007: $0.6m), an increase of 551%. Directors have declared a 1.0 cent fully franked dividend in respect of the 2008 year. The strong financial performance of the company coincides with a period of restructuring within Clover due to the acquisition of the minority equity interest in Nu-Mega Ingredients Pty Limited on 30 November 2007.

Group sales revenue for the year increased 31% to $21.6 million driven by strong growth in the key product area of infant formula applications, particularly in the Asia Pacific region. Second half sales and EBIT were both up 29% and 107% respectively on the first half.

Clover has stated that sales of its tuna fish oil and microencapsulated powders will continue to be a focus for the 2009 financial year, especially in the high value children's formulations market. The company continues to explore key opportunities in the American and European markets which have been largely untapped and represents a key opportunity for the next stage of Clover's development.

As a result of WHSP's 28.6% holding in the issued capital of Clover, Clover contributed a net profit of $1.2 million to the Group (2007: $0.2m).

* Percentage of the issued capital of the company held by Washington H. Soul Pattinson and Company Limited as at 31 July 2008.

REVIEW OF OPERATIONS (CONTINUED)

ASSOCIATED ENTITIES (CONTINUED)

Ruralco Holdings Limited (Ruralco) - (21.0% held)*

As a result of WHSP acquiring additional shares in Ruralco on 4 June 2008, WHSP's investment in Ruralco was reclassified as an investment in an associated company. Accordingly, this investment has been equity accounted since that date.

For the year ended 31 July 2008 dividend income of $1.9 million was taken up by WHSP. On 19 May 2008 Ruralco announced a net profit after tax of $10.6 million for the six months ended 31 March 2008 an increase of 41.0% on the previous corresponding period.

SP Telemedia Limited (SPT) - (27.5% held)*

As a result of SPT's merger with TPG Holdings Limited, WHSP's control over SPT ceased on 7 April 2008. WHSP continues to hold a significant investment in SPT and accordingly, the investment in SPT was accounted for using the equity accounting method since that date.

SPT has reported revenue of $446 million (2007: $426m) and a net loss from continuing operations after tax for the year ended 31 July 2008 of $18.9 million compared with a profit of $6.0 million for the previous corresponding period.

This loss has been impacted by the writing off of bad and doubtful debts ($15 million) and capitalised commission ($7 million) and non recurring costs of $9 million associated with the merger with TPG Holdings Limited.

In the four months from April 2008 TPG contributed revenues of $57 million and EBITDA of $21 million.

SPT has updated the market and provided EBITDA guidance of $93 million for 2009. SPT achieved an underlying EBITDA run-rate of $22.6 million for the quarter ended 31 July 2008 and $7.7 million (unaudited) for the month of August 2008.

The Directors of SPT have advised that the Company is today well positioned as one of the country's largest telecommunications network operators, to continue to expand market share in internet, data and voice products and services.

As a result of WHSP's 44.5% holding in the issued capital of SPT up until 7 April 2008 and a 27.5% equity holding thereafter, SPT contributed a $6.9 million operating loss to the Group result (2007: $20.0m profit).

CONTROLLED ENTITIES

New Hope Corporation Limited (New Hope) - (61.2% held)*

New Hope has reported a net profit after tax from its coal mining, investments and port operations of $90.7 million for the year ended 31 July 2008 (2007: $69.3m), a 30.8% increase over last year.

Basic earnings per share for the year ended 31 July 2008 were 11.2 cents which was 30.2% higher than the 8.6 cents per share earned in 2007.

New Hope Directors have declared a final ordinary dividend of 3.5 cents per share and a special dividend of 8.0 cents per share. Both of these dividends are fully franked, to be paid on 11 November 2008. The record date for these dividends is 27 October 2008.

There is no impact on the 31 July 2008 New Hope financial year results due to the sale of the New Saraji Project to BHP Billiton Mitsubishi Alliance (BMA) which was completed on 10 September 2008. The benefit of the sale proceeds of this $2.45 billion transaction will be reported in the 31 July 2009 financial year.

The 2008 result benefited from:

- Higher coal sales prices for both export and domestic coal coupled with higher export coal sales tonnages;
- Continued saleable coal production growth, which was up 16% to 4.5 million tonnes for the year;
- Higher contribution from the Queensland Bulk Handling Pty Limited (QBH) operations at the Port of Brisbane, due to QBH becoming a 100% owned subsidiary of New Hope in August 2007.

Offset by:

- A strengthening Australian dollar against the US dollar during the year;
- Lower interest revenue mainly due to expenditure on acquiring the remainder of QBH during the year, further investment in Arrow Energy Limited, and ongoing exploration and project expenditures;
- Increased mining costs.

Mining Operations

Total saleable coal production from New Hope's operations in the 2008 year was 4.5 million tonnes, 16% higher than in 2007. Production volumes and prices have continued to improve as have the operating margins, despite increasing costs.

Total coal sold during the year was 15% higher at 4.5 million tonnes, compared with 3.9 million tonnes sold in the 2007 year. Coal export volumes rose by 623,000 tonnes (or 24%) to 3.2 million tonnes while domestic sales were some 39,000 tonnes lower (or 3%) at 1.2 million tonnes.

Port Operations

On 1 August 2007, New Hope purchased the remaining 50% equity in QBH, and now owns 100% of this coal ship loading facility. QBH recorded a new record throughput in the 2008 year with 5.5 million tonnes loaded onto 82 ships, a 21% increase in exports over the previous year. The QBH facility continues to operate essentially demurrage free.

* Percentage of the issued capital of the company held by Washington H. Soul Pattinson and Company Limited as at 31 July 2008.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS (CONTINUED)

CONTROLLED ENTITIES (CONTINUED)

New Hope Corporation Limited (New Hope) - (61.2% held) (continued)*

New Hope Explorations

New Hope's exploration strategy remains unchanged and is 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 both surface and possible underground gasification and liquefaction projects. Outside of the New Saraji Project evaluation, New Hope's exploration activities have been directed to proving up resources associated with its new mining lease at Lenton, evaluating future target drill sites at the Bee Creek Exploration Permit Coal and refining geological modelling for its Darling Downs tenements (the Downs Project). The aim of the Downs Project is to locate thermal coal resources similar to the existing New Acland Mine resource and to identify coal resources suitable for coal gasification and liquefaction.

Coal to Synfuels

New Hope continued its research activities regarding the evaluation of conversion of Acland coal into gas followed by possible power generation and/or liquefaction to diesel transportation fuel. Further trials on this project will be possible in the first quarter 2009, which could be followed by some fully integrated trials toward the end of 2009.

Land

During the development cycle of its exploration and coal mining activities, New Hope has acquired over 10,000 hectares of land around Ipswich, Rosewood, Amberley and Acland. Approximately 7,000 hectares of this land bank is held in the Acland region and New Hope has established an agricultural company (Acland Pastoral Company Pty Ltd) to manage these extensive landholdings.

In past years New Hope has been successful in adding value to its Ipswich landholdings. With the likely completion of mining operations in the Ipswich Region over the next 3 to 5 years, New Hope has completed preliminary studies of this 2,900 hectare area to identify the most appropriate future land use post mining. Following completion of the studies, New Hope is preparing conceptual development plans to guide the post mining development of the land, including a combination of urban, commercial, recreational, industrial and ecological uses.

Arrow Energy Limited

New Hope acquired its initial shareholding in Arrow Energy in July 2006, and has subsequently increased its shareholding via exercising options and purchasing additional shares. As at 31 July 2008 New Hope held 120.6 million shares at a total cost of $111.7 million, equivalent to 17.2% of the company. Arrow Energy's share price on 31 July 2008 was $3.27 valuing the New Hope investment at $394.4 million, representing an unrealised gain before tax of $282.7 million.

Outlook

New Hope has reliable and very efficient low cost mining operations and employs experienced supporting personnel (including its own exploration crews) to underwrite the continued growth in earnings over the coming years, which continues the trend over the past 5 years. The sale of the New Saraji Project further strengthens a strong balance sheet after the expected return of dividends to shareholders. New Hope is investing in the necessary infrastructure to support the expanded New Acland operations via the Wetalla pipeline and the expanded QBH operations.

Capital Management

New Hope's operations continue to perform strongly and it is likely that significant earnings growth will continue in the 2009 financial year as coal prices are expected to remain strong supported by the Company's incremental mine expansions and extensions over the next two years.

Operating profit for the 2009 is likely to be in the range of $125 million to $150 million subject to the continuation of the strong international coal price and the effect of the A$: US$ exchange rate.

Proceeds from the sale of the New Saraji Project to BMA totalling $2.45 billion have been placed on deposit with major Australian banks. Interest revenue earned on these terms deposits will add significantly to New Hope's 2009 profit result.

New Hope Directors have indicated that a special dividend in the order of $600 million will be paid to shareholders in conjunction with the 2009 final dividend in November 2009. The timing of this special dividend coincides with income tax on the sale of the New Saraji Project of approximately $725 million being payable at the time and lodgement of the Company's 2009 financial year tax return in late calendar year 2009. This will allow the special dividend to be fully franked in the hands of shareholders.

The New Hope Directors in arriving at the special dividend have taken into consideration the company's ongoing capital requirements and the need to continue to actively pursue new investment opportunities in the energy sector.

As a result of WHSP's 61.2% holding in the issued capital of New Hope, New Hope contributed a net profit of $55.4 million to the Group (2007: $42.4m).

KH Foods Limited (KHF) - (86.6% held)*

KHF has reported a loss for the year ended 31 July 2008 of $13.7m (2007: $58.2m loss).

During the year KHF completed the divestment of its grocery cake business to George Weston Foods Ltd, the Beaumont's route business to Routleys Bakery and its Balfours and Betabake businesses to a company associated with the San Remo Macaroni Group based in South Australia.

As a result of the above divestment program KHF has no remaining business undertaking. The shares in KHF were suspended from quotation on the Australian Securities Exchange on 4 April 2008 and remain suspended.

* Percentage of the issued capital of the company held by Washington H. Soul Pattinson and Company Limited as at 31 July 2008.

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. Member of the Remuneration Committee.

Mr Millner has extensive experience in the investment industry.

Listed company directorships held during the past three years:

- Australian Pharmaceutical Industries Limited – Appointed 2000 (current)
- Brickworks Limited – Appointed 1997 (current) Chairman since 1999
- Brickworks Investment Company Limited – Appointed 2003 (current) Chairman since 2003
- Choiseul Investments Limited – Appointed 1995 (current) Chairman since 2000
- Milton Corporation Limited – Appointed 1998 (current) Chairman since 2002
- New Hope Corporation Limited – Appointed 1995 (current) Chairman since 1998
- Souls Private Equity Limited – Appointed 2004 (current) Chairman since 2004
- SP Telemedia Limited – Appointed 2000 (current)

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

Non-Executive Director since 1997, appointed Deputy Chairman 1998. Member of the Audit and Remuneration Committees.

Mr Millner has extensive experience in the investment industry and is a Councillor of the Royal Agricultural Society of New South Wales.

Listed company directorships held during the past three years:

- Brickworks Limited – Appointed 1998 (current)
- Choiseul Investments Limited – Appointed 2001, Resigned 2008
- KH Foods Limited – Appointed 1997, Resigned 2006
- Ruralco Holdings Limited – Appointed 2007 (current) (previously Appointed 2003, Resigned 2006)
- SP Telemedia Limited – Appointed 2000, Resigned 2008

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

Joined the Company 1978, appointed Director 1984.

Mr Robinson has held both executive and non-executive directorships for a period of 24 years and has over 30 years experience at general management and chief executive officer level. He is Chairman of Australian Pharmaceutical Industries Limited and Clover Corporation Limited.

Listed company directorships held during the past three years:

- Australian Pharmaceutical Industries Limited – Appointed 2000 (current)
- Clover Corporation Limited – Appointed 1997 (current)
- KH Foods Limited – Appointed 2008 (current) (previously Appointed 1987, Resigned 2006)
- New Hope Corporation Limited – Appointed 1997 (current)
- SP Telemedia Limited – Appointed 2000, Resigned 2008

David John Fairfull B.Com., A.C.I.S., C.P.A., fFin, M.A.I.C.D.
Non-Executive Director, appointed Director 1997. Member of the Audit Committee.

Mr Fairfull is a merchant banker and professional company director with over 40 years experience in corporate finance. He is a consultant to Pitt Capital Partners Limited which is a Group Company.

Listed company directorships held during the past three years:

- Australian Pharmaceutical Industries Limited – Appointed 2000, Resigned 2007
- KH Foods Limited – Appointed 2008 (current)
- New Hope Corporation Limited – Appointed 1997 (current)
- Soul Communications Limited (formerly B Digital Limited) – Appointed 2005, Resigned 2007
- Souls Private Equity Limited – Appointed 2004 (current)
- SP Telemedia Limited – Appointed 2000, Resigned 2008
- Stockland Limited – Appointed 1990, Resigned 2006

DIRECTORS' REPORT (CONTINUED)

DIRECTORS (CONTINUED)

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

Non-executive Director since 2006. Chairman of the Audit Committee and member of the Remuneration Committee.

Mr Westphal is a Chartered Accountant and was a partner of Ernst & Young for 25 years. He has many years of experience in corporate transactions with particular emphasis on mergers and acquisitions, due diligence and valuation across a variety of industry sectors. Mr Westphal is a non-executive director of a number of companies in which Souls Private Equity Limited has invested. He is a consultant to Pitt Capital Partners Limited which is a Group Company and was formerly the Chairman of the Board of Governors of Queenwood School for Girls Limited for 10 years.

Listed company directorships held during the past three years:

- Souls Private Equity Limited – Appointed 2005 (current)

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

Non-executive Director since 2006. Chairman of the Remuneration Committee and member of the Audit Committee.

Mr Wills is a Chartered Accountant, having been a partner in Coopers & Lybrand and then PricewaterhouseCoopers for 25 years. He was Managing Partner of the Sydney office and Deputy Chairman of the Australian firm immediately prior to his retirement from the firm in 2004. He is also 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:

- Clover Corporation Limited – Appointed 2005 (current)
- Dyno Nobel Limited – Appointed 2006, Resigned 2008
- Souls Private Equity Limited – Appointed 2004 (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 in 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.

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		Audit Committee Meetings		Remuneration Committee Meetings	
		Eligible to attend	Number attended	Eligible to attend	Number attended	Eligible to attend	Number attended
Mr R D Millner	R,N	21	21	-	-	2	2
Mr M J Millner	A,R	21	18	4	4	2	2
Mr P R Robinson		21	20	-	-	-	-
Mr D J Fairfull	A	21	18	3	3	-	-
Mr R G Westphal	A,R,N	21	19	4	4	2	2
Mr D E Wills	A,R,N	21	18	4	4	2	2

A Denotes current member of the Audit Committee of Directors.

R Denotes current member of the Remuneration Committee of Directors.

N Denotes current member of the Nomination Committee of Directors.

DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the Company, as notified to the Australian Securities 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	18,916,496
Mr M J Millner	18,551,476
Mr P R Robinson	74,210
Mr D J Fairfull	60,000
Mr R G Westphal	5,000
Mr D E Wills	113,866

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 Committees. 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 voted on by their shareholders.

Remuneration Committee

The Remuneration Committee consists of 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 2008 Directors fees paid to the non-executive Directors by the parent entity amounted to $491,000.

In addition, remuneration inclusive of Directors fees, salaries and consulting fees were paid to the non-executive Directors of the parent entity by controlled entities amounted to $1,097,000.

Amounts paid include statutory superannuation guarantee contributions of 9% where applicable.

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.

	2005	**2006***	**2007****	**2008**
	$'000	**$'000**	**$'000**	**$'000**
Revenue from continuing activities	587,861	786,541	750,618	681,640
Profit after tax (before non-regular items)	96,164	93,944	99,192	113,146
Share price at year end	$9.60	$7.80	$9.27	$10.45
Ordinary dividends paid/recommended	25 cents	27 cents	28.5 cents	30 cents
Special dividends paid	15 cents	15 cents	-	-

* 2006 comparatives have been restated for discontinued operations and policy changes.
** 2007 comparatives have been restated for discontinued operations.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

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
Mr R G Westphal
Mr D E Wills

Executive Director

Mr P R Robinson

Other key management personnel of the parent entity

Ms M R Roderick – Chief Financial Officer
Mr I D Bloodworth – Company Secretary

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 (employer became an associate 7 April 2008)
Mr K Parsons – Acting Chief Executive Officer, Chief Financial Officer and Company Secretary, KH Foods Limited (ceased employment 11 July 2008)
Mr C J Photakis – Managing Director, Pitt Capital Partners 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 2008	Short Term Employee Benefits			Post Employment Benefits		Share Based Payments	Total	Received From	
	Salary & Fees	Cash Bonus	Non Monetary Benefits	Super-annuation	Termination Benefits	Value of Options	Consoli-dated Entity	Parent Entity	Controlled Entities
Name	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-executive Directors									
Mr R D Millner	363	-	20	33	-	-	416	159	257
Mr M J Millner	125	-	-	12	-	-	137	91	46
Mr D J Fairfull	563	-	-	50	-	-	613	76	537
Mr R G Westphal	295	-	-	10	-	-	305	89	216
Mr D E Wills	108	-	-	9	-	-	117	76	41
								491	1,097
Executive Director									
Mr P R Robinson	558	-	61	98	-	-	717	575	142
Key Management Personnel of the Parent Entity									
Ms M R Roderick	255	-	14	23	-	-	292	292	-
Mr I D Bloodworth	170	-	-	15	-	-	185	185	-
Key Management Personnel of the Consolidated Entity									
Mr R C Neale	624	216	35	24	-	231	1,130	-	1,130
Mr P K Mantell	302	64	25	19	-	173	583	-	583
Mr M Simmons (Employer became an associate 7 April 2008)	382	125	34	64	-	-	605	-	605
Mr K Parsons (Ceased employment 11 July 2008)	244	289	18	23	351	-	925	-	925
Mr C J Photakis	550	260	-	50	-	-	860	-	860
Total	**4,539**	**954**	**207**	**430**	**351**	**404**	**6,885**	**1,543**	**5,342**

REMUNERATION REPORT (AUDITED) (CONTINUED)

Key Management Personnel 2007	Short Term Employee Benefits			Post Employment Benefits		Share Based Payments	Total	Received From	
	Salary & Fees	Cash Bonus	Non Monetary Benefits	Super-annuation	Termination Benefits	Value of Options	Consoli-dated Entity	Parent Entity	Controlled Entities
Name	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-executive Directors									
Mr R D Millner	325	-	32	29	-	-	386	163	223
Mr M J Millner	130	-	-	12	-	-	142	82	60
Mr D J Fairfull	622	-	-	56	-	-	678	71	607
Mr R G Westphal	236	-	-	10	-	-	246	87	159
Mr D E Wills	103	-	-	9	-	-	112	71	41
								474	1,090
Executive Director									
Mr P R Robinson	508	-	46	89	-	-	643	512	131
Key Management Personnel of the Parent Entity									
Ms M R Roderick	217	-	23	20	-	-	260	260	-
Mr R A O'Brien (Retired 11 July 2007)	140	-	27	37	-	-	204	204	-
Mr I D Bloodworth (Appointed 11 July 2007)	15	-	-	1	-	-	16	16	-
Key Management Personnel of the Consolidated Entity									
Mr R C Neale	553	140	33	22	-	244	992	-	992
Mr P K Mantell	284	48	24	17	-	185	558	-	558
Mr M Simmons	448	77	41	73	-	139	778	-	778
Mr J Eather (Employer sold 9 May 2007)	346	77	28	59	694	139	1,343	-	1,343
Mr K Parsons	210	-	23	21	-	-	254	-	254
Mr C J Photakis (Appointed 2 April 2007)	183	-	-	17	-	-	200	-	200
Total	**4,320**	**342**	**277**	**472**	**694**	**707**	**6,812**	**1,466**	**5,346**

DIRECTORS' REPORT (CONTINUED)

PRINCIPAL ACTIVITIES

The principal activities of the corporations in the consolidated entity during the course of the financial year were ownership of shares and properties, coal mining, bulk handling, telecommunications carrier, merchant banking, funds management, retailing of pharmaceutical products, and manufacture of savouries and cakes.

During the year KH Foods Limited completed the divestment of its bakery businesses and no longer operates as a manufacturer of savouries and cakes. As a result of its merger with TPG Holdings Limited, SP Telemedia Limited is no longer controlled by the parent entity. Accordingly, the consolidated entity no longer operates as a telecommunications carrier. 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.

FINANCIAL POSITION, FINANCIAL INSTRUMENTS AND GOING CONCERN

The consolidated entity's net assets decreased from $2.15 billion at 31 July 2007 to 2.02 billion at 31 July 2008. This was primarily due to the exit from the group of SP Telemedia Limited and a decline in the market value of the listed investment portfolio. For further information refer to the financial statements.

The above shareholders equity amounts are determined in accordance with Australian Accounting Standards and do not take into account the market values of controlled and associated entities.

The Directors believe the Group is in a strong and stable position to grow its current operations.

Details of financial risk management objectives and policies are set out in note 2 of the financial statements.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in its operational businesses for the foreseeable future and have therefore continued to adopt the going-concern basis in preparing the financial statements.

EVENTS SUBSEQUENT TO BALANCE DATE

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.

Refer to Note 49 of the consolidated financial report for details of the sale of the New Saraji Project by New Hope (completed on 10 September 2008) and the subsequent special dividend expected to be paid.

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.

INDEMNIFICATION OF OFFICERS AND AUDITORS

Indemnification

The Company's constitution provides for an indemnity of its 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, the Company has a Directors' and Officers' Liability Policy covering Directors and officers of the 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 Company and its controlled entities.

ENVIRONMENTAL COMPLIANCE

New Hope's mining operations are regulated by the Queensland Environmental Protection Agency under the Environmental Protection Act 1994. New Hope's mining activities are authorised by a series of site based environmental authorities.

During the 2008 financial year, New Hope maintained a competent standard of environmental management across all coal operations. A number of significant positive environmental outcomes were achieved during a unique period involving the recommencement of mining activities at Jeebropilly and the on-going expansion at New Acland Mine.

New Hope continued its growth with three new projects in progress requiring Environmental Impact Statements under the Environmental Protection Act 1994 and the State Development and Public Works Organisation Act 1971. The three new projects comprised the New Acland Mine Stage 3 expansion Project, the Wetalla Water Pipeline Project, and the New Saraji Coal Project, which was later sold to BHP Billiton Mitsubishi Alliance.

DIRECTORS' REPORT (CONTINUED)

During the 2008 financial year, New Hope submitted an annual report under the Commonwealth's Greenhouse Challenge Plus program and entered the next phase of the Commonwealth's Energy Efficiency Opportunities program to reduce its operational greenhouse emissions and energy use, and continued its reporting requirements for the National Pollutant Inventory. New Hope is a financial member of Coal21, which is currently investigating clean coal technology. New Hope is aware of the significance of this emerging environmental issue and continues to investigate possible operational improvements to ensure it meets its corporate responsibilities.

QBH manages its operation under the regulations of the Environmental Protection Agency (EPA) by way of a site Environmental Relevant Activity. During the year, a stormwater release exceeded two of the water quality parameter limits. Management has engaged an external consultant to review the event and to determine the source of the non-compliance. The EPA has been advised of the event and QBH is working with the EPA to resolve the issue.

Environmental management is an important aspect of New Hope'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. An entity associated with Moore Stephens Sydney was paid $24,100 for providing taxation services in respect of the Group. Details of the amounts paid to all auditors are disclosed in note 46 of 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 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 APES 110: 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.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 31 July 2008 has been received and is included on page 14.

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.

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

P R ROBINSON
Director

Dated this 28th day of October 2008

MOORE STEPHENS

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

Auditor's Independene Declaration

As lead auditor for the audit of Washington H. Soul Pattinson and Company Limited and its Controlled Entities for the year ended 31 July 2008, 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 its Controlled Entities during the period.

Moore Stephens Sydney

MOORE STEPHENS SYDNEY
Chartered Accountants

S M WHIDDETT
Partner

Dated in Sydney this 27th day of October 2008

Moore Stephens Sydney ABN 90 773 984 843
Level 7, 20 Hunter Street, Sydney NSW 2000
GPO Box 473, Sydney NSW 2001
Telephone: +61 2 8236 7700 Facsimile: +61 2 9233 4636
Email: sydney@moorestephens.com.au Web: www.moorestephens.com.au

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 Director. 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 R D Millner and Mr M J 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 are required to 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; and
- 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:-
  - The release of the Company's annual result to the ASX;
  - The release of the Company's half yearly result to the ASX;
  - The date of the Annual General Meeting; and
  - The release of a prospectus; and
- 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

The Company 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 J Fairfull, Mr M J Millner and Mr D E Wills. The non-executive chairman is not a member of the audit committee. The non-executive chairman, executive director, 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 his 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 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 prior 3 years. Non-executive directors appointed after 1 August 2004 do not qualify for a retiring allowance.

Under the Company's Constitution it is mandatory for each 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 2008

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 28th October 2008.

INCOME STATEMENTS
FOR THE YEAR ENDED 31 JULY 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000 restated*	Parent entity 2008 $'000	Parent entity 2007 $'000
Revenue from continuing operations	5	**681,640**	750,618	**117,808**	143,449
Other income	6	**(7,970)**	40,333	**1,870**	6,895
Cost of sales		**(340,706)**	(416,527)	**(7,183)**	(7,908)
Selling and distribution expenses		**(106,751)**	(128,681)	**(2,169)**	(2,099)
Administration expenses		**(69,026)**	(64,102)	**(3,425)**	(3,590)
Occupancy expenses		**(4,831)**	(4,223)	**(416)**	(346)
Other expenses		**(17,136)**	(10,750)	**(500)**	(208)
Impairment of assets	7	**(9,080)**	(11,427)	**(9,983)**	(65,930)
Finance costs		**(3,870)**	(3,674)	**(5,968)**	(16,229)
Share of profits of associates and partnerships using the equity method		**26,622**	34,291	**-**	-
Profit before income tax		**148,892**	185,858	**90,034**	54,034
Income tax (expense)/benefit	9a	**(35,901)**	(32,651)	**1,777**	20,339
Profit after tax from continuing operations		**112,991**	153,207	**91,811**	74,373
(Loss)/Profit after tax from discontinued operations	10b	**(13,191)**	37,505	**-**	-
Profit after tax for the year		**99,800**	190,712	**91,811**	74,373
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	**91,811**	74,373
Profit before non-regular items from ordinary activities after tax attributable to members		**113,146**	99,192	**82,341**	85,703
(Loss)/Profit from non-regular items after income tax attributable to members	8	**(22,318)**	31,024	**9,470**	(11,330)
Profit after tax and non-regular items attributable to members		**90,828**	130,216	**91,811**	74,373

	Note	2008 Cents	2007 Cents
Earnings per share			
Basic and diluted earnings per share to the members of Washington H. Soul Pattinson and Company Limited			
Continuing operations		**43.59**	45.65
Discontinued operations	10b	**(5.53)**	8.92
Earnings per share from all operations		**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 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 consolidated income statement for 2007 has been restated for discontinued operations (refer note 10).

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

BALANCE SHEETS
AS AT 31 JULY 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Current assets					
Cash and cash equivalents	11	**34,337**	173,272	**1,627**	1,652
Trade and other receivables	12	**45,937**	119,998	**2,035**	2,009
Inventories	13	**33,747**	27,390	**670**	825
Intangibles	14	**-**	29,211	**-**	-
Other financial assets at fair value through profit or loss	15	**74,544**	84,884	**6,282**	8,029
Held to maturity investments	16	**267,931**	293,844	**95,638**	104,296
Derivative financial instruments	17	**8,363**	7,361	**-**	-
Non-current assets classified as held for sale	18	**7,139**	-	**-**	-
Other assets		**1,506**	1,410	**-**	-
		473,504	737,370	**106,252**	116,811
Assets of disposal group classified as held for sale	10c	**-**	6,414	**-**	-
Total current assets		**473,504**	743,784	**106,252**	116,811
Non-current assets					
Trade and other receivables	19	**6,993**	12,043	**250**	6,561
Investments accounted for using the equity method	20	**671,894**	512,104	**-**	-
Available for sale financial assets	21	**794,452**	882,904	**393,611**	561,601
Other financial assets	22	**11,125**	11,138	**433,040**	369,800
Derivative financial instruments	17	**7,106**	5,122	**-**	-
Property, plant and equipment	23	**327,654**	384,607	**4,075**	4,589
Exploration and evaluation assets	24	**1,976**	-	**-**	-
Investment property	25	**35**	35	**-**	-
Deferred tax assets	26	**16,033**	12,149	**-**	-
Intangible assets	27	**14,650**	75,609	**292**	792
Total non-current assets		**1,851,918**	1,895,711	**831,268**	943,343
Total assets		**2,325,422**	2,639,495	**937,520**	1,060,154
Current liabilities					
Trade and other payables	28	**35,828**	92,326	**993**	1,294
Borrowings	29	**28,623**	51,885	**28,704**	28,517
Current tax liabilities		**17,415**	29,908	**2,243**	2,112
Provisions	31	**11,186**	18,681	**357**	460
Other	33	**-**	22,995	**-**	15,631
		93,052	215,795	**32,297**	48,014
Liabilities directly associated with assets of a disposal group	10c	**-**	3,596	**-**	-
Total current liabilities		**93,052**	219,391	**32,297**	48,014
Non-current liabilities					
Borrowings	30	**-**	38,642	**-**	-
Deferred tax liabilities	34	**202,438**	211,952	**26,898**	69,087
Provisions	32	**13,802**	15,400	**944**	803
Other	35	**135**	7,314	**-**	-
Total non-current liabilities		**216,375**	273,308	**27,842**	69,890
Total liabilities		**309,427**	492,699	**60,139**	117,904
Net assets		**2,015,995**	2,146,796	**877,381**	942,250
Equity					
Contributed equity	36	**32,900**	32,900	**32,900**	32,900
Reserves	37	**744,033**	792,115	**569,538**	657,012
Retained profits	37	**793,887**	754,033	**274,943**	252,338
Parent entity interest		**1,570,820**	1,579,048	**877,381**	942,250
Minority interest		**445,175**	567,748	**-**	-
Total equity		**2,015,995**	2,146,796	**877,381**	942,250

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2008

Consolidated entity	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 share 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 share 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 - minority interests share of SP Telemedia Limited no longer controlled by the Group	**-**	**-**	**-**	**-**	**(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.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2008

Parent entity	Share capital $'000	Retained profits $'000	Reserves $'000	Total $'000
Total equity at the beginning of the year 1 August 2006	32,900	279,387	608,053	920,340
Revaluation of available-for-sale investments, net of tax	-	-	51,725	51,725
Transfer to income statement on sale of available-for-sale investments, net of tax	-	-	(2,766)	(2,766)
Net profit for the year after tax	-	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
Total equity at the beginning of the year 1 August 2007	**32,900**	**252,338**	**657,012**	**942,250**
Revaluation of available-for-sale investments, net of tax	**-**	**-**	**(86,393)**	**(86,393)**
Transfer to income statement on sale of available-for-sale investments, net of tax	**-**	**-**	**(3,541)**	**(3,541)**
Transfer to income statement for impaired available-for-sale investments	**-**	**-**	**2,460**	**2,460**
Net profit for the year after tax	**-**	**91,811**	**-**	**91,811**
Total recognised income and expense for the year	**-**	**91,811**	**(87,474)**	**4,337**
Dividends declared and paid	**-**	**(69,206)**	**-**	**(69,206)**
Total equity at the end of the year 31 July 2008	**32,900**	**274,943**	**569,538**	**877,381**

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 JULY 2008

	Note	Consolidated		Parent entity	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
Cash flows from operating activities					
Receipts from customers inclusive of GST		**672,626**	897,047	**12,145**	14,516
Payments to suppliers and employees inclusive of GST		**(571,412)**	(804,745)	**(13,636)**	(14,366)
		101,214	92,302	**(1,491)**	150
Dividends received		**56,646**	54,693	**96,127**	119,925
Interest received		**25,561**	31,353	**8,573**	8,005
Finance costs		**(3,652)**	(8,581)	**(275)**	(66)
Income taxes paid		**(53,342)**	(50,953)	**(3,598)**	(5,818)
Net cash inflow from operating activities	47	**126,427**	118,814	**99,336**	122,196
Cash flows from investing activities					
Payment for property, plant and equipment and intangibles		**(60,362)**	(126,653)	**(360)**	(1,041)
Proceeds from sale of property, plant and equipment		**1,865**	13,385	**20**	13
Net proceeds/(payments) for held to maturity investments		**25,192**	141,215	**8,658**	(13,796)
Payments for investments		**(65,004)**	(81,175)	**(30,587)**	(67,133)
Proceeds from sale of investments		**18,494**	35,467	**13,225**	8,147
Acquisition of subsidiary, net of cash acquired		**(41,257)**	(76,758)	**-**	-
Proceeds from sale of subsidiary, net of cash disposed of		**-**	236,571	**-**	24
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)	**(200)**	(5,380)
Loan repayments received		**217**	3,100	**101**	51,086
Funds received from associated entities		**-**	4,210	**-**	-
Net cash (outflow)/inflow from investing activities		**(133,008)**	142,830	**(9,143)**	(28,080)
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)	**(69,206)**	(101,422)
Proceeds from borrowings		**10,577**	149,749	**-**	7,785
Repayment of borrowings and leases		**(41,165)**	(161,808)	**(21,012)**	-
Restricted cash released		**553**	4,150	**-**	-
Net cash (outflow) from financing activities		**(131,399)**	(166,358)	**(90,218)**	(93,637)
Net (decrease)/increase in cash and cash equivalents		**(137,980)**	95,286	**(25)**	479
Cash and cash equivalents at the beginning of the year		**173,272**	77,986	**1,652**	1,173
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		**34,337**	173,272	**1,627**	1,652

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 2008

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.

i. 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.

ii. 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.

iii. 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.

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 2008 and the results of all subsidiaries for the year then ended.

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.

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.

ii. Associates

Associates are all entities over which the Group has significant influence but not control over the financial and operations 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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's 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 foreign currency translation 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.

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. Unearned income

Unearned income 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Investments and other financial assets (continued)

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 valuation techniques commonly used by market participants.

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Fair value estimation (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Intangible assets (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

bb) Employee benefits (continued)

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 48.

The fair value at grant date is independently determined using various option pricing models and are detailed in note 48.

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, evaluation and relevant acquisition costs

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. (refer note 10).

mm) New Accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for July 2008 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 8 *Operating Segments and* AASB 2007-3 *Amendments to Australian Accounting Standards* arising from AASB 8 and AASB 2007-3 are applicable to annual reporting periods commencing on or after 1 January 2009. Application of AASB 8 may result in different segments, segment results, and different types of information being reported in the segment note of the financial report.

However, at this stage, it is not expected to affect any of the amounts recognised in the financial report.

ii. Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards* arising from AASB 123 (AASB 1, AASB 101, AASB 111, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12) The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. Application of AASB 123 is not expected, at this stage, to have any material effect on the Group as it does not use debt to fund the construction of qualifying assets.

iii. AASB-I 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. AASB-I 14 is applicable to reporting periods commencing on or after 1 January 2008. Application of AASB-I 14 is not expected to have any affect on the Group. The Group intends to apply the new standard from 1 August 2008.

iv. Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 is applicable to reporting periods commencing on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet, as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 August 2009.

v. Revised AASB 3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements*, and AASB 2008-3 *Amendments to Australian Accounting Standards* arising from AASB 3 and AASB 127. The revisions to AASB 3 and AASB 127 is applicable to annual reporting periods commencing on or after 1 July 2009. The Group intends to apply the revised standards prospectively only from 1 August 2009. Their impact will therefore depend on whether the Group will enter into any business combinations or other transactions that affect the level of ownership held in the controlled entities in the year of initial application.

vi. Improvements to Australian Accounting Standards: AASB 2008-5 and AASB 2008-6 In July 2008, the AASB issued a number of improvements to existing Australian Accounting Standards. The amendments will generally apply to financial reporting periods commencing on or after 1 January 2009, except for some changes to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* regarding the sale of the controlling interest in a subsidiary which will apply from 1 July 2009. The Group will apply the revised standards from 1 August 2009. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2008

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 interest risk), credit risk, and liquidity 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. Entities within the Group use derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are used exclusively for hedging purposes, not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analyses in the case of interest rate, foreign exchange risk, ageing analyses for credit risk, and reporting of price movements for securities portfolios.

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

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
The Group and Parent entity hold the following financial instruments:	**$'000**	$'000	**$'000**	$'000
Financial assets				
Cash and cash equivalents	**34,337**	173,272	**1,627**	1,652
Loans and receivables	**52,930**	132,041	**2,285**	8,570
Shares held for trading	**74,544**	84,884	**6,282**	8,029
Held-to-maturity investments	**267,931**	293,844	**95,638**	104,296
Derivative financial instruments	**15,469**	12,483	**-**	-
Available-for-sale financial assets	**794,452**	882,904	**393,611**	561,601
Other financial assets	**11,046**	11,046	**11,046**	11,046
Total financial assets	**1,250,709**	1,590,474	**510,489**	695,194
Financial liabilities				
Trade and other payables	**35,828**	92,326	**993**	1,294
Borrowings	**-**	62,091	**81**	81
Deposits accepted	**28,623**	28,436	**28,623**	28,436
Total financial liabilities	**64,451**	182,853	**29,697**	29,811

a) Market Risk

i. *Foreign exchange risk*

The Parent entity's financial instruments are not exposed to foreign currency 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 and the Japanese yen.

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 60% 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.

The Group has hedged Japanese yen upon the signing of a purchase order for the purchase of mining equipment sourced from Japan in order to secure certainty of the value of the purchase order. This amount is included in note 40.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	Consolidated	
	2008	2007
US dollar exposure	**USD $'000**	USD $'000
Cash and cash equivalents	**111**	336
Trade receivables	**10,919**	7,106
Forward exchange contracts – sell foreign currency (cash flow hedge)	**213,000**	59,000
Total exposure to USD	**224,030**	66,442

	Consolidated	
	2008	2007
Japanese yen exposure	**JPY000**	JPY000
Forward exchange contracts – buy foreign currency (cash flow hedge)	**574,679**	-

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Group sensitivity

Based on the trade receivables and cash held at 31 July 2008, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the year would have increased/(decreased) by $909,000/($744,000) (2007: $675,000/($553,000)), mainly as a result of foreign exchange gains/losses on translation of US dollar receivables as detailed in the above table. The Group's equity as at balance date would have increased/(decreased) by the same amounts.

Based on the forward exchange contracts held at 31 July 2008, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's equity would have increased/(decreased) by $14,370,000/($17,560,000) (2007: $4,380,000/($4,818,000)). There is no effect on post-tax profits. Equity in 2008 is more sensitive to movements in the Australian dollar / USD exchange rates than in 2007 because of the increased value of forward exchange contracts in 2008.

Based on the financial instruments held at 31 July 2008, had the Australian dollar weakened/strengthened by 10% against the Japanese yen with all other variables held constant, the Group's equity would have decreased/(increased) by $304,000/($495,000) (2007: $nil), as a result of foreign exchange gains/losses on translation of Japanese Yen denominated financial instruments as detailed in the above table. There is no effect on post-tax profits. Equity in 2008 is more sensitive to movements in the Australian dollar / JPY exchange rates than in 2007 because of the increased value of forward exchange contracts.

ii. Price Risk

Price risk is the risk that changes in market prices will affect the fair value of the financial instrument.

The Group and Company invest in equity securities and are therefore exposed to market risk through the movement of the share prices of the companies in which they are invested. The majority of the Group's investments are publicly traded on the Australian Securities Exchange.

Investments held for the long-term are classified on the balance sheet as 'Available-for-sale' financial assets. As the market value of individual companies fluctuate, the fair value of the portfolio changes with the movement being recognised directly to equity. Where an investment's value falls below its cost, management may consider the investment to be impaired and accordingly an impairment expense is recognised in the income statement. Available-for-sale financial assets represent 39.4% (2007: 41.1%) of the Group's net assets and 44.9% (2007: 59.6%) of the Company's net assets.

Investments held for the short to medium term are classified on the balance sheet as 'held for trading'. As the market value of individual companies fluctuate, the fair value of this portfolio changes with the movement being recognised through the income statement. 'Held for trading' investments represent 3.7% (2007: 3.9%) of the Group's net assets and 0.7% (2007: 0.9%) of the Company's net assets.

The performance of the investment portfolios are monitored by the individual Boards of the Group. The Group and Company seeks to reduce market risk by ensuring that it is not exposed to one Group or one particular sector of the market.

Sensitivity analysis

The following table summarises the financial impacts of a hypothetical 5% decrease in the market value of investments for both the Group and Parent entity as at balance date. Where this decrease results in an individual security being valued below its cost, the reduction below cost has been recognised in the income statement. A 5% increase in market values would have no impact on the income statement as all increases are recognised directly in equity. This would be the impact for both the Group and the Company.

Consolidated	**Impact to post-tax profit**		**Impact on reserves**	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Held-for-trading investments	**(2,602)**	(2,946)	**-**	-
Available-for-sale investment	**(5,977)**	(2,811)	**(22,991)**	(32,859)
Total	**(8,579)**	(5,757)	**(22,991)**	(32,859)

Parent entity	**Impact to post-tax profit**		**Impact on reserves**	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Held-for-trading investments	**(220)**	(281)	**-**	-
Available-for-sale investments	**(5,977)**	(2,811)	**(7,791)**	(16,391)
Total	**(6,197)**	(3,092)	**(7,791)**	(16,391)

iii. Fair value interest rate risk

Refer to (e) below.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2008

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit Risk

Credit risk is the risk that a financial loss will occur because a counterparty to a financial instrument fails to discharge an obligation.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to export and domestic customers, including outstanding receivables and committed transactions.

The Group has no significant concentrations of credit risk. For the Group, derivative counterparties, held to maturity investments and cash transactions are limited to financial institutions with a rating of at least BBB. For the Company, cash and held to maturity investments are placed with financial institutions with a minimum Standard & Poors rating of A2. The Group and Company has policies that limit the maximum amount of credit exposure to any one financial institution.

Credit risk further arises in relation to financial guarantees given to certain parties (see note 33).

The credit quality of financial assets that are neither past due nor impaired, can be assessed by reference to historical information about counterparty defaults. To mitigate credit risk, management within each of the Group entities apply policies to assess and monitor the credit worthiness of customers and set appropriate credit limits for each customer, taking into account their financial positions, past experience and other factors pertaining to each industry segment.

The maximum exposure to credit risk at the reporting date is the carrying amount of assets as stated in the balance sheet. The following table summarises these assets:

	Consolidated		**Parent entity**	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Cash and cash equivalents	**34,337**	173,272	**1,627**	1,652
Loans and receivables	**52,930**	132,041	**2,285**	8,570
Held-to-maturity investments	**267,931**	293,844	**95,638**	104,296
Derivative financial instruments	**15,469**	12,483	**-**	-
	370,667	611,640	**99,550**	114,518

The loans and receivables balances as stated above reflect the recoverable value and are net of any impairments or provisions. Refer notes 12 and 19 for further description on certain impairments.

c) Liquidity risk

Liquidity risk is the risk that an entity is unable to meet its financial obligations as they fall due.

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

The Group entities manage liquidity risk by continually monitoring forecast and actual cashflows and matching maturity profiles of financial assets and liabilities. Surplus funds are only invested in conservative financial instruments such as tradeable bank accepted bills or term deposits with major banks.

In addition, 43.1% of the Group's net assets and 45.6% of the Company's net assets are in the form of readily tradeable listed investments which could be liquidated through on-market sales if necessary.

Financing arrangements

At 31 July 2008, the Group and Parent entity had no external borrowings from financial institutions. Details of financial facilities available are set out in note 30 (h).

d) Maturity of financial liabilities

The Group's and Parent entity's trade and other payables are all payable within one year.

The Group's maturity analysis for derivative financial instrument is set out in note 17.

The Group's maturity analysis for other financial liabilities is set out in note 30 (f).

e) Cash flow and fair value interest rate risk

The Group and Parent entity currently have significant interest-bearing assets which are placed with reputable investment counterparties for up to 12 months. The Group and Parent entity have treasury investment policies approved by the relevant entity's Board which stipulates the maximum exposure to each financial institution. Significant changes in market interest rates may have an effect on the Group's and parent entity's income and operating cash flows. Cash flow interest rate risk is managed by placing excess funds in term deposits and other fixed interest bearing assets. Refer to notes 11 and 16 for details. Based on the deposits held at balance date, the sensitivity to a 1% p.a increase or decrease in interest rates would increase/(decrease) after tax profit by $2.116 million.

At 31 July 2008, the Group and Parent entity have no external borrowings from financial institutions and therefore their income statements and operating cash flows are substantially independent of changes in market interest lending rates.

f) Fair value estimation

The carrying amounts of financial instruments in the balance sheets approximate their net fair value determined in accordance with the accounting policies disclosed in note 1.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and 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.

a) Critical accounting estimates and assumptions

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. 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 and fair value less costs to sell calculations are performed in assessing recoverable amounts and require the use of assumptions.

ii. 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 compiled 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.

iv. Determination of fair value – equity accounted associates

Where it is considered that active market does not exist or where quoted prices are not reflective of the fair value, fair value is determined by using a variety of valuation techniques.

The methodologies applied include:

a) Valuation techniques using market observable inputs. Such techniques may include:
   – using recent arm's length market transactions; and/or
   – reference to the current fair value of similar instruments; and/or
   – discounted cash flow analysis, pricing models or other techniques commonly used by market participants.
b) Valuation techniques using the above, but which include significant inputs that are not observable.

   In applying these valuation methodologies, the Group uses a number of assumptions and estimates involved in calculating the net present value of future cash flows from the Group's businesses, including management's expectations of:
   – growth in earnings,
   – timing and quantum of future capital expenditure;
   – movements in net working capital
   – long term growth rates; and
   – the selection of discount rates to reflect the risks involved.

Due to their nature and the judgement applied, the application of assumptions and estimates means that any selection of different assumptions, in particular the discount rate and growth rate used in the cash flow projections, could significantly affect the Group's impairment evaluation and, hence, results. We consider that the assumptions we have made are appropriate, and that our financial statements therefore present our financial position and results fairly, in all material respects.

b) Critical judgements in applying the entity's accounting policies

i. Exploration and development expenditure

During the year the Consolidated entity capitalised various items of expenditure to the mine development asset account. The relevant items of expenditure were deemed to be part of the capital cost of developing future mining operations, which would then be amortised over the useful life of the mine. The key judgement applied in considering whether the costs should be capitalised, is that costs are expected to be recovered through either successful development or sale of the relevant mining interest.

ii. Investment in Arrow Energy Limited

The investment in Arrow Energy Limited has been classified as an "Available for sale financial asset" on the grounds that the company does not exert significant influence over the operations of Arrow Energy. At balance date, the carrying value of this investment was $394,356,000 (2007: $319,269,000).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2008

NOTE 4. 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 in listed and unlisted entities, and short term deposits.

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.

Consulting

The Group is involved in the provision of consulting services.

Discontinued operations

Media

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.

Bakery

The Group was involved in the manufacture and sale of bakery products. With all bakery divisions having now been divested, the entire segment is disclosed as ‘discontinued’. Comparative information has been restated for consistency. For details of the divestments, refer note 10 Discontinued operations.

b) Geographical segment

The Group predominantly operates in Australia.

Australian sales to external customers include coal sales to the Asia-Pacific region which originate from Australian companies. For the year ended 31 July 2008 total sales amounted to $243,914,065 (2007: $166,232,822).

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.

Inter-segment pricing is determined on an arm’s length basis.

NOTE 4. SEGMENT INFORMATION (CONTINUED)

d) Primary reporting format – business segments

2008	Investing activities $'000	Telecomm-unications $'000	Coal mining $'000	Consulting $'000	Intersegment eliminations /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 revenue	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	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**
Segment assets	1,327,924	-	990,561	11,421	(29,236)	**2,300,670**	8,248	-	**8,248**	**2,308,918**
Segment liabilities	38,822	-	44,866	2,291	-	**85,979**	29,906	(26,311)	**3,595**	**89,574**
Investments in associates	678,137	-	-	299	(6,542)	**671,894**	-	-	**-**	**671,894**
Acquisition of property, plant and equipment, intangibles and other non-current assets	32,603	37,745	138,366	188	(5,801)	**203,101**	484	-	**484**	**203,585**
Depreciation and amortisation expense	1,913	35,251	24,999	120	-	**62,283**	641	-	**641**	**62,924**
Impairment expense	8,804	183	-	93	-	**9,080**	5,174	-	**5,174**	**14,254**

Note:
The Telecommunication segment represents SP Telemedia Limited's revenue and results for the period commencing 1 August 2007 and ending 7 April 2008.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2008

NOTE 4. SEGMENT INFORMATION (CONTINUED)

d) Primary reporting format – business segments

2007-restated	Investing activities	Telecomm-unications	Coal mining	Consulting	Intersegment eliminations /unallocated	**Total continuing operations**	Discontinued operations - Media	Discontinued operations - Bakery	Intersegment eliminations /unallocated	**Total discontinued operations**	**Consolidated**
	$'000	$'000	$'000	$'000	$'000	**$'000**	$'000	$'000	$'000	**$'000**	**$'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**
Segment assets	1,485,952	380,936	849,329	14,001	(147,585)	**2,582,633**	-	44,713	-	**44,713**	**2,627,346**
Segment liabilities	51,705	131,888	35,105	2,550	(16,530)	**204,718**	-	52,621	(6,500)	**46,121**	**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	153	(51,477)	**236,475**	2,353	1,820	-	**4,173**	**240,648**
Depreciation and amortisation expense	1,624	56,209	16,383	115	-	**74,331**	3,226	4,107	-	**7,333**	**81,664**
Impairment expense	11,267	-	-	160	-	**11,427**	-	28,658	-	**28,658**	**40,085**

NOTE 5. REVENUE

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
From operating activities				
Sales revenue	**625,190**	683,034	**11,161**	12,100
Other revenue				
Dividends received				
- Associates	**-**	-	**30,473**	26,035
- Controlled entities	**-**	-	**43,339**	71,613
- Other corporations	**24,057**	23,313	**21,723**	21,264
Interest received				
- Associates	**7**	817	**7**	-
- Controlled entities	**-**	-	**561**	2,184
- Other corporations	**26,313**	27,878	**8,602**	6,328
Rental income	**698**	825	**255**	252
Other	**5,375**	14,751	**1,687**	3,673
Total other revenue	**56,450**	67,584	**106,647**	131,349
Total revenue from continuing operations	**681,640**	750,618	**117,808**	143,449
Revenue from discontinued operations	**39,026**	161,757	**-**	-

NOTE 6. OTHER INCOME

	Consolidated		Parent entity	
From continuing operations				
Net gain/(loss) on disposal of property, plant and equipment (excluding those assets sold as part discontinued operations)	**521**	7,985	**(415)**	-
Fair value (losses)/gains on other financial assets at fair value through profit or loss	**(14,920)**	19,678	**(3,915)**	2,038
Net gain on sale of available-for-sale financial assets	**6,200**	4,877	**6,200**	4,857
Gain on sale of an associate	**-**	7,404	**-**	-
Other income	**229**	389	**-**	-
	(7,970)	40,333	**1,870**	6,895

NOTE 7. EXPENSES

	Consolidated		Parent entity	
Profit before income tax expense includes the following specific expenses:				
Depreciation				
Buildings	**402**	596	**161**	161
Plant and equipment	**33,043**	36,862	**248**	298
Investment property	**-**	17	**-**	-
Total depreciation	**33,445**	37,475	**409**	459
Amortisation				
Capitalised subscriber costs	**22,002**	34,447	**-**	-
Non-current assets				
Mining reserves and mine development	**4,741**	2,203	**-**	-
Intangible assets	**2,736**	7,539	**500**	208
Total amortisation – non-current assets	**7,477**	9,742	**500**	208

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2008

NOTE 7. EXPENSES (CONTINUED)

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

	Consolidated		Parent entity	
	2008 $'000	2007 $'000 restated	**2008 $'000**	2007 $'000
Impairment charges				
Property, plant and equipment	**183**	-	**-**	-
Intangibles	**758**	2,066	**-**	-
Investments	**3,483**	-	**3,483**	65,680
Loans	**3,096**	8,995	**6,500**	250
Other	**1,560**	366	**-**	-
Impairment – continuing operations	**9,080**	11,427	**9,983**	65,930
Impairment – discontinued operations	**5,174**	28,658	**-**	-
Total impairment	**14,254**	40,085	**9,983**	65,930
Bad and doubtful debts expense				
Trade receivables – telecommunications	**8,013**	7,475	**-**	-
Subscriber costs – telecommunications	**6,239**	-	**-**	-
Other	**559**	215	**-**	-
Total bad and doubtful debts expense	**14,811**	7,690	**-**	-
Loss of control of SP Telemedia Limited	**9,660**	-	**-**	-
Employee benefits expense	**108,161**	138,137	**3,094**	2,957
Finance costs	**5,120**	6,972	**5,968**	16,229
Rental expense relating to operating leases	**1,304**	2,510	**43**	42
Exploration costs expensed	**1,376**	7,166	**-**	-

NOTE 8. NON-REGULAR ITEMS IMPACTING PROFIT

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:

	Consolidated		Parent entity	
Non-regular items impacting profit after income tax attributable to members:	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
Special dividend received - controlled entities	**-**	-	**14,811**	42,933
Profit on disposal of investments	**4,580**	2,615	**4,580**	1,716
Profit on disposal of property, plant and equipment	**-**	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)	**(7,010)**	(45,551)
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)	**-**	-
Financial guarantee, net of tax	**1,248**	4,469	**(2,911)**	(10,428)
Other non-regular items	**827**	281	**-**	-
Total non-regular items	**(22,318)**	31,024	**9,470**	(11,330)

NOTE 9. INCOME TAX EXPENSE

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
a) Income tax expense				
Current tax	**39,602**	38,293	**3,727**	3,629
Deferred tax – excluding gain on sale of discontinued operations	**(1,717)**	(2,837)	**(5,505)**	(24,398)
(Over)/under provided in prior years	**(1,984)**	(1,661)	**1**	430
	35,901	33,795	**(1,777)**	(20,339)
Income tax expense is attributed to:				
Profit from continuing operations	**35,901**	32,651	**(1,777)**	(20,399)
Profit from discontinued operations	**-**	1,144	**-**	-
Aggregate income tax expense for operations	**35,901**	33,795	**(1,777)**	(20,339)
Gain on sale of discontinued operations	**-**	13,305	**-**	-
Total tax expense/(benefit)	**35,901**	47,100	**(1,777)**	(20,339)
Deferred income tax/(revenue)				
Decrease/(increase) in deferred tax assets – (note 26)	**(3,656)**	(3,981)	**(5,130)**	(24,854)
(Decrease)/increase in deferred tax liabilities – (note 34)	**1,939**	1,144	**(375)**	456
	(1,717)	(2,837)	**(5,505)**	(24,398)
b) Reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax	**148,892**	185,858	**90,034**	54,034
(Loss)/profit from discontinued operations before income tax	**(13,191)**	51,954	**-**	-
	135,701	237,812	**90,034**	54,034
Tax at the Australian tax rate of 30% (2007: 30%)	**40,710**	71,343	**27,010**	16,210
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Goodwill impairment & other amortisation	**3,298**	8,685	**150**	63
Non-assessable income	**(389)**	(2,979)	**(240)**	(596)
Non-deductible expenses	**403**	909	**-**	-
Non-assessable gain on sale of discontinued operation	**(692)**	(17,021)	**-**	-
Franked dividends and other investment income	**(15,236)**	(16,498)	**(28,521)**	(35,846)
Tax losses and timing differences for which no deferred tax assets are recognised	**10,106**	4,290	**-**	-
Sundry items	**(315)**	32	**(177)**	(600)
Total tax expense/(benefit)	**37,885**	48,761	**(1,778)**	(20,769)
(Over)/under provided in prior years	**(1,984)**	(1,661)	**1**	430
	35,901	47,100	**(1,777)**	(20,339)
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 (notes 26 and 34).	**12,859**	92,717	**(36,684)**	22,337
d) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	**105,158**	76,717	**-**	-
Potential tax benefit at 30%	**31,547**	23,015	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2008

NOTE 10. DISCONTINUED OPERATIONS

a) Description

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 and financial information presented below, have 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.

b) Financial performance and cash flow information

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

		2008			2007 restated	
Results of discontinued operations	**Media $'000**	**Bakery $'000**	**Group $'000**	Media $'000	Bakery $'000	Group $'000
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 and diluted earnings per share			**(5.53) cents**			8.92 cents

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	
Cash flows from discontinued operations	**Media $'000**	**Bakery $'000**	**Group $'000**	Media $'000	Bakery $'000	Group $'000
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)

NOTE 10. DISCONTINUED OPERATIONS (CONTINUED)

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

i. Sale of bakery divisions

Details of the sales of the discontinued bakery divisions are as follows:

	2008 $'000	2007 $'000
Net assets divested		
Plant and equipment	**17,704**	2,931
Inventory	**1,736**	3,483
Trade and receivables	**4,681**	-
Provisions	**(2,389)**	(971)
Borrowings	**(6,692)**	-
Net assets and liabilities of bakery divisions	**15,040**	5,443
Consideration received or receivable:		
Cash	**17,540**	5,443
Amount due within one year	**350**	500
Total disposal consideration	**17,890**	5,943
Carrying amount of net assets sold	**(15,040)**	(5,443)
Cost of disposals	**(229)**	(500)
Gain on sale before income tax	**2,621**	-
Income tax expense	**-**	-
Gain on sale after income tax	**2,621**	-

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.

As at 31 July 2007, the following measurement criteria applied to the discontinued bakery assets and liabilities:

- 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	
	2008 $'000	2007 $'000
Assets of a disposal group classified as held for sale		
Plant and equipment	-	14,045
Less: Provision for impairment	-	(11,114)
		2,931
Intangibles	-	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)
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NOTE 10. DISCONTINUED OPERATIONS (CONTINUED)

ii. Sale of media operations

In May 2007, the media division was divested. Details of the sale is as follows:

	2007 $'000
Net assets divested	
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 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

NOTE 11. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Cash at bank and on hand	**20,434**	169,930	**1,627**	1,652
Deposits at call	**13,903**	3,342	**-**	-
	34,337	173,272	**1,627**	1,652
a) Reconciliation of cash balance at the end of the year				
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the balance sheet as follows:-				
Cash and cash equivalents	**34,337**	173,272	**1,627**	1,652

The Group and Parent entity also hold significant balances in bills and term deposits which mature within 1 year (refer note 16).

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 attracts interest at rates between 0% and 8.31% (2007: 0% to 6.42%)

c) Risk exposure

Information about the Group and Parent entity's exposure to credit risk and foreign exchange risk is detailed in note 2.

NOTE 12. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Trade receivables	**35,420**	104,583	**1,412**	1,389
Less: provision for impairment of receivables	**(125)**	(13,639)	**(25)**	(25)
	35,295	90,944	**1,387**	1,364
Loans and receivables from related entities	**472**	1,291	**6,673**	479
Less: impairment loss	**-**	(250)	**(6,500)**	(250)
	472	1,041	**173**	229
Loans to other parties – secured	**56**	156	**37**	138
Current tax asset	**470**	-	**-**	-
Other receivables	**6,455**	20,110	**20**	5
Prepayments	**3,189**	7,747	**418**	273
	45,937	119,998	**2,035**	2,009

a) Impairment – trade receivables
Consolidated:
The impairment provision at 31 July 2007 includes $12,641,000 relating to non-recoverable receipts from telecommunications customers.

b) Impairment – loans from related entities
Parent entity
At 31 July 2008, the loan of $6,500,000 provided to KH Foods Limited was considered to be non-recoverable and has been fully provided against. This loan was classified as non-current in the 2007 year.

c) Credit, foreign exchange and interest rate risk
Information about the Group's and parent entity's exposure to these risks in relation to trade and other receivables are provided in note 2.

d) Fair value of receivables

The fair value of receivables approximates their carrying values.

NOTE 13. CURRENT ASSETS – INVENTORIES

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
Raw materials and stores – at cost	**13,493**	8,908	**-**	-
Work in progress – at cost	**-**	34	**-**	-
Finished goods – at cost	**20,254**	18,448	**670**	825
	33,747	27,390	**670**	825

Inventory expense

Inventories recognised as expense during the year ended 31 July 2008 amounted to $174,715,000 (2007: $175,216,000) for the Consolidated entity and $7,183,000 (2007: $7,908,000) for the Parent entity.

NOTE 14. CURRENT ASSETS –INTANGIBLES

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
Net capitalised subscriber costs - as at August				
Cost	**-**	149,042	**-**	-
Accumulated amortisation	**-**	(119,831)	**-**	-
Net book value as at 31 July	**-**	29,211	**-**	-
Opening net book value	**29,211**	36,690	**-**	-
Additions	**28,674**	26,968	**-**	-
Amortisation	**(22,002)**	(34,447)	**-**	-
Written - off	**(6,239)**	-	**-**	-
Less – no longer controlled	**(29,644)**	-	**-**	-
Closing net book amount	**-**	29,211	**-**	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2008

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

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Shares held for trading				
- Listed equity securities	**74,334**	84,174	**6,072**	7,819
- Other securities	**210**	710	**210**	210
	74,544	84,884	**6,282**	8,029

Information regarding the Group's and parent entity's exposure to price risk is set out in note 2.

NOTE 16. CURRENT ASSETS – HELD TO MATURITY INVESTMENTS

Bills receivable and term deposits	**267,931**	293,844	**95,638**	104,296

The bills and term deposits are held to their maturity of less than one year and carry a weighted average interest rate of 8.05% (2007: 6.42%). Due to their short term nature their carrying value is assumed to approximate their fair value. Information regarding the Group and Parent entity's exposure to credit risk is disclosed in note 2.

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.

	Consolidated	
At balance date the details of outstanding contracts at fair value are (Australian Equivalents).	**2008 $'000**	2007 $'000
Current assets		
- Forward exchange contracts	**8,363**	7,361
Non-current assets		
- Forward exchange contracts	**7,106**	5,122
	15,469	12,483

Sell US dollars	**Buy Australian dollars**		**Average exchange rate**	
Maturity	**2008 $'000**	2007 $'000	**2008**	2007
0 to 6 months	**76,404**	21,601	0.87692	0.69441
6 to 12 months	**90,962**	18,871	0.86849	0.68889
1 to 2 years	**33,934**	29,092	0.79566	0.72185
2 to 5 years	**50,601**	13,997	0.79051	0.71442
	251,901	83,561		

Buy Japanese yen	**Sell Australian dollars**		**Average exchange rate**	
Maturity	**2008 $'000**	2007 $'000	**2008**	2007
0 to 6 months	**5,908**	-	98.5042	-

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 $251,901,000 (2007: $83,561,000) was receivable (AUD equivalents).

NOTE 18. CURRENT ASSETS – NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
New Saraji exploration tenements (refer note 49)	**7,139**	-	-	-

NOTE 19. NON CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
Loans to controlled entities	**-**	-	**250**	6,561
Loans to related entities	**12,961**	11,874	**-**	-
Less impairment loss on loans to associates	**(11,007)**	(8,745)	**-**	-
	1,954	3,129	**250**	6,561
Prepayments	**3,820**	4,278	**-**	-
Other receivables	**1,219**	4,429	**-**	-
Other assets	**-**	207	**-**	-
	6,993	12,043	**250**	6,561

a) Impairment – Loan receivables

Consolidated: The provision for impairment relates to loans provided by a controlled entity to its related parties. At balance date, these loans were determined to be unrecoverable and been fully impaired

b) Credit, foreign exchange, fair value and interest rate risk.

Information about the Group's and Parent entity's exposure to these risks in relation to trade and other receivables is provide in note 2.

c) Related parties.
Further information relating to loans to related parties and loans to executives is set out in note 44 and 45.

NOTE 20. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
Shares in associated companies (refer note 42)	**671,894**	512,104	**-**	-

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 42).

NOTE 21. NON-CURRENT – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
Listed securities				
Equity securities	**788,968**	877,896	**391,008**	558,998
Preference shares	**2,603**	2,603	**2,603**	2,603
	791,571	880,499	**393,611**	561,601
Unlisted securities				
Equity securities	**1,488**	1,388	**-**	-
Floating rate notes	**1,393**	1,017	**-**	-
	2,881	2,405	**-**	-
	794,452	882,904	**393,611**	561,601

Information regarding the Group's and Parent entity's exposure to price risk is set out in note 2.

NOTE 22. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated 2008	Consolidated 2007	Parent entity 2008	Parent entity 2007
Shares in subsidiaries (note 41)	**-**	-	**45,087**	149,592
Shares in associates (note 42)	**-**	-	**376,907**	209,162
Units in unlisted trusts – at cost	**11,046**	11,046	**11,046**	11,046
Other financial assets	**79**	92	**-**	-
	11,125	11,138	**433,040**	369,800

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2008

NOTE 23. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated 2007	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 charge	-	-	(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

NOTE 23. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Consolidated 2008	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 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
Year ended 31 July 2008							
Opening net book amount	85,864	24,996	246,858	2,201	4,812	19,876	384,607
Asset acquired by purchase of subsidiary	-	-	74,002	-	-	-	74,002
Additions	6,345	964	31,558	730	-	8,872	48,469
Transfers in/(out)	-	-	(181)	-	-	181	-
Assets included in a disposal group classified as held for sale and other disposals	(3,557)	(12,191)	(3,382)	-	-	-	(19,130)
Less assets no longer controlled	(60)	-	(114,793)	(2,714)	-	-	(117,567)
Impairment charge	-	-	(4,531)	-	-	-	(4,531)
Depreciation/amortisation charge	-	(402)	(32,826)	(217)	(735)	(4,006)	(38,186)
Foreign exchange adjustment	-	-	(10)	-	-	-	(10)
Closing net book amount	88,592	13,367	196,695	-	4,077	24,923	327,654
At 31 July 2008							
Cost or fair value	88,592	14,895	324,666	-	9,813	43,563	481,529
Accumulated depreciation/ amortisation	-	(1,528)	(127,971)	-	(5,736)	(18,640)	(153,875)
Net book amount	88,592	13,367	196,695	-	4,077	24,923	327,654

i. Pledged assets

As at 31 July 2008, nil assets of the Group were pledged as security.

As at 31 July 2007, assets pledged as security comprised of Land and Buildings with a carrying value of $15,197,000 (refer note 30(b)). These assets and associated obligations were divested and/or transferred though the sale of the bakery operations.

As at 31 July 2007, leased plant and equipment with a carrying value of $1,542,000 secured finance lease obligations. These assets and lease obligations related to the former subsidiary, SP Telemedia Limited and its controlled entities.

Impairment losses

An impairment loss relating to continuing operations of $183,000 (2007: $nil) was recognised in the income statement. This expense represented impaired equipment within the telecommunications segment.

Additional impairment losses relating to the discontinued bakery operations of $4,348,000 (2007: $8,593,000) were recognised in the income statement. Property, plant and equipment were allocated to cash generating units based on KH Foods Limited manufacturing factories.

Refer to note 27 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 2008

NOTE 23. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Parent entity	Land $'000	Buildings $'000	Plant, fixtures motor vehicles $'000	Total $'000
At 1 August 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
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
Year ended 31 July 2008				
Opening net book amount	**413**	**2,764**	**1,412**	**4,589**
Additions	**-**	**-**	**360**	**360**
Disposals	**-**	**-**	**(465)**	**(465)**
Depreciation charge	**-**	**(161)**	**(248)**	**(409)**
Closing net book amount	**413**	**2,603**	**1,059**	**4,075**
At 31 July 2008				
Cost or fair value	**413**	**3,399**	**1,781**	**5,593**
Accumulated depreciation/amortisation	**-**	**(796)**	**(722)**	**(1,518)**
Net book amount	**413**	**2,603**	**1,059**	**4,075**

NOTE 24. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Exploration and evaluation at cost	**1,976**	-	**-**	-
Reconciliation				
Opening net book amount	**-**	-	**-**	-
Additions	**9,115**	-	**-**	-
Transfer to assets held for sale (note 18)	**(7,139)**	-	**-**	-
Closing net book amount	**1,976**	-	**-**	-

NOTE 25. NON-CURRENT ASSETS – INVESTMENT PROPERTY

	Consolidated		Parent entity	
The balance comprises temporary differences attributed to:	**2008 $'000**	2007 $'000	**2008 $'000**	2007 $'000
The group has elected to apply the cost model to accounting for investment properties.				
Freehold land at cost	**35**	35	**-**	-
Reconciliation				
Opening net book amount	**35**	1,559	**-**	-
Additions/(disposals)	**-**	(1,507)	**-**	-
Depreciation charge	**-**	(17)	**-**	-
Closing net book amount	**35**	35	**-**	-
a) Amounts recognised in profit and loss for investment property				
Rental income	**69**	707	**-**	-
Direct operating expenses from income generating properties	**(5)**	(241)	**-**	-
	64	466	**-**	-

b) Contractual obligations

There are no contractual obligations to purchase, construct or develop investment property or for any repairs, maintenance or enhancements.

NOTE 26. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
The balance comprises temporary differences attributed to:				
Amounts recognised in profit and loss				
Unearned revenue	**-**	5,226	**-**	-
Provisions	**7,091**	14,425	**448**	5,202
Receivables and accrued expenses	**1,366**	2,195	**51**	4
Impairment losses	**3,134**	4,299	**29,289**	20,304
Tax value of losses carry-forward	**9,669**	8,658	**-**	-
Other	**3,623**	3,572	**910**	58
	24,883	38,375	**30,698**	25,568
Amounts recognised directly in equity				
Share issue costs	**35**	-	**-**	-
	24,918	38,375	**30,698**	25,568
Set-off of deferred tax liabilities pursuant to set-off provisions (note 34)	**(8,885)**	(26,226)	**(30,698)**	(25,568)
Net deferred tax assets	**16,033**	12,149	**-**	-
Movements:				
Opening balance at 1 August	**38,375**	35,732	**25,568**	714
Credited/(charged) to the income statement – operating profit (note 9)	**3,656**	3,981	**5,130**	24,854
Credited/(charged) to the income statement – gain on sale of discontinued operation	**-**	(1,569)	**-**	-
Credited/(charged) to equity (note 9)	**35**	-	**-**	-
Less: Loss of control of subsidiary	**(17,148)**	-	**-**	-
Other adjustments	**-**	231	**-**	-
Closing balance at 31 July	**24,918**	38,375	**30,698**	25,568

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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NOTE 27. 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 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
Year ended 31 July 2008						
Opening net book amount	**66,327**	**-**	**1,066**	**4,334**	**3,882**	**75,609**
Additions	**5,868**	**-**	**-**	**-**	**2,056**	**7,924**
Impairment charge	**(758)**	**-**	**-**	**-**	**-**	**(758)**
Amortisation charge	**-**	**-**	**(235)**	**(1,273)**	**(1,228)**	**(2,736)**
Assets included in a disposed group and other disposals	**-**	**-**	**-**	**-**	**-**	**-**
Less intangible assets no longer controlled	**(61,497)**	**-**	**(831)**	**(3,061)**	**-**	**(65,389)**
Closing net book amount	**9,940**	**-**	**-**	**-**	**4,710**	**14,650**
At 31 July 2008						
Cost	**15,699**	**-**	**-**	**-**	**7,028**	**22,727**
Accumulated amortisation and impairment	**(5,759)**	**-**	**-**	**-**	**(2,318)**	**(8,077)**
Net book amount	**9,940**	**-**	**-**	**-**	**4,710**	**14,650**

Amortisation of $2,736,000 (2007: $7,539,000) is charged to the income statement (note 7).

	Parent entity	
Restraint of trade	**2008 $'000**	2007 $'000
Cost	**1,000**	1,000
Accumulated amortisation and impairment	**(708)**	(208)
Net book amount	**292**	792
Reconciliaton		
Opening net book amount	**792**	-
Additions	**-**	1,000
Amortisation charge	**(500)**	(208)
Closing net book amount	**292**	792

Amortisation of $500,000 (2007: $208,000) has been charged to the income statement (note7).

a) Impairment

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

NOTE 27. NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONTINUED)

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

	2008 $'000	2007 $'000	Country of operation
Coal mining			Australia
- Goodwill	**5,596**	-	
Telecommunications			Australia
(no longer controlled effective 7 April 2008)			
- Goodwill	**-**	61,497	
Operational investments			Australia
- Goodwill (distribution activities)	**4,344**	4,072	
- Goodwill (manufacturing activities)	**-**	665	
Other			Australia
- Goodwill	**-**	93	
	9,940	66,327	

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:

Coal mining

Goodwill relates to the purchase of the remaining 50% shareholding in Queensland Bulk Handling Pty Ltd refer note 41.

Goodwill relates to the acquisition of a subsidiary of an independent third party in an arms length transaction based on the market value for the entity as a the date of acquisition. Since that date, there have been no adverse movements in the key assumptions used in the market value, namely expected future throughput and revenues and anticipated useful asset life. Therefore the fair value of Queensland Bulk Handling is not less than its acquisition cost and therefore the recoverable amount of goodwill is not less than its carrying amount at year end.

Telecommunications

Value-in-use calculations use cash flow projections based on board approved budgeted cashflows for a period of 3 years together with a further 2 years of zero growth and a terminal value. A pre-tax discount rate of 11% was 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 were 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.

Operational investments

– Distribution activities

Value-in-use calculations use cash flow projections based on board approved budgeted cashflows for a 5-year period and projected cashflows for a further 5 years. The cash flows are discounted using a rate of 20% and annual growth rates of 3% to 5%. Management considers that any reasonable possible change in the key assumptions in which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate carrying amount of those cash-generating units.

Management assessed the recoverable amount of the goodwill relating to ‘distribution’ cash-generating units, and goodwill is not impaired.

– Manufacturing

Management assessed the recoverable amount of goodwill relating to the manufacturing activities and determined that the amount is not recoverable. The whole amount is impaired.

Bakery

For discontinued bakery operations, recoverable amount was determined by contracted business sale values.

b) Impairment charges

	Consolidated	
	2008 $’000	2007 $’000 restated
Continuing operations		
Investments	**758**	2,066
Discontinued operations		
Bakery	**-**	8,951
Total impairment – intangible assets	**758**	11,017

For the 2007 year, the allocation of impairment between continuing and discontinued operations has been restated to reflect the entire bakery segment as discontinued - refer note 10.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2008

NOTE 28. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Trade payables	**19,831**	56,194	**812**	1,000
Other payables	**15,997**	36,132	**181**	294
	35,828	92,326	**993**	1,294

NOTE 29. CURRENT LIABILITIES – BORROWINGS

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Bank loans – secured (note 30a)	**-**	7,510	**-**	-
Deposits from related parties – Directors (note 30e)	**28,623**	28,436	**28,623**	28,436
Lease liabilities (notes 30c and 40b)	**-**	551	**-**	-
Loans – controlled entities	**-**	-	**81**	81
Bank loans - unsecured (note 30d)	**-**	15,388	**-**	-
	28,623	51,885	**28,704**	28,517

NOTE 30. NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Secured				
Bank loans (a)	**-**	30,000	**-**	-
Other loans (b)	**-**	7,110	**-**	-
Finance lease liabilities (notes 30c and 40b)	**-**	1,087	**-**	-
Total secured non-current borrowings	**-**	38,197	**-**	-
Unsecured				
Other loans	**-**	445	**-**	-
Total long-term borrowings	**-**	38,642	**-**	-

a) Bank loans – secured

Bank loans were provided to a former subsidiary, SP Telemedia Limited (and its controlled entities). The loans were provided on normal commercial terms and conditions and were secured by interlocking debt and interest guarantees granted by SP Telemedia Limited's controlled entities.

The bank loans were 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 SPT Com Pty Limited held by SP Telemedia Limited and Soul Pattinson Telecommunications Pty Limited.

b) Other loans secured

A deferred purchase agreement existed with Land Management Corporation whereby the loan was 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 was fixed at 7.19% p.a. The deferred purchase agreement was fully transferred to San Remo on the sale of the business.

c) Finance and hire purchase leases

Finance and hire purchase lease liabilities related to the former subsidiary, SP Telemedia Limited and its controlled entities. These obligations were effectively secured by way of a right over the leased assets.

d) Bank loan - unsecured

At 31 July 2007, the current liability of $15,388,000 represents borrowings by KH Foods Limited under the advance and guarantee line facility with the HSBC Bank of Australia Limited (HSBC) refer note 30 (h). The guarantee and indemnity for this facility was provided by Washington H. Soul Pattinson and Company Limited (WHSP). The interest rate on the cash component of the facility was variable based on BBSY plus a margin. In May 2008, the facility was extinguished with the loan balance at that date of $19,790,000 repaid in full by WHSP.

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. Deposits are repayable at call and carry a weighted average interest rate of 7.00% (2007: 5.75%).

NOTE 30. NON-CURRENT LIABILITIES – BORROWINGS (CONTINUED)

f) Maturity analysis of interest bearing financial liabilities

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Deposits received				
Floating interest rate	**28,623**	28,436	**28,623**	28,436
Weighted average interest rate 7.00% (2007: 5.75%)				
Loans, leases and hire purchase liabilities				
Fixed interest maturities				
Less than 1 year (2007: Weighted average interest rate 7.53%)	**-**	26,074	**-**	-
1 to 5 years (2007: Weighted average interest rate 7.03%)	**-**	38,197	**-**	-
Non interest bearing	**-**	445	**81**	81
	28,623	93,152	**28,704**	28,517
Reconciliation to balance sheet				
Current liabilities – Borrowings (note 29)	**28,623**	51,885	**28,704**	28,517
Current liabilities – Liabilities directly associated with a disposal group (note 10)	**-**	2,625	**-**	-
Non-current liabilities - Borrowings (note 30)	-	38,642	**-**	-
	28,623	93,152	**28,704**	28,517

g) Fair value disclosures

The carrying value of financial liabilities as disclosed approximate their fair values.

h) Financing arrangements

The economic entity has access to facilities as follows:

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
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	**-**	-
Used at balance date	**-**	(37,510)	**-**	-
Unused at balance date	**-**	52,500	**-**	-

The major facilities were provided to the former subsidiary SP Telemedia Limited.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Other facilities - bank guarantees				
Total facilities	**39,606**	26,000	**-**	-
Used at balance date	**(28,625)**	(14,942)	**-**	-
Unused at balance date	**10,981**	11,058	**-**	-

The major facilities relate to bank guarantees of New Hope Corporation Limited, are unsecured, for no fixed term and bear variable rates. In respect of facilities utilised, an amount of $13,431,000 has been recognised in provisions being the extent to which the Group considers obligations have been incurred.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Bank loan facilities – unsecured				
Total facilities	**-**	28,035	**-**	-
Used at balance date	**-**	(15,225)	**-**	-
Unused at balance date	**-**	12,810	**-**	-

The major facilities were provided to KH Foods Limited (KHF). Following the divestment of all its businesses, this facility was closed in May 2008.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2008

NOTE 31. CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Mining restoration and site rehabilitation	**2,453**	1,733	**-**	-
Restructuring	**-**	1,733	**-**	-
Premises 'make good'	**-**	65	**-**	-
Other	**2,643**	2,326	**-**	-
	5,096	5,857	**-**	-
Employee benefits	**6,090**	12,824	**357**	460
	11,186	18,681	**357**	460

Movement in total provisions 2008	**Mining restoration & site rehabilitation $'000**	**Restructuring $'000**	**Premises 'make good' $'000**	**Lease increment $'000**	**Other $'000**	**Total $'000**
Carrying amount at start of year	**12,304**	**1,733**	**675**	**164**	**2,326**	**17,202**
Additional provisions recognised	**1,127**	**-**	**38**	**-**	**417**	**1,582**
Utilised	**-**	**(1,631)**	**(11)**	**-**	**-**	**(1,642)**
Reversal due to sale of business unit	**-**	**(102)**	**(593)**	**-**	**-**	**(695)**
Less provisions form subsidiary no longer controlled	**-**	**-**	**(54)**	**(164)**	**(100)**	**(318)**
Carrying amount at end of year	**13,431**	**-**	**55**	**-**	**2,643**	**16,129**
Disclosed as:						
Current liabilities	**2,453**	**-**	**-**	**-**	**2,643**	**5,096**
Non-current liabilities	**10,978**	**-**	**55**	**-**	**-**	**11,033**
Total	**13,431**	**-**	**55**	**-**	**2,643**	**16,129**

NOTE 32. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Mining restoration and site rehabilitation	**10,978**	10,571	**-**	-
Lease increment	**-**	164	**-**	-
Premises 'make good'	**55**	610	**-**	-
	11,033	11,345	**-**	-
Employment benefits	**2,769**	4,055	**944**	803
	13,802	15,400	**944**	803

NOTE 33. CURRENT LIABILITIES – OTHER

Unearned income	**-**	22,995	**-**	-
Liability arising under guarantee provided to subsidiary	**-**	-	**-**	15,631
	-	22,995	**-**	15,631

The Parent entity had provided a financial guarantee in respect of the bank loan and facility provided to KH Foods Limited. During the 2008 year, an additional liability amount of $4,159,000 was recognised. In May 2008, the Parent entity settled the total outstanding liability of $19,790,000. In accordance with the policy set out in note 1 (ff) , the full amount of the guarantee has been progressively expensed in the Parent entity's income statement with $4,159,000 recognised for 2008 (previous years $15,631,000). The Parent entity has a legal right to recover these funds from KHF Foods Limited however as the Directors consider recoverability of this amount to be remote, no receivable has been recognised at balance date.

NOTE 34. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributed to:				
Amounts recognised in profit and loss				
Property plant and equipment	**8,232**	18,302	**-**	-
Mine reserves	**1,223**	1,444	**-**	-
Inventories	**3,934**	2,298	**-**	-
Investments	**36,624**	41,265	**-**	-
Receivables	**2,427**	4,851	**466**	148
Other	**1,286**	568	**-**	607
	53,726	68,728	**466**	755
Amounts recognised directly in equity				
Available-for-sale investments	**142,181**	163,382	**57,130**	93,900
Cash flow hedges	**4,641**	3,744	**-**	-
Property, plant and equipment	**7,160**	-	**-**	-
Other	**3,615**	2,324	**-**	-
	157,597	169,450	**57,130**	93,900
Total deferred tax liabilities	**211,323**	238,178	**57,596**	94,655
Set-off of deferred tax liabilities pursuant to set-off provisions (note 26)	**(8,885)**	(26,226)	**(30,698)**	(25,568)
Net deferred tax liabilities	**202,438**	211,952	**26,898**	69,087
Movements:				
Opening balance 1 August	**238,178**	128,988	**94,655**	71,862
Charged/(credited) to the income statement – operating profit (note 9)	**1,939**	1,144	**(375)**	456
Charged/(credited) to the income statement – gain on discontinued operations	**-**	13,518	**-**	-
Charged/(credited) to equity (note 9 c)	**(12,824)**	92,717	**(36,684)**	22,337
Less: Loss of control of subsidiary	**(15,970)**	-	**-**	-
Other adjustments	**-**	1,811	**-**	-
Closing balance at 31 July	**211,323**	238,178	**57,596**	94,655

NOTE 35. NON-CURRENT LIABILITIES – OTHER

Unearned income	-	6,622	-	-
Other	**135**	692	-	-
	135	7,314	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2008

NOTE 36. CONTRIBUTED EQUITY

	Parent entity		Parent entity	
	2008	**2008**	2007	2007
Share capital	**No of shares**	**$'000**	No of shares	$'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.

Capital management

The Consolidated entity's and the Parent entity's capital management approach is conservative with the objective to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain the future development of the consolidated entity. The Board also monitors the level of dividends ensuring that ordinary dividends are paid from profits before non-regular items.

There were no changes to the Group's approach to capital management during the year.

The Parent entity has no borrowings from external financiers.

The Group's capital consists of shareholders' equity plus net debt. The movement in equity is shown in the Statements of changes in equity.

Neither the Group nor Company are not subject to any externally imposed capital requirements.

NOTE 37. RESERVES AND RETAINED EARNINGS

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
a) Balances:	**$'000**	$'000	**$'000**	$'000
General reserve	**404,548**	404,548	**402,206**	402,206
Capital redemption reserve	**2,800**	2,800	**-**	-
Asset revaluation reserve	**315,843**	366,507	**167,332**	254,806
Capital profits reserve	**11,368**	11,368	**-**	-
Hedging reserve	**7,079**	5,328	**-**	-
Share-based payments reserve	**5,644**	4,177	**-**	-
Foreign currency translation reserve	**(1,164)**	308	**-**	-
Treasury share reserve	**(327)**	(128)	**-**	-
Equity reserve	**(1,758)**	(2,793)	**-**	-
	744,033	792,115	**569,538**	657,012
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	**366,507**	212,456	**254,806**	205,847
Revaluation of available-for-sale investments, gross	**(63,782)**	216,758	**(122,257)**	75,217
Revaluation of available-for-sale investments, deferred tax	**18,201**	(65,954)	**35,864**	(23,492)
Transfer on sale of available-for-sale investments to profit, gross	**(5,384)**	(3,922)	**(5,384)**	(3,921)
Transfer on sale of available-for-sale investments to profit, deferred tax	**1,843**	1,155	**1,843**	1,155
Transfer on impairment of available-for-sale investments to profit, gross	**3,483**	-	**3,483**	-
Transfer on impairment of available-for-sale investments to profit, deferred tax	**(1,023)**	-	**(1,023)**	-
Transfer to retained earnings – reclassify available-for-sale investments to an equity accounted associates	**(357)**	-	**-**	-
Share of associates increments	**(3,645)**	4,232	**-**	-
Other revaluations	**-**	1,782	**-**	-
Balance 31 July	**315,843**	366,507	**167,332**	254,806
Capital profits reserve				
Balance	**11,368**	11,368	**-**	-

NOTE 37. RESERVES AND RETAINED EARNINGS (CONTINUED)

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
b) Movements (continued)	**$'000**	$'000	**$'000**	$'000
Hedging reserve				
Balance 1 August	**5,328**	5,361	**-**	-
Revaluation, gross	**10,498**	(6,276)	**-**	-
Revaluation, deferred tax	**(3,149)**	1,883	**-**	-
Transfer to profit, gross	**(8,726)**	6,339	**-**	-
Transfer to profit, deferred tax	**2,618**	(1,901)	**-**	-
Shares of associates decrements	**510**	(78)	**-**	-
Balance 31 July	**7,079**	5,328	**-**	-
Share-based payments reserve				
Balance 1 August	**4,177**	2,832	**-**	-
Share-based payment and option expense	**1,467**	1,345	**-**	-
Balance 31 July	**5,644**	4,177	**-**	-
Foreign currency translation reserve				
Balance 1 August	**308**	(232)	**-**	-
Exchange difference on translation of foreign controlled entity and associates	**(104)**	(204)	**-**	-
Other foreign exchange movements	**-**	42	**-**	-
Share of associates increment	**(1,368)**	702	**-**	-
Balance 31 July	**(1,164)**	308	**-**	-
Treasury share reserve				
Balance 1 August	**(128)**	(230)	**-**	-
Movement	**(199)**	102	**-**	-
Balance 31 July	**(327)**	(128)	**-**	-
Equity reserve				
Balance 1 August	**(2,793)**	(712)	**-**	-
Movement	**1,035**	(2,081)	**-**	-
Balance 31 July	**(1,758)**	(2,793)	**-**	-

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 asset 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 payments reserve

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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NOTE 37. RESERVES AND RETAINED EARNINGS (CONTINUED)

Foreign currency translation reserve

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

Treasury share reserve

The treasury share 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 posted directly to 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 current year, there were no significant increases in ownership of controlled entities, refer to note 41 for the Parent entity's interest in controlled entities.

During the prior 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.

NOTE 38. DIVIDENDS - WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

	Parent entity	
	2008	2007
a) Ordinary shares	**$'000**	$'000
Final dividend for the year ended 31 July 2007 of 17 cents (2006: 16 cents) per fully paid share paid on 10 December 2007 (2006: 4 December 2006) fully franked based on tax paid at 30%	**40,569**	38,182
Special dividends paid in the prior year of 15 cents per fully paid share paid on 4 December 2006 fully franked based on tax paid at 30%	**-**	35,796
Interim dividend for the year ended 31 July 2008 of 12 cents (2007: 11.5 cents) per fully paid share paid on 8 May 2008 (2007: 10 May 2007) fully franked based on tax paid at 30%	**28,637**	27,444
Total dividends provided for or paid	**69,206**	101,422
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 18 cents per fully paid ordinary share, (2007: 17 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 8 December 2008 out of retained profits as at 31 July 2008, but not recognised as a liability at year end is:	**42,955**	40,569
c) Franked Dividends		
The franked portions of the final dividends recommended after 31 July 2008 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 2008.		
Franking credits available for subsequent financial years based on a tax rate of 30% (2007: 30%)	**172,063**	157,733
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 $18,409,000 (2007: $17,387,000).		
Subsequent to year end, the franking account will be reduced by the proposed final dividend to be paid on 8 December 2008.	**(18,409)**	(17,387)
	153,654	140,346

d) Dividend reinvestment plans

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2008

NOTE 39. CONTINGENT LIABILITIES

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

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
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.	**14,887**	6,602	**-**	-
ii. Guarantee issued by KH Foods Limited's bankers for workers compensation claim management. In the prior year, a contingent liability of $3,965,000 was included in the guarantee facility referred to in b) iii. below.	**1,045**	-	**-**	-
b) Not secured by a charge on the Economic Entity's assets				
i. Bank guarantees issued in the normal course of business	**28,625**	14,942	**-**	-
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 established with HSBC Bank of Australia Limited during 2006 for KH Foods Limited. The guarantee and indemnity for this facility was provided by the Parent. In September 2007, the facility was reduced to $25,000,000. The Parent's guarantee was limited to $25,000,000 plus interest, fees and associated charges. In May 2008, this facility was terminated. As at 31 July 2007, the Parent entity had recognised a liability for $15,631,000.	**-**	9,369	**-**	9,369
iv. In addition to iii. above, the parent entity agreed to provide additional financial assistance to KH Foods Limited up to a limit of $7,000,000 for a period to September 2008. With KH Foods Limited's operations being fully divested in March 2008, this facility has been terminated.	**-**	-	**-**	7,000
	45,557	31,913	**1,000**	17,369

For contingent liabilities relating to associates and joint ventures refer to note 42.

NOTE 40. COMMITMENTS FOR EXPENDITURE

a) Capital commitments

Capital expenditure contracted for at the reporting date

Property, plant and equipment				
Payable:				
Within one year	**17,305**	16,254	**-**	-
Later than one year but not later than five years	**-**	5,307	**-**	-
Later than five years	**-**	-	**-**	-
	17,305	21,561	**-**	-
Intangible assets				
Payable:				
Within one year	**-**	1,724	**-**	-
Later than one year but not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	-	1,724	**-**	-

NOTE 40. COMMITMENTS FOR EXPENDITURE (CONTINUED)

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
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	**1,840**	8,142	**-**	-
Later than one year but not later than five years	**12,283**	16,064	**-**	-
Later than five years	**60,225**	2,259	**-**	-
	74,348	26,465	**-**	-
ii. Finance and hire purchase leases				
The consolidated entity leased various plant and equipment under finance leases that expired within one to ten years. Some leases provided for the payment of incremental contingent rentals based on movements in the Consumer Price Index. Leases related to KH Foods Limited and have now been terminated and/or transferred on the divestment of these businesses. For the 2008 year, leases relating to SP Telemedia Limited are disclosed in note 42 Investment in associates.				
Commitment for minimum lease payments in relation to finance leases are payable as follows:				
Within one year	**-**	3,287	**-**	-
Later than one year but not later than five years	**-**	1,175	**-**	-
Later than five years	**-**	-	**-**	-
	-	4,462	**-**	-
Future finance charges	**-**	(199)	**-**	-
Recognised as a liability	**-**	4,263	**-**	-
Representing lease and hire purchase liabilities:				
Current (note 29)	**-**	551	**-**	-
Current – Liabilities directly associated with assets of a disposal group (note 10)	**-**	2,625	**-**	-
Non-current (note 30)	**-**	1,087	**-**	-
	-	4,263	**-**	-

The weighted average interest rate implicit in leases was 8.12%.

For commitments relating to associates and joint ventures refer to note 42.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2008

NOTE 41. SUBSIDIARIES

Name of entity	Country of incorporation	Equity holding 2008 %	2007 %
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	**72.9**	67.6
Souls Financial Solutions Pty. Limited	Australia	**65.0**	65.0
Souls Private Equity Limited+	Australia	**12.7**	12.4
PCP Holdings 1 Pty. Limited	Australia	**12.7**	12.4
PCP Holdings 2 Pty. Limited	Australia	**12.7**	12.4
Cromford Pty. Limited	Australia	**12.7**	12.4
Australian Film and Pipe Manufacturing Pty Limited	Australia	**12.7**	12.4
Soda Brands Limited	Australia	**8.7**	8.5
Food and Beverage Company Limited	Australia	**12.7**	12.4
Pitt Capital Partners Limited	Australia	**78.1**	78.1
Corporate & Administrative Services Pty. Ltd	Australia	**78.1**	58.6
Pitt Capital Nominees Pty. Ltd	Australia	**78.1**	78.1
Rundle Capital Partners Ltd	Australia	**40.8**	40.8
Pitt Capital Asia Ltd	Hong Kong	**78.1**	78.1
SP Telemedia Limited ++	Australia	**-**	44.5
Kooee Communications Pty. Limited*	Australia	**-**	44.5
Soul Pattinson Telecommunications Pty. Limited*	Australia	**-**	44.5
SPT Com Pty. Limited*	Australia	**-**	44.5
Kooee Mobile Pty. Limited*	Australia	**-**	44.5
Soul Communications Limited *	Australia	**-**	44.5
B Digital Investments Pty. Limited*	Australia	**-**	44.5
Digiplus Investments Pty. Limited*	Australia	**-**	44.5
Digiplus Holdings Pty. Limited*	Australia	**-**	44.5
Digiplus Pty. Limited*	Australia	**-**	44.5
Digiplus Limited*	Australia	**-**	44.5
Digiplus Contracts Pty. Limited*	New Zealand	**-**	44.5
Codex Limited*	New Zealand	**-**	44.5
Blue Call Pty. Limited*	Australia	**-**	44.5
SPT Telecommunications Pty. Limited*	Australia	**-**	44.5
Kooee Pty. Limited*	Australia	**-**	44.5

NOTE 41. SUBSIDIARIES (CONTINUED)

Name of entity	Country of incorporation	Equity holding 2008 %	2007 %
New Hope Corporation Limited*	Australia	**61.2**	61.1
Jeebropilly Collieries Pty. Limited *	Australia	**61.2**	61.1
Fowlers Engineering Pty. Limited *	Australia	**61.2**	61.1
Tivoli Coal (Hawaii) Pty. Limited *	Australia	**61.2**	61.1
New Hope Collieries Pty. Limited *	Australia	**61.2**	61.1
Tivoli Collieries Pty. Limited *	Australia	**61.2**	61.1
Andrew Wright Holdings Pty. Limited *	Australia	**61.2**	61.1
Tetard Holdings Pty. Limited *	Australia	**61.2**	61.1
Queensland Bulk Handling Pty. Limited	Australia	**61.2**	-
Consolidated Bulk Handling Pty. Limited *	Australia	**-**	61.1
New Hope Finance Pty. Limited *	Australia	**-**	61.1
New Oakleigh Coal Pty. Limited *	Australia	**61.2**	61.1
New Hope Exploration Pty. Limited *	Australia	**61.2**	61.1
Seven Mile Coal Pty. Limited *	Australia	**61.2**	61.1
New Acland Coal Pty. Limited *	Australia	**61.2**	61.1
Acland Pastoral Co. Pty Limited *	Australia	**61.2**	61.1
Arkdale Pty. Limited *	Australia	**61.2**	61.1
New Lenton Coal Pty. Limited *	Australia	**61.2**	61.1
KH Foods Limited	Australia	**86.6**	86.6
Jusfrute Limited*	Australia	**86.6**	86.6
United Beverages Pty. Limited *	Australia	**86.6**	86.6
Redland Industries Pty. Limited *	Australia	**86.6**	86.6
Keith Harris Extracts Pty. Limited *	Australia	**86.6**	86.6
Quotidian No.115 Pty. Limited *	Australia	**86.6**	86.6
Exbal Australia Pty. Limited * +++	Australia	**86.6**	86.6
Exbal Operations VIC Pty. Limited * +++	Australia	**86.6**	86.6
Exbal Operations NSW Pty. Limited * +++	Australia	**86.6**	86.6
Exbal Operations Pty. Limited * +++	Australia	**86.6**	86.6
Exbal Property Holdings Pty. Limited * +++	Australia	**86.6**	86.6
Exbal NSW Pty. Limited * +++	Australia	**86.6**	86.6
Exbal Wauchope Pty. Limited * +++	Australia	**86.6**	86.6
Exbal Pty. Limited * +++	Australia	**86.6**	86.6
Exbal Retail Pty. Limited * +++	Australia	**86.6**	86.6

* 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.

++ Arising from the merger with TPG Holdings Limited, the SP Telemedia Limited Group became an associated entity with effect from 7 April, 2008.

+++ Following the sale of the Balfours and Betabake businesses to San Remo Macaroni Group during the year, the Balfours group of companies changed their name to Exbal.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2008

NOTE 41. SUBSIDIARIES (CONTINUED)

c) Acquisition of controlled entities

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
i. Aggregate details of acquisitions	**$'000**	$'000	**$'000**	$'000
Total purchase price	**42,500**	6,763	**-**	1
Purchase price paid in cash	**42,500**	1,376	**-**	-
Proceeds from issue of shares by controlled entities	**-**	-	**-**	1
Cash held by acquiree at acquisition	**3,159**	535	**-**	-

ii. Acquisitions during the year included:

Acquisition of remaining 50% in Queensland Bulk Handling Pty Ltd and Bulk Terminal Service partnership – (previously equity accounted)

On 1st 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.

The acquired business contributed a net profit of $6,838,000 to the group for the reporting period 1 August 2007 to 31 July 2008. Revenues contributed by the acquired business in respect of parties external to the group totalled $9,346,000. As the acquisition occurred on the first day of the financial year, the net profit and revenue disclosed above, also relate to the acquired entities contribution for the whole reporting.

	Acquiree's carrying amount $'000	Fair value $'000
Cash and cash equivalents	3,159	3,159
Receivables	655	655
Other	280	280
Property, plant and equipment	4,857	74,002
Deferred tax assets	112	112
Payables	(2,069)	(2,069)
Current tax liabilities	(320)	(320)
Net identifiable assets	6,674	75,819
Previously acquired interest		37,909
Net identifiable assets acquired		37,910
Goodwill on acquisition		5,596
Consideration received in cash		(42,500)
Direct costs relating to the transaction		(1,006)
Cash acquired		3,159
Net cash inflow		40,347

The goodwill is attributed to the operational efficiencies of the business and the synergies that it creates with the other companies within the group. The fair value of assets and liabilities acquired has been determined with reference to an independent valuation conducted as part of the purchase price allocations.

NOTE 41. SUBSIDIARIES (CONTINUED)

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

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. 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)

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% investment in Australian Film and Pipe Manufacturing Pty Limited for purchase consideration of $3,740,000.

d) Loss of control and disposal of controlled entities

i. Transactions during the year:

Loss of control – SP Telemedia Limited and its controlled entities

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, Washington H. Soul Pattinson and Company Limited's (WHSP) 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 two (2) independent Directors.

As at 7 April 2008, SOT ceased to be controlled by WHSP and the following impacts were recognised in the financial statements:

1) the Group recognised a net loss in the income statement of $9,660,000, representing the difference between the Group's share in the fair value of SOT's net assets as a consequence of the dilution;
2) the Group reclassified its investment in SOT from a controlled entity to an equity accounted associate with an initial value of $89,216,000. Details relating to SOT as an associate are included in note 42; and
3) a reduction to the minority interest's equity of the Group of $119,011,000 representing the minority's interest's share in the net assets of SOT, no longer controlled by the Group.

ii. Transactions during the prior year:

During the prior 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 2008

NOTE 42. 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 notes 20 and 22). Information relating to significant associates is set out in (f) below.

	Consolidated	
	2008	2007
b) Movement in carrying amounts	**$'000**	$'000
Carrying amount at 1 August	**512,104**	469,807
New investments during the period	**7,866**	21,399
Associates previously classified as 'available-for-sale' financial assets	**56,269**	-
Associate previously classified as a subsidiary	**89,216**	-
Disposal of the interest in an equity accounted associate	**-**	(4,985)
Former associate now classified as a subsidiary	**(3,366)**	-
Share of profits after income tax, before writedowns	**40,757**	35,113
Writedown of associates	**(14,135)**	(4,096)
Dividends received/receivable	**(26,994)**	(30,302)
Add back share of dividends received by associate	**14,671**	21,500
Share of associates increment in reserve	**(4,494)**	3,668
Carrying amount at 31 July	**671,894**	512,104

c) Summarised share of associates financial information		
Assets	**1,553,572**	1,204,313
Liabilities	**(748,392)**	(543,738)
Net assets	**805,180**	660,575

The share of associates net assets of $805,180,000 (2007: $660,575,000) includes our share of the total net assets of Brickworks Limited. Brickworks Limited owns 42.85% (2007: 42.85%) of the issued capital in Washington H. Soul Pattinson and Company Limited. The equity accounted carrying value of this associate of $353,215,000 (2007: $329,353,000) excludes our share of Brickworks Limited equity accounted carrying value of Washington H. Soul Pattinson and Company Limited.

Revenue	**979,471**	968,830
Profit before income tax	**43,726**	50,942
Income tax expense	**(17,104)**	(15,829)
Profit after income tax	**26,622**	35,113
d) Share of associates' expenditure commitments		
Capital commitments	**23,992**	10,181
Lease commitments	**55,297**	50,871
e) Contingent liabilities of associates		
Share of incurred jointly with other investors	**30,087**	33,747

NOTE 42. INVESTMENT IN ASSOCIATES (CONTINUED)

f) Details of significant associates	Balance date	Group's percentage of holding at balance dates				Contribution to Group net profit		Fair value of listed investments at balance date	
		Balance date company		Balance date associate					
Name and Principal Activity		**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Listed associates		**%**	%	**%**	%	**$'000**	$'000	**$'000**	$'000
Brickworks Limited									
Manufacture of clay products	31 July	**49.5**	49.5	**49.5**	49.5	**37,748**	31,585	**771,330**	873,080
Australian Pharmaceutical Industries Limited *									
Pharmaceutical wholesaler	31 Aug	**24.6**	21.7	**21.7**	21.7	**770**	(2,446)	+ **133,006**	109,499
Ruralco Holdings Limited **									
Rural supplies and services	30 Sept	**21.0**	-	**21.0**	-	**-**	-	**39,070**	-
Apex Healthcare Berhad ***									
Pharmaceutical manufacturer and distributor	30 June	**30.3**	-	**30.3**	-	**1,476**	-	**11,698**	-
SP Telemedia Limited ****									
Telecommunications and internet provider	31 July	**27.5**	-	**27.5**	-	**(4,658)**	-	+ **83,387**	-
Clover Corporation Limited									
Refinement and processing of natural oil	30 June	**28.6**	28.6	**28.6**	28.6	**1,181**	181	**7,546**	4,716
Unlisted Associates									
Queensland Bulk Handling Pty Limited*****									
Coal handling	30 June	**100.0**	50.0	**100.0**	50.0	**-**	1,284	**n/a**	n/a
Ampcontrol Pty Limited									
Electrical supplies	30 June	**45.0**	45.0	**45.0**	45.0	**3,811**	4,751	**n/a**	n/a
Windsor Farm Foods Limited									
Food processing and distribution	30 June	**30.0**	43.8	**30.0**	43.8	**-**	(5,290)	**n/a**	n/a
Krispy Kreme Holdings Australia Pty Ltd									
Food	30 June	**24.0**	24.0	**24.0**	24.0	**(15,191)**	458	**n/a**	n/a

With the exception of Apex Healthcare Berhad, all associates as listed above are incorporated in Australia. Apex Healthcare Berhad is incorporated in Malaysia. The percentage holding of each Associate represents 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's share.

* Australian Pharmaceutical Industries Limited (API) changed its year end in 2007 from 30 April to 31 August. For 2008 , API's results represent a period of 10 months (being 4 months to 31 August 2007 and 6 months to 29 February 2008). In the prior year, results presented are for the 12 month period ended April 2007.

** 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'.

*** 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'.

****Effective from 7 April 2008, SP Telemedia Limited (SOT) was equity accounted. Prior to this date, SOT was controlled by WHSP (refer note 41d).

*****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.

Fair value – The fair value of listed equity accounted investments represents:

i. Unadjusted quoted prices (ASX bid price) in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis; or

ii. The equity accounted carrying value where Directors consider the current quoted market price is not reflective of the long term underlying value of the business. In these instances, alternative valuation techniques have been applied to determine the fair value, using a combination of market observable and unobservable inputs, including management's judgement in selecting appropriate assumptions and estimates (refer note 2).

+ The following table provides a comparison between the ASX bid value, equity accounted carrying value and cost of listed associates at balance date where an alternative valuation technique has been applied in determining the fair value and where that fair value equals or exceeds the equity accounted carrying value and/or cost.

2008		**Consolidated**	**Parent entity**
Associates carrying values assessed by valuation techniques	**ASX bid value $'000**	**Equity accounted carrying value $'000**	**Cost $'000**
Australian Pharmaceutical Industries Limited	49,120	133,006	63,380
SP Telemedia Limtied	35,792	83,387	111,623
Sub-total	84,912	216,393	175,003
Total for all listed associates	914,556	637,237	374,983

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2008

NOTE 43. INTEREST IN PARTNERSHIP

	Consolidated	
	2008	2007
	$'000	$'000
During the prior 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. In 2007, the Group's share of the partnership revenue was $4,945,000.		
Contribution of the partnership to operating profit of the consolidated entity	-	3,274

On August 1 2007, the Group acquired the remaining 50% equity in Bulk Terminal Services for $42.5 million. With effect from this date, these operations are fully consolidated into the Group financial statements.

NOTE 44. 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 R G Westphal
   Mr D E Wills

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 I D Bloodworth	Company Secretary	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 (An associate after 7 April 2008)
Mr K Parsons	Acting Chief Executive Officer, Chief Financial Officer and Company Secretary (Ceased employment 11 July 2008)	KH Foods Limited
Mr C J Photakis	Managing Director	Pitt Capital Partners Limited

c) Key management personnel compensation	**Consolidated**		**Parent entity**	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Short-term employee benefits	**5,700**	4,939	**2,532**	2,424
Post-employment benefits	**781**	1,166	**250**	263
Share-based payments	**404**	707	**-**	-
	6,885	6,812	**2,782**	2,687

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

NOTE 44. 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 can be found in the Remuneration Report section of the Directors' Report. Terms and conditions of options are detailed in note 48.

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.

2008	Balance at start of year	Acquired during year	Received on exercise of options	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	**16,339,025**	**2,517,471**	**-**	**-**	**18,856,496**
M J Millner	**15,974,005**	**2,517,471**	**-**	**-**	**18,491,476**
P R Robinson	**74,210**	**-**	**-**	**-**	**74,210**
D J Fairfull	**60,000**	**-**	**-**	**-**	**60,000**
R G Westphal	**5,000**	**-**	**-**	**-**	**5,000**
D E Wills	**113,866**	**-**	**-**	**-**	**113,866**
Other key management personnel of the Group					
R C Neale	**4,000**	**-**	**-**	**-**	**4,000**
P K Mantell	**200**	**-**	**-**	**-**	**200**
M Simmons (to 7 April 2008)	**4,400**	**-**	**-**	**-**	**N/A**
2007					
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 9 May 2007)	13,200	-	-	-	N/A

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2008

NOTE 44. KEY MANAGEMENT PERSONNEL (CONTINUED)

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

2008	**Balance at start of year**	**Acquired during year**	**Received on exercise of options**	**Sold during year**	**Balance at end of year**
Directors of New Hope Corporation Limited (shares in New Hope Corporation Limited)					
R D Millner	**2,540,573**	**650,000**	**-**	**-**	**3,190,573**
P R Robinson	**57,357**	**-**	**-**	**-**	**57,357**
D J Fairfull	**10,000**	**-**	**-**	**-**	**10,000**
D C Williamson	**20,000**	**-**	**-**	**-**	**20,000**
W H Grant	**-**	**20,000**	**-**	**-**	**20,000**
Other key management personnel of the Group					
R C Neale	**1,205,500**	**-**	**-**	**200,000**	**1,005,500**
P K Mantell	**1,103,000**	**-**	**-**	**175,500**	**927,500**
2007					
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
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

2008	**Balance at start of year**	**Acquired during year**	**Received on exercise of options**	**Sold during year**	**Balance at end of year**
Directors of SP Telemedia Limited (shares in SP Telemedia Limited)					
R D Millner	**2,695,784**	**500,000**	**-**	**-**	**3,195,784**
M J Millner (to 7 April 2008)	**2,059,399**	**500,000**	**-**	**-**	**N/A**
P R Robinson (to 7 April 2008)	**123,556**	**-**	**-**	**-**	**N/A**
D J Fairfull (to 7 April 2008)	**144,445**	**-**	**-**	**-**	**N/A**
D J Ledbury	**178,223**	**-**	**-**	**-**	**178,223**
W P Cleaves (to 7 April 2008)	**49,889**	**-**	**-**	**-**	**N/A**
Other key management personnel of the Group					
M Simmons (to 7 April 2008)	**45,393**	**-**	**-**	**-**	**N/A**
2007					
Directors of SP Telemedia Limited (shares in SP Telemedia Limited)					
R D Millner	2,193,544	502,240	-	-	2,695,784
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 9 May 2007)	108,500	-	-	-	N/A

NOTE 44. KEY MANAGEMENT PERSONNEL (CONTINUED)

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

2007	**Balance at start of year**	**Acquired during year**	**Received on exercise of options**	**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 9 May 2007)	77,000	-	-	77,000	-

2008	**Balance at start of year**	**Acquired during year**	**Received on exercise of options**	**Sold during year**	**Balance at end of year**
Directors of Souls Private Equity Limited (shares in Souls Private Equity Limited)					
R D Millner	**1,225,193**	**-**	**-**	**-**	**1,225,193**
D J Fairfull	**8,700,001**	**-**	**-**	**-**	**8,700,001**
D E Wills	**423,277**	**-**	**-**	**-**	**423,277**
R G Westphal	**370,000**	**-**	**-**	**-**	**370,000**
G G Hill (alternate for D J Fairfull) (resigned 29 February 2008)	**8,150,000**	**-**	**-**	**-**	**N/A**
Other key management personnel of the Group					
Mr C J Photakis	**50,000**	**-**	**-**	**-**	**50,000**
2007					
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					
Mr C J Photakis (from 2 April 2007)	-	50,000	-	-	50,000

2008	**Balance at start of year**	**Acquired during year**	**Received on exercise of options**	**Sold during year**	**Balance at end of year**
Directors of KH Foods Limited (shares in KH Foods Limited)					
P T Blizzard (to 11 February 2008)	**6,818,374**	**-**	**-**	**-**	**N/A**
Other key management personnel of the Group					
No key personnel held shares during the financial year					
2007					
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					

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2008

NOTE 44. KEY MANAGEMENT PERSONNEL (CONTINUED)

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

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.

2008	Balance at start of year	Acquired during year	Received on exercise of options	Sold during year	Balance at end of year
Directors of New Hope Corporation Limited (New Hope Corporation Limited options)					
D J Fairfull	**1,000**	**-**	**-**	**-**	**1,000**
The above options were vested and exercisable at the end of the year.					
Other key management personnel of the Group					
R C Neale	**2,000,000**	**-**	**-**	**-**	**2,000,000**
P K Mantell	**1,500,000**	**-**	**-**	**-**	**1,500,000**
The above options were not vested at the end of the year.					
2007					
Directors of New Hope Corporation Limited (New Hope Corporation Limited options)					
R D Millner	1,206	372	1,578	-	-
D J Fairfull	1,000	-	-	-	1,000
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.					

2008	Balance at start of year	Acquired during year	Received on exercise of options	Sold during year	Balance at end of year
Directors of Souls Private Equity Limited (Souls Private Equity Limited options)					
R D Millner	**87,524**	**-**	**-**	**-**	**87,524**
D J Fairfull	**1,037,500**	**-**	**-**	**-**	**1,037,500**
R G Westphal	**10,000**	**-**	**-**	**-**	**10,000**
D E Wills	**27,909**	**-**	**-**	**-**	**27,909**
G G Hill (alternate to D J Fairfull) (resigned 29 February 2008)	**1,290,314**	**-**	**-**	**-**	**N/A**
The above options were vested and exercisable at the end of the year.					
G G Hill (alternate to D J Fairfull) (resigned 29 February 2008) - management options (unlisted)	**1,250,000**	**-**	**-**	**-**	**N/A**
The above options were not vested at the end of the year.					
2007					
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
R G Westphal	10,000	-	-	-	10,000
D E Wills	24,966	2,943	-	-	27,909
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.					

NOTE 44. KEY MANAGEMENT PERSONNEL (CONTINUED)

e) Loans to key management personnel

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

At the beginning of the 2007 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 $1,566,655 (2007: $1,225,514). The balance of deposits at 31 July 2008 was $28,623,000 (2007: $28,436,000).

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 and Mr P R Robinson are Directors of Pitt Capital Partners Limited (PCP) which is a 78.1% (2007: 78.1%) controlled entity of WHSP. as a Director of PCP on 29 February 2008.

Mr R G Westphal received consultancy fees from PCP of $174,800 during the year (2007: $117,600).

In February 2007, Mr D J Fairfull and Mr G G Hill, retired as joint Managing Directors of 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 37d). 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:-

1. KH Foods Limited $nil (2007: $1,220,798);
2. SP Telemedia Limited $2,681,500 (2007: $3,101,640);
3. New Hope Corporation Limited $552,170 (2007: $75,000);
4. Souls Private Equity Limited $3,231,175 (2007: $3,780,361);
5. Souls Financial Solutions Pty Limited $nil (2007: $3,801); and
6. Clover Corporation Limited $25,000 (2007: $25,000).

WHSP charged PCP $134,000 for rental of office space in its own premises during the year (2007: $134,000).

PCP paid WHSP sub-underwriting fees of $nil (2007: $698,014).

Souls Funds Management Limited received $184,478 from PCP for management fees (2007: $194,938).

Mr R D Millner, Mr P R Robinson and Mr R G Westphal are Directors of Souls Funds Management Limited which did not pay Directors fees in the current or prior year.

NOTE 45. 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 41 and note 42 respectively.

c) Key management personnel

Disclosures relating to key management personnel are set out in note 44.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2008

NOTE 45. RELATED PARTIES (CONTINUED)

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Summary of transactions				
Advisory, consulting, underwriting and management fees received:				
- by Parent entity from subsidiaries	**-**	-	**85**	763
- by subsidiaries from Parent entity	**-**	-	**65**	65
- by subsidiaries from associates	**2,854**	173	**-**	-
Purchases of pharmaceutical products from:				
- Associates	**5,475**	5,529	**5,475**	5,529
Handling and commission expenses from:				
- Associates	**-**	10,730	**-**	-
Management and supervision fees from:				
- Associates	**-**	250	**-**	-
- Subsidiaries	**-**	-	**65**	65
Partnership income	**-**	3,274	**-**	-
Dividend revenue from:				
- Subsidiaries	**-**	-	**43,339**	71,613
- Associates	**-**	-	**30,473**	26,035
Interest income from:				
- Subsidiaries	**-**	-	**561**	2,184
- Associates	**7**	817	**7**	-

Loans to subsidiaries

In the prior year, KH Foods Limited repaid $16,659,000 of its loan owed to the Parent entity. At 31 July 2007, the loan principal balance was $6,500,000. At 31 July 2008, the amount has been impaired in full. Interest is charged at BBSY plus a margin with the total incurred for the year being $561,309 (2007: $1,333,096). This loan is unsecured.

During 2007 the Parent entity converted notes of $4,999,999 in KH Foods Limited to equity refer note 37 (d). Interest incurred on notes during 2007 totalled $193,150.

During the year, the Parent entity advanced $200,000 (2007: $50,000) to Souls Financial Solutions Limited. Interest is charged at market rates. At 31 July 2008, total balance due is $250,000 (2007: $50,000).

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 2007 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 2007 being $658,032. At 31 July 2007, the amount owed by SP Telemedia was nil.

During the year Souls Private Equity Limited advanced $442,000 to its controlled entity Food and Beverage Company (FBC). The total loans to FBC to date are $30,358,737 (2007: $29,916,737) of which $27,101,266 is considered non-recoverable and has been fully impaired. No interest has been charged on the loan since 1 December, 2006.

Advances to FBC were on-loaned to associates and related entities of FBC. The total amount advanced to those entities through FBC, at 31 July 2008 was $11,357,000 (2007: $11,007,000) of which $11,257,000 (2007: $8,745,000) is considered non recoverable and has been impaired. The recoverable amount of the loans at 31 July 2008 is $100,000 (2007: $2,262,000).

During the year Souls Private Equity Limited advanced loans to its controlled entity Cromford Pty Limited of $4,526,451. The outstanding loan balance at 31 July 2008 was $14,173,066 (2007: $9,646,615). Interest is at market rates.

During the year Soda Brands Limited advanced funds totalling $600,000 to Souls Private Equity Limited. The outstanding loan balance as at 31 July 2008 was $150,000 (2007: $nil). Interest is charged at market rates.

Loans to associates

During the year, the Parent entity converted into equity loan funds of $80,464 advanced to Keith Harris and Company (Far East) Private Limited during 2007. As at 31 July 2008, the amount owed was $152,594. Interest is charged at market rates.

During the year, the Parent entity converted into equity fully impaired loan funds of $250,000 advanced to Windsor Farm Foods Group Limited during 2007.

NOTE 45. RELATED PARTIES (CONTINUED)

	Consolidated		Parent entity	
	2008	2007	**2008**	2007
Guarantees	**$'000**	$'000	**$'000**	$'000
The following guarantees have been provided:				
Guarantee of a loan facility for KH Foods Limited (refer note 39 (b iii) for details)				
Under this guarantee, the parent entity settled the outstanding debt $19,790,000 owed by KH Foods Limited to HSBC Limited. The Parent entity has a legal right to recover these funds from KH Foods Limited however no receivable has been recognised at balance date.	**-**	25,000	**-**	25,000

NOTE 46. REMUNERATION OF AUDITORS

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

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
a) Audit Services				
Moore Stephens Sydney for audit and review of financial reports and other audit work under the Corporations Act 2001	**125**	116	**125**	116
Other audit firms for the audit or review of financial reports of any entity in the Group	**1,482**	1,368	**-**	-
Total remuneration for audit services	**1,607**	1,484	**125**	116
b) Other Services				
Moore Stephens Sydney	**24**	9	**24**	9
Other auditors				
Transaction advisory services	**290**	395	**-**	-
Tax compliance services	**239**	354	**-**	-
Other services	**312**	308	**-**	-
Total remuneration for other services	**865**	1,066	**24**	9

NOTE 47. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Profit after tax for the year	**99,800**	190,712	**91,811**	74,373
Adjustments for non-cash items:				
Depreciation and amortisation expense	**62,924**	81,664	**909**	667
Impairment losses	**14,254**	40,085	**9,983**	65,930
Bad and doubtful debts expense	**14,811**	7,690	**-**	-
Gain on disposal of discontinuing operations	**(17)**	(88,182)	**-**	-
Dividends received (non-cash)	**(938)**	(1,055)	**(905)**	(1,055)
Net losses/(gains) on financial assets	**8,720**	(31,959)	**(2,285)**	(6,895)
Net (profit)/loss on sale of non-current assets	**(521)**	(7,841)	**415**	1
Share based payments	**2,733**	2,172	**-**	-
Share of profits of associates not received as dividends or distributions	**373**	(4,312)	**-**	-
Net exchange losses	**927**	1,146	**-**	-
Loss of control of subsidiary	**14,181**	-	**-**	-
Changes in operating assets and liabilities, net of effects from purchase and sales of businesses:				
(Increase)/decrease in trade debtors, other debtors and prepayments	**(47,959)**	(3,360)	**(676)**	(152)
(Increase)/decrease in inventory	**(10,565)**	(1,966)	**155**	86
(Increase)/decrease in intangible assets	**(5,742)**	(27,477)	**-**	-
Increase/(decrease) in trade creditors and accruals	**(7,171)**	(7,876)	**(328)**	558
Increase/(decrease) in employee entitlements, other liabilities and provisions	**(2,732)**	(13,976)	**5,631**	14,840
Increase/(decrease) in current tax payable	**(14,934)**	(13,814)	**131**	(1,759)
Increase/(decrease) in deferred tax liability	**1,939**	1,144	**(375)**	456
(Increase)/decrease in deferred tax asset	**(3,656)**	(3,981)	**(5,130)**	(24,854)
Net cash inflow from operating activities	**126,427**	118,814	**99,336**	122,196

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2008

NOTE 48. 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 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.

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. Total expense arising from options issued under the employee share option plan during the financial year was $2,722,449 (2007: $2,142,558).

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

Consolidated entity 2008 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
31 Aug 2005	30 Aug 2010	$1.198*	800,000	-	-	-	800,000	-
3 Jan 2006	2 Jan 2011	$1.235	15,500,000	-	-	-	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	-
13 Aug 2007	12 Aug 2012	$2.104	-	2,500,000	-	-	2,500,000	-
Total			**18,300,000**	**2,500,000**	**-**	**-**	**20,800,000**	**-**
Weighted average exercise price			1.2480	2.1040			1.3509	-

No management options were exercised during the year. The weighted average share price at the date of exercise of options exercised during the 2007 year was $1.52.

Consolidated entity 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	2 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	-

*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 0.7 years (2007: 1.5 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.

NOTE 48. SHARE-BASED PAYMENTS (CONTINUED)

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
2 Jan 2007	1 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
13 Aug 2007	12 Aug 2012	$2.104	$2.220	44.0%	4.0%	6.0%	$0.745

Expected volatility was estimated using the weekly (continuously-compounded) returns to New Hope Corporation Limited since its listing in 2003. There are no market related vesting conditions.

SP Telemedia Limited

Executive Share Option Plan

Up until July 2007, Soul Communications Limited, a subsidiary of SP Telemedia Limited, had 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 fair value of options granted was recognised as an employee expense. 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 options granted was measured based on Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense was adjusted to reflect the actual number of share options that vested except where forfeiture was related to market performance hurdles.

All options vested on the 100% acquisition of Soul Communications in by SP Telemedia Limited in November 2006.

There were no outstanding share options during the financial year 2008.

Executive Bonus Share Scheme

Subsequent to the acquisition of TPG in April 2008, SP Telemedia Limited and its consolidated entities suspended the operation of existing performance-linked compensation plans.

Prior to April 2008, of SP Telemedia Limited and its consolidated group had in place an Executive Bonus Share Scheme for selected executives to receive ordinary shares in the Company. Under the terms of the scheme a bonus pool was established for the selected executives. The annual bonus pool was equal 1.6% of the SP Telemedia Limited group's profit before interest expense, income tax, intangible amortisation and significant items. Half of this bonus pool was paid as a cash bonus to the selected executives while the remaining half must have been taken as shares through the bonus share scheme.

Under the bonus share scheme the executive received the voting rights and dividend entitlement to shares purchased under the scheme however they were unable to access the shares until they satisfied the continuity of service criteria. These shares vested to the employee at 20% per annum at the end of each of the following five years, provided they continued to be employed in the SP Telemedia Limited Group. If the employee terminated their employment, they forfeited their entitlement to the unvested shares, except in limited circumstances such as medical reasons, bona fide retirement or termination other than for gross misconduct.

During the year, $456,640 (2007: $229,200) was paid into the executive bonus share scheme for the purchase of shares for the benefit of 20 (2007: 5) employees. During the year ended 31 July 2008, $252,640 (2007: $458,700) was recognised as an employee benefit expense.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 JULY 2008

NOTE 48. SHARE-BASED PAYMENTS (CONTINUED)

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 8,740,000 management options were granted under four classes, which have identical terms except for the exercise prices, which is as follows:

Consolidated entity

2008

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	-	-	(315,000)	2,185,000	-
Class 2	16 Dec 2009	$0.32	2,500,000	-	-	(315,000)	2,185,000	-
Class 3	16 Dec 2009	$0.35	2,500,000	-	-	(315,000)	2,185,000	-
Class 4	16 Dec 2009	$0.38	2,500,000	-	-	(315,000)	2,185,000	-
Total			**10,000,000**	**-**	**-**	**(1,260,000)**	**8,740,000**	**-**

Consolidated entity

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**	**-**

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

Souls Funds Management Limited

Employee Share Transactions

Souls Funds Management Limited (SFM) provides equity-related benefits to employees of the Company under the following arrangement:

a) An equity incentive scheme available to the chief investment officer whereby he is issued with new shares in the Company for nil consideration in three tranches 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.

On 31 July 2008, the Board resolved to dissolve the Long Term Incentive Plan ("LTIP") by buying back the shares at the value of the outstanding loans totalling $1,854,188. Shareholder approval for the selective buy-back was obtained on 27 August 2008. In prior years, the plan provided an interest-free loan to employees for the express purpose of purchasing new shares in the Company. The purchase price of these shares was 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.

NOTE 49. EVENTS AFTER THE BALANCE SHEET DATE

Since the end of the financial year the following matters or circumstances not referred to elsewhere in this report 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:

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	**(725,000)**
Estimated gain on sale after tax	**1,684,929**

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. The gain on sale will be recognised in the 2009 financial year.

NHC has announced that it will pay a fully franked dividend of approximately $600,000,000 in November 2009. Based on WHSP's current holding in NHC (61.2%), WHSP, the Company, expects to receive a dividend of approximately $367,200,000.

Listed investment fluctuations

There has been substantial decline in the Australian share market since balance date, 31 July 2008. The movement in the share market has not been reflected in the financial results or financial position of the Group or parent entity. The balance of available-for-sale financial instruments as held at balance date was $794,252,000 for the Group and $393,610,000 for the company. Note 2 provides an indication as to impacts on the financial positions and results, under various scenarios.

Other than the above, there has been no event which the directors are aware that which has had a material effect on the consolidated entity or its financial position.

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 18 to 83 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 2008 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.

P R ROBINSON
Director

Dated this 28th day of October, 2008.

MOORE STEPHENS

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial report of Washington H. Soul Pattinson and Company Limited (the Company) and Washington H. Soul Pattinson and Company Limited and Controlled Entities (the Consolidated entity), which comprises the balance sheets as at 31 July 2008, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Directors' declaration of the Consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

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, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit 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.

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 fraud or error. 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. 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.

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 the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the Directors of Washington H. Soul Pattinson and Company Limited on 27 October 2008, would be in the same terms if provided to the Directors as at the date of this auditor's report.

Moore Stephens Sydney ABN 90 773 984 843
Level 7, 20 Hunter Street, Sydney NSW 2000
GPO Box 473, Sydney NSW 2001
Telephone: +61 2 8236 7700 Facsimile: +61 2 9233 4636
Email: sydney@moorestephens.com.au Web: www.moorestephens.com.au

MOORE STEPHENS

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Opinion

In our opinion,

(a) the financial reports of Washington H. Soul Pattinson and Company Limited and Washington H. Soul Pattinson and Company Limited and Controlled Entities are in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the Company and Consolidated entity's financial position as at 31 July 2008 and of its 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 financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 11 of the Directors' report for the year ended 31 July 2008. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Washington H. Soul Pattinson and Company Limited for the year ended 31 July 2008, complies with section 300A of the Corporations Act 2001.

Moore Stephens Sydney

MOORE STEPHENS SYDNEY
Chartered Accountants

S M WHIDDETT
Partner

Dated in Sydney this 28th day of October 2008

ASX ADDITIONAL INFORMATION

SHARE REGISTER INFORMATION

As at 15 October 2008 there were 7,393 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 15TH OCTOBER, 2008

Size of Shareholding	Number of Shareholders	Number of Shares
1 – 1,000	2,392	1,490,853
1,001 – 5,000	3,293	8,696,256
5,001 – 10,000	841	6,515,211
10,001 – 100,000	787	20,649,843
100,001 – and over	80	201,288,417
TOTAL	**7,393**	**238,640,580**
Holding less than a marketable parcel	**48**	**1,278**

SUBSTANTIAL SHAREHOLDERS as at 15 October 2008

As disclosed by notices received by the Company.

	No. of Shares	%
Brickworks Limited	102,257,830	42.85
Perpetual Limited	23,741,921	9.95
Commonwealth Bank Australia Limited	12,444,120	5.21

LIST OF TOP 20 SHAREHOLDERS AS AT 15 October 2008

Name	No. of Shares	%
Brickworks Limited	102,257,830	42.85
RBC Dexia Investor Services Australia Nominees Pty Limited (Pipooled A/C)	15,659,959	6.56
Dixson Trust Pty. Limited	8,438,190	3.54
J.P. Morgan Nominees Australia Limited	7,287,287	3.05
J.S. Millner Holdings Pty. Limited	7,259,460	3.04
Milton Corporation Limited	4,843,150	2.03
National Nominees Limited	4,358,936	1.83
Choiseul Investments Limited	4,251,690	1.78
T.G. Millner Holdings Pty. Limited	3,121,051	1.31
Perpetual Trustee Company Limited	2,854,138	1.20
RBC Dexia Investor Services Australia Nominees Pty. Limited (PIIC A/C)	2,845,554	1.19
Hexham Holdings Pty. Limited	2,713,127	1.14
Australian Reward Investment Alliance	2,459,732	1.03
Mr Robert Dobson Millner & Mr Michael John Millner (Est James S Millner A/C)	2,412,477	1.01
Citicorp Nominees Pty. Limited (CFSIL Cwlth Aust SHS 4 A/C)	2,184,584	0.92
Citicorp Nominees Pty. Limited (CFS WSLE 452 Aust Share A/C)	2,077,850	0.87
Cogent Nominees Pty. Limited	2,058,631	0.86
Argo Investments Limited	1,532,507	0.64
Dixson Trust Pty. Limited (A/C No 1)	1,332,200	0.56
Farjoy Pty Limited	1,150,000	0.48

AUSTRALIAN SECURITIES EXCHANGE LISTING

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

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WASHINGTON H SOUL PATTINSON

WHSP

- INCORPORATED 1903 -