WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

A.B.N. 49 000 002 728

DIRECTORS' ANNUAL REPORT and FINANCIAL STATEMENTS

2006

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)
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
Executive Director
Director since 1997

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

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

CHIEF FINANCIAL OFFICER
MELINDA R RODERICK, CA

SECRETARY
ROBERT A O'BRIEN

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 855 080 (within Australia)
Telephone: +61 3 9415 4000 (outside Australia)
Facsimile: +61 2 8234 5050
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 its controlled entities for the financial year ended 31 July 2006.

1. DIRECTORS

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

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

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

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

Listed company directorships held during the past three years:

- New Hope Corporation Limited – Appointed 1995 (current)
- SP Telemedia Limited – Appointed 2000 (current)
- Souls Private Equity Limited – Appointed 2004 (current)
- KH Foods Limited – Appointed 1994 Retired 2004
- Brickworks Limited – Appointed 1997 (current)
- Brickworks Investment Company Limited – Appointed 2003 (current)
- Australian Pharmaceutical Industries Limited – Appointed 2000 (current)
- Milton Corporation Limited – Appointed 1998 (current)
- Choiseul Investments Limited – Appointed 1995 (current)

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

Deputy Chairman (Non-Executive Director since 1997, appointed Deputy Chairman 1998 and is a member of the Audit Committee)

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

Listed company directorships held during the past three years:

- SP Telemedia Limited – Appointed 1997 (current)
- KH Foods Limited – Appointed 1997 Retired 2006
- Brickworks Limited – Appointed 1998 (current)
- Choiseul Investments Limited – Appointed 2001 (current)
- Ruralco Limited – Appointed 2003 Resigned 2006
- Australian Food & Fibre Limited – Appointed 2000 Resigned 2004

Peter Raymond Robinson B. Com. (UNSW)

Executive Director

Joined the Company 1978, appointed Director 1984.

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

Listed company directorships held during the past three years:

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

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

Executive Director appointed Director 1997.

Mr Fairfull is Joint Managing Director of Pitt Capital Partners Limited, a controlled entity, and a non-executive director of the Group's listed entities New Hope Corporation Limited, SP Telemedia Limited and Souls Private Equity Limited. Mr Fairfull is also a director of Australian Pharmaceutical Industries Limited and Chairman of B Digital Limited.

Listed company directorships held during the past three years:
- New Hope Corporation Limited – Appointed 1997 (current)
- SP Telemedia Limited – Appointed 2000 (current)
- Souls Private Equity Limited – Appointed 2004 (current)
- KH Foods Limited – Appointed 1997 Retired 2004
- Clover Corporation Limited – Appointed 2002 Resigned 2004
- Australian Pharmaceutical Industries Limited – Appointed 2000 (current)
- Stockland Limited – Appointed 1990 Retired 2006
- B Digital Limited – Appointed 2005 (current)
- Gazal Corporation Limited – Appointed 1987 Resigned 2004

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

Non-executive Director appointed 1 April, 2006 and is a member of the Audit Committee.

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

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

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

Non-executive Director appointed 1 April, 2006 and is Chairman of the Audit Committee

Mr Westphal is a Chartered Accountant and was a partner of Ernst & Young for 25 years. He has many years 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 also Chairman of the Board of Governors of Queenwood School for Girls Limited as well as a non-executive director of a number of companies in which Souls Private Equity Limited has invested.

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

2. COMPANY SECRETARY

Robert Alfred O'Brien

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

DIRECTORS' MEETINGS

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

	Director's Meetings		Remuneration Committtee Meetings		Audit Committee Meetings	
	Eligible to attend	**Number Attended**	**Eligible to attend**	**Number Attended**	**Eligible to attend**	**Number Attcnded**
MR R D Millner +	17	17	1	1	-	-
Mr M J Millner * +	17	16	1	1	5	5
Mr P R Robinson	17	17	-	-	-	-
Mr D J Fairfull	17	16	-	-	3	3
Mr D E Wills * +	7	4	-	-	2	1
Mr R G Westphal * +	7	7	-	-	2	2

* Denotes current member of the Audit Committee of Directors.

On 1 April, 2006 Mr D E Wills and Mr R G Westphal were appointed to the Board and to the Audit Committee and Mr D J Fairfull resigned from the Audit Committee

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

DIRECTORS' REPORT (CONTINUED)

CONSOLIDATED FINANCIAL PERFORMANCE

The Profit of the Group, **after tax and before non regular items**, attributable to shareholders for the year ended 31 July, 2006 was $102.6 million an increase of 6.7% over the previous year. Increased normalised profits from associated entity Brickworks Limited and the Group's Australian coal operations have underpinned the consolidated result which was severely impacted by the significant net loss incurred by KH Foods Limited as well as a reduced contribution from SP Telemedia Limited.

The Profit of the Group, **after tax and non-regular items**, was $91.5 million, a decrease of 77.4% over the previous year. Last year's non regular items included the share of profit on the sale of NHC's international coal assets and gains arising from the issue of new shares by controlled entities and associates.

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

	2006	**2005**		**%**
	$000	**$000**		**Change**
Revenue from ordinary activities	909,815	587,861	+	54.8%
Profit after tax before non regular items	102,622	96,164	+	6.7%
Profit after tax and non regular items	91,512	405,730	-	77.4%
Share of net profits of Associates	43,927	34,306	+	28.0%
Final Dividend	16.0c	15.0c	+	6.7%
Interim Dividend	11.0c	10.0c	+	10.0%
Total Dividends (excluding Special Dividends)	27.0c	25.0c	+	8.0%

DIVIDENDS

1. Final Dividend

Directors recommend the payment of a fully franked final dividend of 16 cents per share in respect of the year ended 31 July 2006 (2005–15 cents).

2. Special Dividend

As referred to in last year's Directors' Report, directors have declared a further special fully franked dividend of 15 cents per share (2005 - 5 cents) arising from the profit on the sale of New Hope Corporation Limited's international coal assets, and this will be paid in conjunction with the final dividend.

The final dividend of 16 cents per share, to be approved by Shareholders at the Annual General Meeting, and the special dividend of 15 cents per share, will be payable on 4 December, 2006. The record date for both the final and special dividend will be 2 November, 2006.

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

	Cents Per Share	**Total amount $'000**	**Franked/ Unfranked**	**Date of Payment**
Declared and paid during the financial year				
Final ordinary dividend 2005	15.0	35,796	Fully Franked	28 Nov 2005
2nd Special Dividend arising from the sale of NBN Television to SP Telemedia Limited	10.0	23,864	Fully Franked	28 Nov 2005
Special Dividend result of profit distribution by NHC from the sale of its international coal assets	5.0	11,932	Fully Franked	28 Nov 2005
Interim ordinary dividend 2006	11.0	26,250	Fully Franked	11 May 2006
Dealt with in the financial report as dividends	41.0	97,842		
Declared after the end of year				
Proposed final ordinary dividend 2006	16.0	38,182	Fully Franked	4 Dec 2006
Special Dividend result of profit distribution by NHC from the sale of its international coal assets	15.0	35,796	Fully Franked	4 Dec 2006
	31.0	73,978		

REVIEW OF OPERATIONS

INVESTMENTS – Share Portfolio

The market value of the listed investment portfolio, including listed controlled entities and associates, was $2.2 billion as at 31 July, 2006. Excluding controlled entities and associates, the market value of the listed investment portfolio increased by $83 million to $468 million. In accordance with group accounting policies, this increase is credited to the revaluation reserve.

During the year $33 million was invested in the equity market and $10 million was provided as seed capital for the Souls Select Australian Share Fund. The main purchases were Roberts Limited (subsequently taken over by Ruralco Holdings Limited), Fiducian Portfolio Services Ltd., Apex Healthcare Berhad and AMP Limited. Proceeds from disposals totalled $9 million and included the sale of Patrick Corporation Limited, Metcash Limited, Australian Ethanol Limited and Colorado Group Limited.

Dividend income from investments, excluding controlled entities and associates, was $18.2 million for the year, an increase of 10% on the previous year. Special and increased dividends from Bank of Queensland Limited, Choiseul Investments Limited, BHP Billiton Limited and Ruralco Holdings Limited contributed to the increase.

INVESTMENTS – Associated Entities

Australian Pharmaceutical Industries Limited (API)

API's net profit after tax for the year ended 30 April, 2006 was $20.4 million, a decrease of 41.4% over the previous year. Shareholders will no doubt be aware of discrepancies amounting to $17.2 million which arose during API's results consolidation process when a number of significant items did not reconcile. Extensive forensic accounting, investigation and review processes failed to provide conclusive evidence as to how the discrepancies arose and, accordingly, the API Board took the conservative position and wrote-off the $17.2 million against the profit for the year. API is of the view that the discrepancies relate to the processes in the conversion from the previous legacy IT systems to the new IT platform and investigations as to their cause are ongoing.

Revenue from continuing operations was $2.6 billion, an increase of 11% on the previous year while underlying earnings (EBITD) of $73 million, excluding all one-off expenses, was 3% ahead of last year. API's Retail Division made good progress with its strategic implementation and grew earnings whilst Pharmacy Distribution maintained its share of a highly competitive low growth market. Consumer Brands was restored to positive earnings during the year after a period of restructuring.

Having regard to the issues surrounding the discrepancy, the API Board took the view that the underlying business was fundamentally sound and, accordingly, declared a fully franked final dividend of 3 cents per share taking total dividends for the year to 9.25 cents (2005 13 cents).

Brickworks Limited (Brickworks)

Brickworks normalised net profit after tax, before non-regular items, for the year ended 31 July, 2006 was $101.9 million, an increase of 17%.

The main factors contributing to the increased result were a significant increase in profit from land and development offsetting reductions from building products and associates. As an associate of WHSP, last year Brickworks shared in the significant non regular profit from the sale of New Hope Corporation Limited's overseas coal assets.

Brickworks directors are recommending an increase in the final dividend to 25 cents per share fully franked, taking the full year dividend to 36 cents per share fully franked. This is an increase of 16% from the 31 cents per share paid in the previous year.

The Building Products Division has again been affected by the continued decline in the building industry. Since peaking in December, 2003, the housing market has experienced the longest decline since records began, exacerbated recently by lower consumer confidence caused by higher interest rates and fuel prices.

EBITDA for the Building Products Division for the year was $92.0 million (19.0% to sales) a decline of 14.0% compared with the previous period. Brickworks is focused on maintaining the margins, despite the downturn and competitive environment. The Building Products Division is more exposed to NSW than any other state and this held back results. Whilst Western Australia performed well it was unable to balance the sluggish performances of the east coast states.

In 1 August, 2006 Brickworks completed the acquisition of GB Masonry for $17.5 million. The integration into Austral Bricks was completed swiftly and successfully and the acquisition is expected to be earnings positive immediately.

In Land and Development, Brickworks property realisation program for surplus land holdings saw its highest return to date. Profit before tax increased by $23.8 million to $50.3 million during the year, a 90% increase.

In August, 2006 Brickworks announced the formation of a property trust in the form of a 50:50 joint venture with Macquarie Goodman Wholesale Trust. The property trust will house numerous industrial developments commencing with the Mamre Road, Erskine Park developments and selected M7 Business Hub developments, all located in Sydney's western suburbs.

The Horsley Park and Bowral waste facilities provided royalties of $1.9 million during the year. The royalties from the Horsley Park facility operated by Collex, have continued to be well over the minimum requirement and the forecast amount.

Brickworks associated entity Brickworks Investment Company Limited (BKI) has reported a net profit after tax for the year ended 30 June, 2006 of $12.8 million compared with $10.5 million in the previous year. Brickworks equity accounted share of BKI's profit was $2.8 million.

DIRECTORS' REPORT (CONTINUED)

Clover Corporation Limited (Clover)

Clover's profit for the year was $453,000, a decrease of 41% compared with the last financial year. The profit was affected by start-up losses of $357,000 in their soy flour joint venture, the expensing of $675,000 in research and product development costs and a $191,000 asset write-down.

Clover has recently secured its source of tuna oil through the extension of its supply contract with Star-Kist Seafood for a further five years. Additionally, Clover has finalised an agreement with an internationally recognised research partner in relation to an improved microencapsulation technology which will improve the functionality of the powdered Driphorm ingredients range of applications.

In September, 2006 Clover's subsidiary Nu-Mega Ingredients Pty. Ltd. signed a long term supply agreement with So Natural Foods Australia Ltd. for the provision of Nu-Soya® whole soy flour ingredients. The use of Nu-Soya® will begin progressively during the current financial year.

Dr. Ian Brown was appointed as Managing Director and CEO of Clover on 26 June, 2006. Dr. Brown has 25 years of technical and commercial experience in the cereals, ingredient, food and nutrition industries.

CONTROLLED ENTITIES

New Hope Corporation Limited Group (NHC)

NHC Australian operations, in its first full year since the sale of its overseas assets, produced a profit after tax and outside equity interests of $68.7 million for the year ended 31 July, 2006, an increase of 29% compared with the 2005 equivalent result. Shareholders will recall that NHC's 2005 result included a significant non regular profit of $352.6 million from the sale of its overseas assets.

Basic earnings per share at 8.6 cents are 19% above last year's Australian operations component of 7.2 cents per share.

Australian mining operations, which are at full capacity, benefited from improved coal prices, offset to some extent by higher costs of tyres, fuel and explosives. Coal export volumes increased by 17% to 2.5 million tonnes whilst domestic sales were 3% lower at 1.3 million tonnes.

The major source of coal production was from NHC's New Acland Mine which produced 2.6 million tonnes. The balance of production of 1.1 million tonnes came from the Jeebropilly and New Oakleigh mines located in the Ipswich region of South East Queensland.

The New Acland Stage 2 mine expansion is underway and on schedule for completion by April, 2007. Specifically, an additional wash plant module is under construction, new mining equipment is on order and construction of additional site infrastructure has commenced. When the Stage 2 expansion is completed the total mine capacity will increase to 4 million tonnes per annum.

In June, 2006 NHC announced that the New Acland Mine had entered into an option agreement to supply coal to the Tarong Energy Corporation at the rate of 5.7 million tonnes per annum for up to 25 years. If Tarong Energy Corporation exercises the option on or before 30 June, 2007, the New Acland Mine would initiate a Stage 3 expansion taking production to approximately 8.7 million tonnes by the end of 2010. The Tarong option agreement is subject to several conditions precedent that need to be satisfied before the option is exercised.

NHC has substantially increased its exploration efforts in the Bowen Basin of Central Queensland and the Clarence-Moreton Basin on the Darling Downs. Exploration expenditure increased by 115% to $9 million during the year. Exploration in South East Queensland is aimed at proving up potential open cut thermal coal resources in readiness for the Tarong Energy Corporation Option Agreement, if exercised, and to identify areas of additional future coal supply in the Acland region.

NHC announced in August, 2006 that it had acquired an 18.8% shareholding in Arrow Energy N.L., a major coal seam gas group. This acquisition is consistent with NHC's stated strategy of diversification with an expanded energy portfolio complimentary to its domestic coal energy business.

NHC has declared a final dividend of 2.5 cents per share for the year ended 31 July, 2006 and a special dividend of 4.5 cents per share, both fully franked and payable on 14 November, 2006.

SP Telemedia Limited (SPT)

SPT reported a profit after tax for the year ended 31 July, 2006 of $8.2 million, a decrease of 49.1% on the previous year. The decrease in profit is attributable to changes in accounting policies as a result of A-IFRS, non-recurring significant items in B Digital (46% owned by SPT) and losses in the SOUL Voice business which traded profitably in June and July, 2006. Before these significant items, SPT's normalised profit for the 2006 year was $17 million, a decrease of 3% on last year's result.

Media operations (NBN Television) contributed a profit after tax of $7.9 million which was marginally up on last year as was revenue. NBN's ratings and audience share continue to grow with a year to date audience share of 34.2% being over 4 points higher than the National average for Nine Network stations in capital cities.

The media operations have expanded in the last six months into new media and event production, and it is anticipated that these initiatives will deliver strong revenue streams in future years.

Whilst the focus on Soul Telecommunications for the year under review has been on the integration of the B Digital and SPTCom (SOUL Voice) businesses, other major achievements during the year, which will impact positively on SPT's future earnings, include:

- The introduction and marketing of the new "SOUL" brand.
- New voice contracts for SPTCom's IP Network
- The formation of 'Ausalliance' with Austar and Unwired for the delivery of broadband products and services to regional Australia. Ausalliance is hopeful of being a major beneficiary of Connect Australia funding.
- The acquisition of the 50% interest in the SPT and Kooee joint ventures previously owned by WIN Television the consideration for which was the issue of 50 million SPT shares.

SPT has declared a fully franked final dividend for the year ended 31 July, 2006 of 1.2 cents per share (2005 1.2 cents per share) on its increased share capital. When combined with the 2006 interim dividend of 1.2 cents per share, the total amount paid as dividends was $9.1 million for the year.

KH Foods Limited (KHF)

KHF has reported a loss for the year of $39.5 million which comprised a trading loss of $33.8 million and a net loss on one-off non-regular items of $5.7 million.

The Boards of KHF and Washington H. Soul Pattinson and Company Limited deem the trading loss as totally unacceptable.

Remedial action to stem the extent of the trading loss was taken by the KHF Board during the financial year with the management team, including the Managing Director, being replaced with a new and enthusiastic group of senior management headed by CEO Mr. Ray Mooney, who has extensive experience in the baking industry.

A great deal of work has been done by the new management team in a short space of time to remedy past business practices which have contributed to the trading losses, despite significant sales growth in the past 2 years.

It is evident that KHF has been through a difficult period and many challenges still lie ahead. However, the current initiatives and business plan should bring stability to KHF during the next financial year.

WHSP has agreed to a proposed capital restructure of KHF which is currently under review and is subject to the approval of KHF's shareholders. The elements of the restructure include the conversion by WHSP of approximately $16 million debt to equity in addition to a new capital raising by KHF of not less than $15 million by way of a rights issue to be fully underwritten by WHSP.

Pitt Capital Partners Limited (PCP)

PCP had a satisfactory year in regard to work-in-progress and projects in hand, however, profit after tax for the year ended 31 July, 2006 declined to $1.6 million. PCP's Sydney operations were profitable whilst the South Australian and Asian (Hong Kong) operations recorded losses for the year.

PRINCIPAL ACTIVITIES

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

There were no significant changes in the nature of the consolidated entity's principal activities during the year.

STATE OF AFFAIRS

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

REVIEW OF FINANCIAL POSITION

The consolidated entity is in a strong financial position with net assets of $2 billion which includes a diverse group of investments totalling $1.5 billion. The directors believe the Group is in a strong and stable position to grow its current operations.

EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year SP Telemedia Limited has made a bid for the remaining 54% of the share capital in B Digital Limited that it does not already own. The offer is for 16 cents per ordinary share in B Digital Limited and closes on 10 November 2006.

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

LIKELY DEVELOPMENTS, BUSINESS STRATEGY AND PROSPECTS

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

DIRECTORS' INTERESTS

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

	Ordinary Shares
Mr R D Millner	16,269,025
Mr M J Millner	15,904,005
Mr P R Robinson	74,210
MR D J Fairfull	60,000
Mr D E Wills	10,000
Mr R G Westphal	5,000

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT

Scope of Report

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

Remuneration Committee

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

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

Non-executive Directors

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

The aggregate amount of fees which may be paid to non-executive directors 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, 2006 fees paid to the non-executive directors of the parent entity amounted to $369,221 which included the statutory superannuation guarantee contribution of 9%.

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

Executive Directors and Senior Executives

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

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

No employment contracts for either executive directors or senior executives were in place at any time during the financial year.

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

Company Performance, Shareholder Wealth and Remuneration

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

	AGAAP			A-IFRS	
	2002	**2003**	**2004**	**2005**	**2006**
Revenue from ordinary activities ($000)	$334,307	$340,624	$392,854	$587,861	$909,815
Profit after tax ($000) (before non-regular items)	$65,987	$78,706	$81,508	$96,164	$102,622
Share price at year end	$4.98	$5.90	$7.35	$9.60	$7.80
Ordinary dividends paid	14 cents	17 cents	20 cents	25 cents	27 cents
Special dividends paid	5 cents	5 cents	10 cents	15 cents	15 cents

Key management personnel of the parent entity

Non – executive directors

Mr R D Millner – Chairman

Mr M J Millner – Deputy Chairman

Mr D E Wills

Mr R G Westphal

Executive directors

Mr P R Robinson

Mr D J Fairfull – Managing Director of Pitt Capital Partners Limited

Other key management personnel of the parent entity

Mr N L Smallbone – Financial Controller (retired 07 July 2006)

Ms M R Roderick – Chief Financial Officer (appointed 27 June, 2006)

Mr R A O'Brien – Company Secretary

Key management personnel of the Consolidated Entity

Mr R C Neale – General Manager, New Hope Corporation Limited

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

Mr M Simmons – General Manager, SP Telemedia Limited

Mr J Eather – General Manager, NBN Limited

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

Key Management Personnel	Short Term Employee Benefits			Post Employment Benefits		Share Based Payments	Total
	Salary & Fees	Cash Bonus	Non Monetary Benefits	Super-annuation	Termination Benefits	Value of Options	
Name	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Non-executive Directors - 2006							
Mr R D Millner - Chairman	350	-	37	31	-	-	418
Mr M J Millner – Deputy Chairman	168	-	-	15	-	-	183
Mr D E Wills – Director Appointed 1 April, 2006	60	-	-	5	-	-	65
Mr R G Westphal – Director Appointed 1 April, 2006	61	-	-	5	-	-	66
Executive Directors – 2006							
Mr P R Robinson	537	-	47	89	-	-	673
Mr D J Fairfull	674	-	-	60	-	-	734
Key Management Personnel of the Parent Entity – 2006							
Mr N L Smallbone Financial Controller – retired 7 July, 2006	168	-	24	38	-	-	230
Ms M R Roderick Chief Financial Officer Appointed 27 June, 2006	21	-	1	2	-	-	24
Mr R A O'Brien Company Secretary	149	-	26	16	-	-	191
Key Management Personnel of the Consolidated Entity – 2006							
Mr R C Neale – General Manager New Hope Corporation Limited	390	36	36	95	-	234	791
Mr P K Mantell – Chief Financial Officer & Company Secretary, New Hope Corporation Limited	235	20	23	35	-	192	505
Mr M Simmons – General Manager, SP Telemedia Limited	415	80	23	70	-	18	606
Mr J Eather – General Manager NBN Limited	418	80	22	70	-	18	608
Total	**3,646**	**216**	**239**	**531**	**-**	**462**	**5,094**

DIRECTORS' REPORT (CONTINUED)

Key Management Personnel	Short Term Employee Benefits			Post Employment Benefits		Share Based Payments	Total
	Salary & Fees	Cash Bonus	Non Monetary Benefits	Super-annuation	Termination Benefits	Value of Options	
Name	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Non-executive Directors – 2005							
Mr R D Millner – Chairman	271	-	31	25	-	-	327
Mr M J Millner – Deputy Chairman	165	-	-	15	-	-	180
Executive Directors – 2005							
Mr P R Robinson	451	-	39	76	-	-	566
Mr D J Fairfull	511	-	-	46	-	-	557
Mr G L Robertson	115	-	19	11	407	230	782
Key Management Personnel of the Parent Entity - 2005							
Mr N L Smallbone Financial Controller –	181	-	17	31	-	-	229
Mr R A O'Brien Company Secretary	137	-	21	14	-	-	172
Mr J G Riley - Accountant/Internal Auditor	106	-	11	10	-	-	127
Key Management Personnel of the Consolidated Entity - 2005							
Mr R C Neale– General Manager New Hope Corporation Limited	245	20	32	100	-	32	429
Mr D Ledbury – Managing Director SP Telemedia Limited	404	50	24	62	-	-	540
Mr M Simmons – General Manager, SP Telemedia Limited	329	80	22	73	-	-	504
Mr J Eather – General Manager NBN Limited	321	80	20	56	-	-	477
Total	**3,236**	**230**	**236**	**519**	**407**	**262**	**4,890**

NOTE: None of the options disclosed above have lapsed.

INDEMNIFICATION OF OFFICERS AND AUDITORS

Indemnification

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

Insurance

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

Auditors

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

ENVIRONMENTAL COMPLIANCE

New Hope Corporation Limited's (NHC) operations are subject to regulation under the Environmental Protection Act 1994 administered by the Environmental Protection Agency. NHC's activities are authorised by a series of environmental authorities and must comply with the conditions of these authorities to maintain compliance.

There were no fines or prosecutions incurred by NHC under environmental laws and regulations during the year. A small number of non-compliances were identified this year during routine inspections by the Environmental Protection Agency. NHC has worked diligently with the Environmental Protection Agency to quickly rectify these matters.

NHC is committed to continually improving its environmental management processes to eliminate the possibility of non-compliance and to minimise the risk of adverse environmental impact. As part of this commitment, NHC regularly conducts non-compulsory self-monitoring of it operations in an effort to proactively manage its environmental responsibilities. This monitoring extends across a broad spectrum of environmental impacts, including but not limited to dust emissions, noise emissions, water quality and soil quality. Where the results of this self monitoring suggest that NHC may be in breach of its authority, these results are shared with the Environmental Protection Agency, with a view to resolving the underlying issue and preventing any possible adverse environmental impact as a result of its operations.

The consolidated entity is subject to environmental regulation in respect of its manufacturing activities. To the best of the directors' knowledge, all activities have been undertaken in compliance with the relevant regulations.

NON AUDIT SERVICES

Moore Stephens Sydney, the Company's auditor, has not performed any other services in addition to their statutory duties.

The Auditors Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As a result of the introduction of Australian equivalents to International Financial Reporting standards (A-IFRS) the Company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to A-IFRS is included in note 49 to the Financial Statements.

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 98/0100.

Dated at Sydney this 26th day of October, 2006.

Signed in accordance with a resolution of the Directors:

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

MOORE STEPHENS

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

CONSULTANTS:
Pat Bugden FCA
Anja Dorrell CA

Auditor's Independence Declaration

As lead auditor for the audit of Washington H. Soul Pattinson and Company Limited and its Consolidated Entities for the year ended 31 July 2006, 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 Consolidated Entities during the period.

S M WHIDDETT
Partner
Moore Stephens Sydney

Dated this 25th day of October 2006
Sydney

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

CORPORATE GOVERNANCE STATEMENT

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

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

ASX Principle 1 – Lay solid foundations for management and oversight

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

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

Responsibilities of the Board include the following:

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

ASX Principle 2 – Structure the Board to add value

- In accordance with the Company's constitution, the Board should comprise no less than 3 or more than 6 Directors.
- The names of the Directors of the Company at the date of this statement are set out in the Directors' Report.
- At the date of this report the Board consists of 4 non-executive and 2 executive directors. Directors' details are contained in the Directors' Report.
- The Chairman of the Board should be a non-executive director.
- Under ASX Best Practice Recommendations 2 non-executive directors are not independent for the following reason:-

Mr. Robert Millner and Mr. Michael Millner are both directors of Brickworks Limited a major shareholder in Washington H. Soul Pattinson and Company Limited.

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

ASX Principle 3 – Promote ethical and responsible decision making

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

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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

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

ASX Principle 4 – Safeguard integrity in financial reporting

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

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

The external and internal auditors both have direct access to the audit committee if required.

- The function of the audit committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:
- The external reporting of financial information, including the selection and application of accounting policies;
- The independence and effectiveness of the external auditors;
- The effectiveness of internal control processes and management information systems;
- Compliance with the Corporations Act, ASX Listing Rules and any other applicable requirements; and
- The application and adequacy of risk management systems within the Company.

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

ASX Principle 5 – Make timely and balanced disclosure

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

ASX Principle 6 – Respect the rights of shareholders

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

- An Annual Report is distributed to shareholders in October each year
- The Chairman's Address to the Annual General Meeting is distributed to shareholders in November 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 internet website as soon as it is disclosed to the market.
- 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.
- Where applicable, the utilisation of specialised staff and external advisors.

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

ASX Principle 8 – Encourage enhanced performance

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

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

ASX Principle 9 – Remunerate fairly and responsibly

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

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

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

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

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

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

ASX Principle 10 – Recognise the legitimate interest of stakeholders

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

Washington H. Soul Pattinson and Company Limited
Financial report
31 July 2006

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 26 October 2006.

INCOME STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

	Note	Consolidated		Parent Entity	
		2006	2005	**2006**	2005
		$'000	$'000	**$'000**	$'000
Revenue from continuing operations	4	**909,815**	587,861	**158,138**	87,759
Other income	5	**18,567**	99,681	**4,960**	158,186
Cost of sales		**(546,010)**	(315,550)	**(7,681)**	(7,797)
Selling and Distribution expenses		**(175,534)**	(101,162)	**(2,281)**	(2,310)
Administration		**(62,344)**	(61,849)	**(2,984)**	(2,856)
Occupancy expenses		**(3,018)**	(3,176)	**(330)**	(572)
Other expenses		**(22,181)**	(15,837)	-	-
Impairment of non-current assets		**(11,735)**	(4,773)	**-**	-
Finance costs		**(6,620)**	(6,123)	**(846)**	(572)
Share of profits of associates and partnerships using the equity method		**43,927**	34,306	-	-
Profit before income tax		**144,867**	213,378	**148,976**	231,838
Income tax expense	7	**(34,793)**	(48,698)	**(3,879)**	(6,873)
Profit from continuing operations		**110,074**	164,680	**145,097**	224,965
Profit from discontinued operations	8	**-**	414,963	**-**	-
Profit for the year		**110,074**	579,643	**145,097**	224,965
Profit attributable to minority equity interest		**(18,562)**	(173,913)	**-**	-
Profit attributable to members of Washington H. Soul Pattinson and Company Limited		**91,512**	405,730	**145,097**	224,965
Profit before non regular items from ordinary activities after tax attributable to members		**102,622**	96,164	**78,201**	69,407
(Loss)/Profit from non regular items after income tax attributable to members	6(ii)	**(11,110)**	309,566	**66,896**	155,558
Profit after tax and non regular items for the period attributable to members		**91,512**	405,730	**145,097**	224,965

	Cents	Cents
Earnings per share	**2006**	2005
Basic and diluted earnings per share to ordinary equity holders of the company		
Continuing operations	**38.35**	59.05
Discontinued operations	**-**	110.97
	38.35	170.02
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 above income statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS
AS AT 31 JULY 2006

		Consolidated		Parent Entity	
	Note	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
Current assets					
Cash and cash equivalents	11	**77,986**	695,773	**1,173**	3,478
Trade and other receivables	12	**137,974**	148,812	**3,955**	4,323
Inventories	13	**28,907**	25,040	**911**	933
Assets classified as held for sale	14	**-**	2,142	**-**	-
Intangibles	15	**36,950**	36,686	**-**	-
Other financial assets at fair value through profit or loss	16	**65,869**	9,075	**4,631**	2,806
Held to maturity investments	17	**435,059**	87,000	**90,500**	87,000
Derivative financial instruments	46	**8,060**	-	**-**	-
Total current assets		**790,805**	1,004,528	**101,170**	98,540
Non current assets					
Trade and other receivables	18	**29,812**	31,993	**52,912**	177
Investments accounted for using the equity method	19	**519,221**	423,529	**-**	-
Available for sale financial assets	20	**474,064**	173,732	**473,048**	170,955
Other financial assets	21	**21,133**	47,822	**382,940**	413,939
Property, plant and equipment	22	**358,749**	289,798	**5,022**	5,277
Investment properties	23	**1,559**	1,586	**-**	-
Deferred tax assets	24	**10,202**	28,788	**-**	2,740
Intangible assets	25	**218,215**	194,653	**-**	-
Total non current assets		**1,632,955**	1,191,901	**913,922**	593,088
Total assets		**2,423,760**	2,196,429	**1,015,092**	691,628
Current liabilities					
Trade and other payables	26	**122,035**	126,587	**1,838**	2,142
Short-term borrowings	27	**32,882**	18,118	**15,841**	13,476
Current tax liabilities		**27,642**	68,139	**3,871**	3,095
Short-term provisions	30	**13,089**	42,336	**520**	24,334
Other	32	**40,667**	37,519	**-**	-
Total current liabilities		**236,315**	292,699	**22,070**	43,047
Non current liabilities					
Long-term borrowings	28	**65,844**	60,473	**-**	-
Deferred tax liabilities	29	**154,414**	102,118	**94,738**	27,069
Long-term provisions	31	**13,713**	17,786	**799**	704
Other	33	**10,332**	10,810	**-**	-
Total non current liabilities		**244,303**	191,187	**95,537**	27,773
Total liabilities		**480,618**	483,886	**117,607**	70,820
Net assets		**1,943,142**	1,712,543	**897,485**	620,808
Equity					
Issued Capital	34	**32,900**	32,900	**32,900**	32,900
Reserves	35	**638,903**	426,669	**608,053**	402,494
Retained earnings		**725,647**	689,932	**256,532**	185,414
Parent entity interest		**1,397,450**	1,149,501	**897,485**	620,808
Minority equity interest		**545,692**	563,042	**-**	-
Total Equity		**1,943,142**	1,712,543	**897,485**	620,808

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2006

	Share Capital $'000	Retained Profits $'000	Reserves $'000	Minority interests $'000	Total $'000
Consolidated Entity					
Total equity at the beginning of the year - 1 August 2004	32,900	320,348	425,517	243,160	1,021,925
Net movement in asset revaluation reserve	-	-	(1,242)	-	(1,242)
Net movement in share based payments reserve	-	-	1,046	615	1,661
Net movement in foreign currency translation reserve	-	-	2,222	793	3,015
Net movement in capital profits reserve			(874)	58	(816)
Net profit for the year	-	405,730	-	173,913	579,643
Dividends declared and paid	-	(36,192)	-	(17,058)	(53,250)
Acquisition of minority interest	-	-	-	42,157	42,157
Adjustments to minority interest on sale of interests in subsidiaries	-	-	-	(61,650)	(61,650)
Increase in Group's share of subsidiaries	-	-	-	(119,297)	(119,297)
Shares issued during the year	-	-	-	300,351	300,351
Equity adjustment	-	46	-	-	46
Total equity at the end of the year - 31 July 2005	**32,900**	**689,932**	**426,669**	**563,042**	**1,712,543**
Total equity at the beginning of the year - 1 August 2005	32,900	689,932	426,669	563,042	1,712,543
Effect of adoption of AASB 132 and AASB139 on 1 August 2005 – to reserves	-	-	178,878	5,408	184,286
Net movement in asset revaluation reserve, net of tax	-	2,048	36,759	928	39,735
Options expense	-	-	1,286	838	2,124
Net movement in treasury reserve	-	-	(230)	-	(230)
Net movement in hedge reserve	-	-	(3,421)	(2,107)	(5,528)
Net movement in foreign currency translation reserve	-	-	(1,038)	(26)	(1,064)
Net profit for the year	-	91,512	-	18,562	110,074
Dividends declared and paid	-	(53,238)	-	(65,072)	(118,310)
Increase in Group's share of subsidiaries	-	-	-	(6,966)	(6,966)
Shares issued during the year	-	-	-	57,729	57,729
Return of capital	-	-	-	(30,738)	(30,738)
Equity adjustment	-	(4,393)	-	4,094	(299)
Revaluation of investment in associates	-	(214)	-	-	(214)
Total equity at the end of the year - 31 July 2006	**32,900**	**725,647**	**638,903**	**545,692**	**1,943,142**

	Note	Share Capital $'000	Retained Profits $'000	Reserves $'000	Total $'000
Parent Entity					
Total equity at the beginning of the year - 1 August 2004		32,900	12,860	402,494	448,254
Net profit for the year		-	224,965	-	224,965
Dividends declared and paid		-	(52,501)	-	(52,501)
Equity adjustments		-	90	-	90
Total equity at the end of the year - 31 July 2005		**32,900**	**185,414**	**402,494**	**620,808**
Total equity at the beginning of the year - 1 August 2005		32,900	185,414	402,494	620,808
Effect of adoption of AASB 132 and AASB 139 on 1 August 2005 – to reserves	35	-	-	170,096	170,096
Revaluation of available-for-sale investments, net of tax		-	-	37,243	37,243
Transfer to profit on sale of available-for-sale investments, net of tax		-	-	(1,780)	(1,780)
Net profit for the year		-	145,097	-	145,097
Dividends declared and paid		-	(73,979)	-	(73,979)
Total equity at the end of the year - 31 July 2006		**32,900**	**256,532**	**608,053**	**897,485**

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

	Note	Consolidated		Parent Entity	
		2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Cash flows from operating activities					
Receipts from customers inclusive of GST		**947,416**	639,124	**14,535**	17,890
Payments to suppliers and employees inclusive of GST		**(873,541)**	(526,338)	**(13,772)**	(18,460)
		73,875	112,786	**763**	(570)
Dividends received		**44,621**	89,486	**136,251**	82,080
Interest received		**38,664**	14,689	**8,567**	6,568
Finance costs		**(6,415)**	(5,280)	**(846)**	(550)
Income taxes paid		**(81,255)**	(28,239)	**(4,247)**	(1,733)
Net cash inflow (outflow) from operating activities	43	**69,490**	183,442	**140,488**	85,795
Cash flows from investing activities					
Payment for property, plant and equipment		**(62,302)**	(78,106)	**(203)**	(343)
Payments to associated entities		**(8,255)**	-	**-**	-
Acquisition of controlled entity, net of cash acquired		**(6,050)**	(45,573)	**-**	(53,985)
Payments for investments		**(430,412)**	(112,595)	**(52,314)**	(37,285)
Proceeds from sale of property, plant and equipment		**5,287**	6,933	**-**	4,711
Proceeds from sale of investments		**20,242**	521,693	**57,856**	21,893
Proceeds from sale of subsidiaries, net of cash disposed of		**(50)**	14,315	**-**	79,548
Funds received from associated entities		**-**	-	**-**	17,600
Loans to related parties		**(47,967)**	(6,065)	**(52,735)**	-
Repayment of loans by related parties		**-**	44,513	**-**	-
Net cash inflow (outflow) from investing activities		**(529,507)**	345,115	**(47,396)**	32,139
Cash flows from financing activities					
Proceeds from issues of equity		**16,642**	185,700	**-**	-
Costs on issue of equity		**(1,590)**	-	**-**	-
Proceeds from borrowings		**23,463**	39,842	**2,446**	4,842
Return of capital		**(30,738)**	-	**-**	-
Repayment of borrowings and leases		**(3,611)**	(78,824)	**-**	-
Dividends paid		**(161,700)**	(93,422)	**(97,843)**	(76,365)
Net cash inflow (outflow) from financing activities		**(157,534)**	53,296	**(95,397)**	(71,523)
Net increase (decrease) in cash and cash equivalents		**(617,551)**	581,853	**(2,305)**	46,411
Cash and cash equivalents at the beginning of the financial year		**695,773**	128,419	**3,478**	2,067
Effect on A-IFRS on classification of cash equivalents		**-**	(13,064)	**-**	(45,000)
Effects of exchange rate changes on cash and cash equivalents		**(236)**	(1,435)	**-**	-
Cash and cash equivalents at the end of the financial year	11	**77,986**	695,773	**1,173**	3,478

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (A-IFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

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.

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.

a) Basis of preparation of accounts

Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include A-IFRSs. Compliance with A-IFRSs ensures that the consolidated financial statements and notes comply with IFRS. The parent entity financial statements and notes also comply with IFRS except that it has elected to apply relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure*.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Washington H. Soul Pattinson and Company Limited financial statements to be prepared in accordance with A-IFRS. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Washington H. Soul Pattinson and Company Limited until 31 July 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from A-IFRS. When preparing Washington H. Soul Pattinson and Company Limited 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with A-IFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 August 2005.

The company has elected to apply the exemption available under AASB 1 not to restate any past business combinations under AASB 3 that occurred before the date of transition.

Reconciliations and descriptions of the effects of transition from previous AGAAP to A-IFRS on the Group's equity and its net income are given in note 49.

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).

Critical accounting estimates

The preparation of financial statements in conformity with A-IFRS 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 1jj.

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 2006 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii. Associates

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

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

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

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

iii. Joint venture operations

The proportionate interests in the assets, liabilities and expenses of a joint venture operation have been incorporated in the financial statements under the appropriate headings.

iv. Partnerships

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

c) Segment reporting

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

d) Foreign currency translation

i. Functional and presentation currency

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

ii. Transactions and balances

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

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

iii. Group companies

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Revenue recognition

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 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.
- Service fee income, and management fee income is recognised as the services are performed.
- 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.

f) 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. 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.

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.

g) 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 recognised for the temporary differences at the tax rates 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 in the tax-consolidated group continue to be responsible by the operation of the tax funding agreement, for funding tax payments required to be made by the head entity arising from underlying transactions of the controlled entities.

Under the revised Urgent Issues Group Interpretation 1052: *Tax Consolidation Accounting*, current tax balances arising from external transactions recognised by entities in the tax consolidated group occurring after the implementation date are held within the respective subsidiaries, and deferred tax assets balances are also recognised within the respective subsidiaries.

h) 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, shares 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

i) 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. If the cost of acquisition is less than the Group' share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognized directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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.

j) 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.

k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less amortisation for doubtful debts. Trade receivables are due for settlement no more than 30 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

l) 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.

m) Non-Current assets held for sale and discontinued operations

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 writedown 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.

Assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets in the balance sheet.

A discontinued operation is a component of the entity 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.

n) Investments and other financial assets

From 1 August 2004 to 31 July 2005

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 August 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Under previous AGAAP, interests in listed and unlisted securities, other than subsidiaries and associates, were brought to account at cost and dividend income was recognised in the income statement when receivable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adjustments on transition date: 1 August 2005

The nature of the main adjustments required to make this information comply with AASB 132 and AASB 139 are that with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost, fair value is the measurement basis. Changes in fair value are either taken to the income statement or an equity reserve. At the date of transition (1 August 2005) changes to the carrying amounts were taken to retained earnings or reserves.

From 1 August 2005

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 which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the Income Statement in the period in which they arise.

ii. Loans and receivables

Loans and receivables are non-derivative assets with fixed determinable payments that are not quoted in an active market and are stated amortised cost using the effective interest rate method. They arise when the Group provides money, goods or services directly to a debtor with no intention to sell the receivable.

iii. Available-for-sale financial assets

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

Available-for-sale financial assets are initially recognised at fair value plus transaction costs. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available for sale are recognised in equity in the asset revaluation reserve. Unlisted securities are traded in inactive markets. They are carried at the present value of net cash inflows from expected future interest or dividends and subsequent disposal of the securities.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

iv. 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 investments are carried at amortised cost using the effective interest method.

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired in the case of available-for-sale financial instrument, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Income Statement.

o) Derivatives - Forward foreign exchange contracts

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

From 1 August 2004 to 31 July 2005

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 August 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Under previous AGAAP, gains or costs arising from entering into a contract intended to hedge the purchase or sale of goods or services, together with the subsequent exchange gains or losses resulting from remeasurement of those contracts by reference to movements in spot exchange rates are deferred in the balance sheet from the inception of the hedging transaction up to the date of the purchase or sale and included in the measurement of the purchase or sale.

If the hedged transaction is not expected to occur as originally designated, or if the hedge is no longer expected to be effective, any previously deferred gains or losses are recognised as revenue or expense immediately.

Adjustments on transition date: 1 August 2005

The nature of the main adjustments required to make this information comply with AASB 132 and AASB 139 are that derivatives will be classified as 'Derivative financial instruments' and measured at fair value. Fair value is exclusive of transaction costs. At the date of transition (1 August 2005) changes to carrying amounts are taken to reserves.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

From 1 August 2005

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. 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.

p) Fair value estimation

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

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

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. 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.

q) 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 applicable depreciation. 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.

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 financial 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 economic entity 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 – 100%
Vehicles	5 – 100%
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. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount of those assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The recoverable amount is assessed on the basis of the net expected cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

r) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the term of the lease.

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity 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 economic entity will obtain ownership of the asset or over the term of lease.

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

Development expenditure incurred by the consolidated entity 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.

t) 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.

u) Intangible assets

i. Trademarks and Licences

Trademarks and Licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line methods to allocate the cost of trademarks and licences over the estimated useful lives, which vary from 3 to 5 years.

ii. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value. Goodwill on acquisition of subsidiaries in included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Any 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 in recognised.

Goodwill is tested for impairment annually and when indicators of impairment exist, and is carried at cost less accumulated impairment losses. Gains and Losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

iii. 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.

iv. Capitalised subscriber costs

Capitalised subscriber costs comprising dealer connection commissions, fulfilment costs and simcards 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.

v. Brand names

The Brand Names have a finite useful life and are carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight line method to allocate the cost of the Brand Names over its estimated useful life, which is assessed to be 20 years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Straight line method is used. The expected useful life of software 3 to 5 years.

v) 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 have impaired. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its 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 group of assets. The impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

w) Trade and other payables

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 45 days of recognition.

Borrowings

Borrowings are initially recognised at fair value, net of transaction cost 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 incremental cost relating to the actual draw-down of the facility, are recognised are prepayments and amortised on a straight-line basis over the term of facility.

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.

x) 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. Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings and finance lease charges.

y) Employee benefits

i. Wages and salaries, annual leave and sick leave

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

ii. Long service leave

A liability for long service leave is recognised, and is 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, including related on costs, 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.

z) Share-based payments

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

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

At each balance sheet date, the 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.

aa. Provisions

Provisions are recognised when the Group have a legal constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

bb. 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.

Provisions are measured at the present value of expected future cash outflows reassessed on a regular basis. The present value is determined using an appropriate discount rate. The obligations include profiling, stabilisation and revegetation of the completed area, with cost estimates based on current statutory requirements and current technology.

cc. 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.

dd. 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.

ee. 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.

ff. Exploration and Evaluation expenditure

Exploration, Evaluation and relevant acquisitions costs are accumulated separately for each area of interest. They comprise acquisition costs, direct exploration and evaluation costs and as 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.

gg. 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.

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.

hh. Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, 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.

ii. New Accounting standards and UIG interpretations

New Accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 31 July 2006 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

i. UIG 4 Determining whether an Arrangement Contains a Lease

UIG 4 is applicable to annual periods beginning on or after 1 January 2006. The Group has not elected to adopt UIG 4 early. It will apply UIG 4 in its 2007 financial statements and the UIG 4 transition provisions. The Group will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 July 2006. Implementations of UIG 4 is not expected to change the accounting for any of the Group's current arrangements.

ii. UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The Group does not have interests in decommissioning, restoration and environmental rehabilitation funds. The interpretation will not affect the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii. AASB 2005-9 Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]

AASB 2005-9 is applicable to annual reporting periods beginning on or after 1 January 2006. The amendments relate to the accounting for financial guarantee contracts. The Group has not elected to adopt the amendments early. It will apply the revised standards in its 31 July 2007 financial statements. Application of the revised rules may result in the recognition of financial liabilities in the financial statements of the parent entity, Washington H. Soul Pattinson, under guarantees given pursuant to the deed of cross guarantee in respect of the amounts payable by wholly-owned subsidiaries, and a guarantee given to debenture holders from amounts assumed by a third party as the result of a debt defeasance. The parent entity and the Group may also have to recognise a liability in relation to a guarantee given in respect of a bank loan issued to a controlled entity. An assessment of the fair value of these guarantees has not been performed. The new rules will be implemented retrospectively with a restatement of the comparatives as required by AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

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

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

v. UIG 6 Liabilities arising from Participating in a Specific Market- Waste Electrical and Electronic Equipment

UIG 6 is applicable to annual reporting periods beginning on or after 1 December 2006. The Group has not sold any electronic or electrical equipment on the European market and has not incurred any associated liabilities. The interpretation will not affect the Group's financial statements.

vi. AASB 2006-1 Amendments to Australian Accounting Standards [AASB 121]

AASB 2005-6 is applicable to annual reporting periods ending on or after 31 December 2006. The amendment relates to monetary items that form part of a reporting entity's net investment in a foreign operation. It removes the requirement that such monetary items had to be denominated either in the functional currency or the reporting entity or the foreign operation. Washington H. Soul Pattinson does not have monetary items forming part of a net investment in a foreign operation. The amendment to AASB 121 will therefore have no impact on the Group's financial statements.

jj. Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report 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.

i. Key estimate – Impairment

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

ii. Key estimate – Rehabilitation – coal mining operations

The Group makes estimates about the future cost of rehabilitating. Cost estimates take into account past experience, and expectations of future events that are expected to alter past experiences.

iii. Determination of coal reserves and coal services

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

NOTE 2. FINANCIAL RISK MANAGEMENT

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

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

a. Market Risk

i. Foreign exchange risk

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

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

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

ii. Price Risk

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

iii. Fair value interest rate risk

Refer to (d) below.

b. Credit Risk

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

c. Liquidity risk

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

d. Cash flow and fair value interest rate risk

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

As the Group has no significant borrowings, its income statement and operating cash flows are substantially independent of changes in market interest lending rates.

e. Credit risk exposures

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

	Consolidated	
	2006	**2005**
	$000	**$000**
Australian Dollars	144,307	136,136

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

NOTE 3. SEGMENT INFORMATION

(a) Description of segments

Business Segments

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

Investing activities

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

Media

The Group operates a commercial television station including commercial production and outside broadcast facilities.

Telecommunications

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

Coal Mining

The Group operates coal mining and support activities.

Bakery

The Group is involved in the manufacture and sale of bakery products.

Consulting

The Group is involved in the provision of consulting services.

Flavours & Fragrances

Flavours, fragrances, aromatic chemicals and essential oil manufacture.

Geographical Segment

The Group predominantly operates in Australia. In the previous year, the Group's coal mining division also operated in the geographical segment being the Asian region. These operations were sold during the 2005 financial year.

Australian sales to external customers include coal sales to Japan which originate from Australian companies. For the year ended 31 July 2006 this amounted to $83,263,670 (2005: $109,398,000).

NOTE 3. SEGMENT INFORMATION (CONTINUED)

(b) Primary reporting format – business segments

Results of segments

Primary reporting format – business segments

2006	Investing activities $'000	Media $'000	Telecomm-unications $'000	Coal Mining $'000	Bakery $'000	Consulting $'000	Intersegment eliminations/ Unallocated $'000	Consolidated $'000
Revenue from external customers	79,561	79,776	410,795	251,317	103,883	4,821	(20,338)	909,815
Intersegment revenue	94,328	2,518	10,020	-	-	3,204	(110,070)	-
Total revenue	173,889	82,294	420,815	251,317	103,883	8,025	(130,408)	909,815
Share of net profits of associates and joint venture partnership	41,814	-	(3,905)	6,283	-	4	(269)	43,927
Other income	13,502	-	-	2,213	2,852	-	-	18,567
Total segment revenue/ income	229,205	82,294	416,910	259,813	106,735	8,029	(130,677)	972,309
Segment results	155,296	13,302	(2,375)	94,688	(39,508)	2,187	(78,723)	144,867
Income tax expense								(34,793)
Net profit for the year								110,074
Segment Assets	1,184,185	165,580	377,644	627,800	81,331	9,383	(22,163)	2,423,760
Segment liabilities	101,343	63,128	246,721	59,510	83,569	1,140	(74,793)	480,618
Investments in associates and joint venture partnership	464,225	-	-	54,996	-	201	(201)	519,221
Acquisition of property, plant and equipment, intangibles and other non current assets	96,906	4,136	100,334	45,178	2,489	42	-	249,085
Depreciation and amortisation expense	598	4,052	21,833	17,005	5,548	105	59	49,200

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

NOTE 3. SEGMENT INFORMATION (CONTINUED)

Results of segments

Primary reporting format – business segments

2005	Investing activities $'000	Media $'000	Telecomm-unications $'000	Coal Mining $'000	Discontinued Operations Coal Mining $'000	Discontinued Operations Flavours & Fragrance $'000	Bakery $'000	Consulting $'000	Intersegment eliminations/ Unallocated $'000	Consolidated $'000
Revenue from external customers	47,043	79,709	144,591	198,606	43,273	4,736	101,064	6,616	(37,777)	587,861
Intersegment transactions	28,399	1,928	2,566					11,540	(44,433)	-
Total revenue	75,442	81,637	147,157	198,606	43,273	4,736	101,064	18,156	(82,210)	587,861
Share of net profits of associates and joint venture partnership	4,191	-	1,529	3,494	36,441	-	-	138	(11,487)	34,306
Other income	175,657	-	-	1,244	-	-	8,753	851	(86,824)	99,681
Total segment revenue/income	255,290	81,637	148,686	203,344	79,714	4,736	109,817	19,145	(180,521)	721,848
Segment results	231,838	13,461	15,386	71,876	449,040	12,056	(31,376)	12,264	(100,229)	674,316
Income tax expense										(94,673)
Net profit for the year										579,643
Segment Assets	826,690	161,370	345,628	809,034	-	-	90,823	12,400	(49,516)	2,196,429
Segment liabilities	54,194	62,817	152,050	111,172	-	-	57,068	4,565	42,020	483,886
Investments in associates and joint venture partnership	401,235	-	12,001	3,740	-	-	-	333	6,220	423,529
Acquisition of property, plant and equipment, intangibles and other non current assets	213,339	197,375	121,855	18,863	479	25	31,437	-	(113,352)	470,021
Depreciation andamortisation expense	216	3,996	10,220	16,747	5,739	60	5,487	90	(275)	42,280

(c) Notes to and forming part of the segment information

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.

NOTE 4. REVENUE

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
From operating activities				
Sales revenue	**841,277**	545,643	**11,927**	12,316
Other revenue				
Dividends received				
- Associates	**-**	-	**24,538**	23,847
- Controlled entities	**-**	-	**94,182**	27,950
- Other corporations	**19,712**	16,426	**17,530**	15,416
Interest received				
- Associates	**1,011**	15	-	-
- Controlled entities	**-**	-	**2,529**	9
- Other corporations	**40,543**	18,002	**6,038**	6,419
Rental income	**771**	1,284	**246**	633
Other	**6,501**	6,491	**1,148**	1,169
Total other revenue	**68,538**	42,218	**146,211**	75,443
Total revenue	**909,815**	587,861	**158,138**	87,759

NOTE 5. OTHER INCOME

	Consolidated 2006	Consolidated 2005	Parent Entity 2006	Parent Entity 2005
From continuing operations				
Net gain on disposal of property, plant and equipment (excluding those assets sold of as part discontinued operations)	**3,332**	6,807	**-**	5,228
Fair value gains on other financial assets at fair value through profit or loss	**9,641**	190	**1,081**	190
Net gain on sale of available-for-sale financial assets	**3,879**	92,328	**3,879**	152,768
Foreign currency gain	**1,076**	187	**-**	-
Other income	**639**	169	**-**	-
	18,567	99,681	**4,960**	158,186

NOTE 6. EXPENSES

	Consolidated 2006	Consolidated 2005	Parent Entity 2006	Parent Entity 2005
(i) Profit before income tax expense includes the following specific expenses:				
Depreciation				
Buildings	**643**	770	**160**	95
Plant and equipment	**31,014**	29,380	**297**	324
Investment property	**27**	377	**-**	-
Total depreciation	**31,684**	30,527	**457**	419
Amortisation				
Mining reserves and mine development	**4,604**	1,301	**-**	-
Port development	**-**	1,842	**-**	-
Intangible assets	**12,912**	5,609	**-**	-
Total amortisation	**17,516**	8,752	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

NOTE 6. EXPENSES (CONTINUED)

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Impairment charges				
Property, plant and equipment	**4,222**	4,454	**-**	-
Goodwill	**6,000**	-	**-**	-
Investments	**1,456**	-	**-**	-
Other	**57**	319	**-**	-
Total impairment	**11,735**	4,773	**-**	-
Employee benefits expense	**96,991**	73,092	**2,947**	2,701
Finance Costs				
Interest and finance charges paid/payable	**6,620**	6,123	**846**	572
Rental expense relating to operating leases	**3,018**	3,176	**42**	39
Exploration costs expensed	**9,029**	4,191	**-**	-
(ii) Details of Non regular items impacting profit after income tax expense attributable to members				
Special dividend received	**-**	-	**64,181**	-
Profit on disposal of investments	**2,715**	263,541	**2,715**	150,765
Profit on disposal of property, plant and equipment	**1,090**	3,990	**-**	4,793
Profit on sale of business	**474**	5,261	**-**	-
(Loss)/Gain on new shares issued by controlled and associate entities	**(3,553)**	66,427	**-**	-
Restructure costs	**941**	(2,345)	**-**	-
Share option expense	**(85)**	-	**-**	-
Impairment write downs	**(7,182)**	-	**-**	-
Share of significant revenue and expenses from associate entities and joint venture entities	**(5,510)**	(21,639)	**-**	-
Movements in contributed equity of the controlled entities	**-**	(5,669)	**-**	-
	(11,110)	309,566	**66,896**	155,558

NOTE 7. INCOME TAX EXPENSE

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
(a) Income Tax Expense				
Current tax	**47,309**	92,028	**7,043**	4,866
Deferred tax	**(9,870)**	5,393	**(3,164)**	1,995
Under (over) provided in prior years	**(2,646)**	(2,279)	**-**	12
	34,793	95,142	**3,879**	6,873
Income tax expense is attributed to:				
Profit from continuing operations	**34,793**	48,698	**3,879**	6,873
Profit from discontinued operations	**-**	46,444	**-**	-
Aggregate income tax expense	**34,793**	95,142	**3,879**	6,873
Deferred income tax (revenue)				
Decrease (increase) in deferred tax assets (note 24)	**(5,799)**	1,380	**-**	1,900
(Decrease) increase in deferred tax liabilities (note 29)	**(4,071)**	4,013	**(3,164)**	95
	(9,870)	5,393	**(3,164)**	1,995

NOTE 7. INCOME TAX EXPENSE (CONTINUED)

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
(b) Reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax	**144,867**	213,378	**148,976**	231,838
Profit from discontinued operations before income tax	**-**	461,407	**-**	-
	144,867	674,785	**148,976**	231,838
Tax at the Australian tax rate of 30% (2005 – 30%)	**43,460**	202,436	**44,693**	69,551
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Goodwill impairment & other amortisation	**3,151**	94	**-**	-
Non-assessable income	**(1,769)**	(94,912)	**(89)**	(17,636)
Non-deductible expenses	**2,107**	1,308	**-**	-
Franked dividends and other investment income	**(16,936)**	(14,240)	**(40,727)**	(44,837)
Tax losses and timing differences for which no deferred tax assets are recognised	**9,328**	7,438	**-**	-
Sundry items	**(1,902)**	(4,703)	**2**	(217)
	37,439	97,421	**3,879**	6,861
Under/(over) provision in prior years	**(2,646)**	(2,279)	**-**	12
	34,793	95,142	**3,879**	6,873
(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 (re-credited) directly to equity (note 29)	**17,118**	(469)	**19,486**	-
	17,118	(469)	**19,486**	-
(d) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	**57,637**	26,543	**-**	-
Potential tax benefit @ 30%	**17,291**	7,963	**-**	-

NOTE 8. DISCONTINUED OPERATIONS

a. Description

2006

There were no discontinued operations during the 2006 financial year.

2005

Discontinued operations related to the Group coal mining operations in Indonesia and flavours and fragrances segments.

Coal mining

During the year ended 31 July 2005, New Hope Corporation Limited disposed of its 40.83% interest in Adaro coal mine in Indonesia, its 50% interest in PT Indonesia Bulk Terminal and its 40.83% interest in Vindoor (Mauritius) Limited. Settlement of the transaction occurred on 22 June 2005.

Flavours and Fragrances Division

During the year ended 31 July 2005, KH Foods Limited disposed of its flavours and fragrances business to Chemnet Division of the ASX listed Orica Limited.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

NOTE 8. DISCONTINUED OPERATIONS (CONTINUED)

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

b. Financial performance and cash flow information - 2005

The financial performance and cash flow information presented are as follows:

	Consolidated $'000	Coal Mining $'000	Flavours & Fragrances $'000
Income Statement			
Revenue	47,699	43,273	4,426
Share of profits of associates accounted for using the equity method	36,441	36,441	-
Expenses	(26,596)	(22,764)	(3,832)
Profit before income tax	57,544	56,950	594
Income tax expense	(6,988)	(6,988)	-
Profit after income tax of discontinued operations	50,556	49,962	594
Gain on sale of division before income tax	403,862	392,400	11,462
Income tax expense	(39,455)	(39,455)	-
Gain on sale of the division after income tax	364,407	352,945	11,462
Profit from discontinued operations	414,963	402,907	12,056
Profit attributable to outside equity interests	(150,145)	(145,090)	(5,055)
Profit attributable to members of the entity	264,818	257,817	7,001
Cash flow information			
Cash inflow from ordinary activities	14,601	13,631	970
Cash inflow from investing activities	502,884	488,569	14,315
Cash outflow from financing activities	(23,200)	(23,200)	-
Net increase/(decrease) in cash held	494,285	479,000	15,285

c. Details of the sale of discontinued operations - 2005

	Consolidated $'000	Coal Mining $'000	Flavours & Fragrances $'000
Cash consideration received	536,066	521,751	14,315
Repayment of loans	(26,887)	(26,887)	-
Carrying amount of net assets disposed	(85,201)	(82,348)	(2,853)
Exchange differences on translation of foreign operations	(13,995)	(13,995)	-
Costs of sale	(6,121)	(6,121)	-
Gain on sale of assets before tax	403,862	392,400	11,462
Tax on sale	(39,455)	(39,455)	-
Gain on sale of assets after tax	364,407	352,945	11,462

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000

NOTE 9. REMUNERATION OF AUDITORS

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

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
(a) Audit Services				
Moore Stephens Sydney for audit and review of financial reports and other audit work under the Corporations Act 2001	**107**	96	**99**	91
Other audit firms for the audit or review of financial reports of any entity in the Group	**1,109**	986	**-**	-
Total remuneration for audit services	**1,216**	1,082	**99**	91
(b) Other services				
Moore Stephens Sydney	**-**	-	**-**	-
Other auditors				
Transaction advisory services	**285**	-	**-**	-
Tax compliance services	**389**	1,122	**-**	-
Other services	**501**	469	**-**	-
Total remuneration for other services	**1,175**	1,591	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2006

NOTE 10. DIVIDENDS - WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

	Parent Entity 2006 $'000	Parent Entity 2005 $'000
(a) Ordinary shares		
Final dividend for the year ended 31 July 2005 of 15 cents (2004 – 12 cents) per fully paid share paid on 28 November 2005 (2004 – 29 November 2004) fully franked based on tax paid @ 30%	**35,796**	28,637
Special dividends totalling 15 cents (2004 – 10 cents) per fully paid share paid on 28 November 2005 (2004 – 29 November 2004) fully franked based on tax paid at 30%	**35,796**	23,864
Interim dividend for the year ended 31 July 2006 of 11 cents (2005 – 10 cents) per fully paid share paid on 11 May 2006 (2005 – 12 May 2005) fully franked based on tax paid @ 30%	**26,250**	-
Total dividends provided for or paid	**97,842**	52,501
(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 16 cents per fully paid ordinary share, (2005 – 15 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 4 December 2006 out of retained profits as at 31 July 2006, but not recognised as a liability at year end is	**38,182**	35,796
Additional special dividend at 15 cents per fully paid ordinary share (2005 - 5 cents) fully franked based on tax paid of 30%	**35,796**	11,932
	73,978	47,728
(c) Franked Dividends		
The franked portions of the final dividends recommended after 31 July 2006 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 2006.		
Franking credits available for subsequent financial years based on a tax rate of 30% (2005 – 30%)	**146,446**	125,317
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 $31,704 (2005 $20,455)		
Subsequent to year end, the franking account will be reduced by the proposed final dividend and special dividend to be paid on 4 December 2006.	**(31,704)**	(20,455)
	114,742	104,862

(d) Dividend reinvestment plans

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

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000

NOTE 11. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Cash at bank and on hand	**73,455**	695,773	**1,173**	3,478
Deposits at call	**4,531**	-	**-**	-
	77,986	695,773	**1,173**	3,478

(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:-

	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Cash and cash equivalents	**77,986**	695,773	**1,173**	3,478
	77,986	695,773	**1,173**	3,478

(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 6.42%.

NOTE 12. CURRENT ASSETS – TRADE & OTHER RECEIVABLES

	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Trade debtors	**106,441**	98,896	**343**	180
Less: provision for impairment of receivables	**(7,486)**	(8,005)	**(25)**	(25)
	98,955	90,891	**318**	155
Loans to associated entities	**1,588**	2,150	**-**	-
Loans to controlled entities	**-**	-	**149**	210
Loans to other parties - secured	**562**	326	**195**	96
Other receivables	**28,753**	39,479	**3,227**	3,775
Deferred hedge receivable	**-**	9,812	**-**	-
Prepayments	**8,116**	6,154	**66**	87
(a) Effective interest rates and credit risk	**137,974**	148,812	**3,955**	4,323

Information concerning the effective interest rate and credit risk of current receivables is set out in note 46.

NOTE 13. CURRENT ASSETS – INVENTORIES

	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Raw materials and stores – at cost	**7,070**	5,079	**-**	-
Work in progress – at cost	**134**	109	**-**	-
Finished goods – at cost	**21,703**	19,852	**911**	933
	28,907	25,040	**911**	933

Inventory expense

Inventories recognised as expense during the year ended 31 July 2006 amounted to $173,559,000 (2005 - $150,779,000)

NOTE 14. CURRENT ASSETS – NON-CURRENT CLASSIFIED AS HELD FOR SALE

	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Land and buildings at carrying value	**-**	1,909	**-**	-
Plant and equipment at cost	**-**	617	**-**	-
Accumulated depreciation	**-**	(384)	**-**	-
	-	2,142	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000

NOTE 15. CURRENT ASSETS - INTANGIBLES

Net capitalised subscriber costs	**36,950**	36,686	**-**	-

NOTE 16. CURRENT ASSETS – OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Shares held for trading				
- Listed equity securities	**56,563**	2,918	**4,384**	2,578
- Other securities	**9,306**	6,157	**247**	228
	65,869	9,075	**4,631**	2,806

NOTE 17. CURRENT ASSETS - HELD TO MATURITY INVESTMENTS

Bills receivable	**435,059**	87,000	**90,500**	87,000

NOTE 18. NON CURRENT ASSETS – TRADE & OTHER RECEIVABLES

Loans to related parties – controlled entities	**-**	-	**52,912**	-
Loans to Joint ventures	**-**	9,727	**-**	-
Loans to Executives	**110**	110	**-**	-
Loans to Associates	**28,092**	256	**-**	-
Deferred hedge receivable (note 46b)	**-**	10,458	**-**	-
Other receivables	**1,610**	11,442	**-**	177
	29,812	31,993	**52,912**	177

Interest rate risks – The Groups exposure to interest rate risk and the effective weighted average interest rate is set out in note 46.

Further information relating to loans to related parties and loans to executives is set out in note 38 and 44.

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

Shares in associated companies (note 41)	**519,221**	423,529	**-**	-

Shares in associates

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

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

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Listed securities				
Equity securities	**471,004**	172,240	**471,004**	170,680
Preference shares	**2,044**	-	**2,044**	-
	473,048	172,240	**473,048**	170,680
Unlisted securities				
Equity securities	**3**	1,492	**-**	275
Debentures	**1,013**	-	**-**	-
	1,016	1,492	**-**	275
	474,064	173,732	**473 ,048**	170,955

(a) Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 August 2005. At the date of transition to these standards of 1 August 2005 an adjustment of $170,096,000 was recognised for both the parent entity and the Group. This represented an initial gain on remeasurement to fair value of assets that under previous AGAAP has been measured at cost.

For more information refer to note 1(n).

NOTE 21. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Shares in subsidiaries (note 39)	**-**	-	**157,666**	204,998
Shares in associates (note 41)	**-**	-	**215,274**	208,941
Shares in other corporations – fair value	**-**	40,328	**-**	-
Units in unlisted trusts – at cost	**10,000**	-	**10,000**	-
Other financial assets	**6,819**	7,494	**-**	-
Derivatives (refer note 46b)	**4,314**	-	**-**	-
	21,133	47,822	**382,940**	413,939

On transition to AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial instruments: Recognition and Measurement* from 1 August 2005 shares in other corporations were designated and held for trading and have therefore been reclassified to Current Assets (refer note 16).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2006

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

Consolidated	Land	Buildings	Plant, fixtures, and motor vehicles	Leasehold equipment
	$'000	$'000	$'000	$'000
As at 1 August 2004				
Cost or fair value	40,007	20,720	409,292	-
Accumulated depreciation / amortisation	-	(4,426)	(163,730)	-
Net book amount	40,007	16,294	245,562	-
Year ended 31 July 2005				
Opening net book amount	40,007	16,294	245,562	-
Asset acquired by purchase of subsidiary	6,924	-	6,284	-
Additions	2,172	(55)	77,733	1,419
Assets included in a disposal group classified as held for sale and other disposals	(778)	(2,564)	(88,291)	-
Transfers	-	11,371	(11,371)	-
Depreciation / amortisation charge	-	(770)	(29,252)	(128)
Assets written down	-	-	(950)	-
A-IFRS adjustment	-	-	(302)	-
Foreign exchange differences	-	-	(7,784)	-
Closing net book amount	48,325	24,276	191,629	1,291
At 31 July 2005				
Cost or fair value	48,325	29,472	384,611	1,419
Accumulated depreciation / amortisation	-	(5,196)	(192,982)	(128)
Net book value	48,325	24,276	191,629	1,291

Consolidated	Mining reserves and leases	Mine development	Port development and infrastructure	Total
	$'000	$'000	$'000	$'000
At 1 August 2004				
Cost or fair value	9,813	41,444	39,098	560,374
Accumulated depreciation / amortisation	(1,817)	(19,566)	(15,593)	(205,132)
Net book value	7,996	21,878	23,505	355,242
Year ended 31 July 2005				
Opening net book amount	7,996	21,878	23,505	355,242
Asset acquired by purchase of subsidiary	-	-	-	13,208
Additions	-	158	-	81,427
Assets included in a disposal group as held for sale and other disposals	-	-	(19,658)	(111,291)
Impairment loss recognised in profit or loss	-	(4,454)	-	(4,454)
Depreciation / amortisation charge	(1,301)	-	(1,842)	(33,293)
Assets written down	-	-	-	(950)
A-IFRS adjustment	-	-	-	(302)
Foreign exchange difference	-	-	(2,005)	(9,789)
Closing net book amount	6,695	17,582	-	289,798
At 31 July 2005				
Cost or fair value	9,813	41,602	17,435	532,677
Accumulated depreciation / amortisation	(3,118)	(24,020)	(17,435)	(242,879)
Net book value	6,695	17,582	-	289,798

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

Consolidated	Land	Buildings	Plant, fixtures, and motor vehicles	Leasehold equipment
	$'000	$'000	$'000	$'000
At 1 August 2005				
Cost or fair value	48,325	29,472	384,611	1,419
Accumulated depreciation / amortisation	-	(5,196)	(192,982)	(128)
Net book amount	48,325	24,276	191,629	1,291
Year ended 31 July 2006				
Opening net book amount	48,325	24,276	191,629	1,291
Asset acquired by purchase of subsidiary	-	-	46,752	-
Additions	23,562	3,640	36,431	1,316
Assets included in a disposal group classified as held or sale and other disposals	-	(70)	(1,118)	(500)
Assets written down	-	-	(500)	(286)
Impairment loss recognised in profit or loss	-	-	(4,222)	-
Depreciation / amortisation charge	-	(643)	(30,458)	(556)
Closing net book amount	71,887	27,203	238,514	1,265
At 31 July 2006				
Cost or fair value	71,887	32,637	423,979	2,525
Accumulated depreciation/amortisation	-	(5,434)	(185,465)	(1,260)
Net book amount	71,887	27,203	238,514	1,265

Consolidated	Mining reserves and leases	Mine development	Port development and infrastructure	Total
	$'000	$'000	$'000	$'000
At 1 August 2005				
Cost or fair value	9,813	41,602	17,435	532,677
Accumulated depreciation / amortisation	(3,118)	(24,020)	(17,435)	(242,879)
Net book amount	6,695	17,582	-	289,798
Year ended 31 July 2006				
Opening net book amount	6,695	17,582	-	289,798
Asset acquired by purchase of subsidiary	-	-	-	46,752
Additions	-	207	-	65,156
Assets included in a disposal group classified as held for sale and other disposals	-	-	-	(1,688)
Foreign exchange differences	(1,321)	-	-	(1,321)
Assets written down	-	-	-	(786)
Impairment loss recognised in profit or loss	-	-	-	(4,222)
Depreciation / amortisation charge	-	(3,283)	-	(34,940)
Closing net book amount	5,374	14,506	-	358,749
At 31 July 2006				
Cost or fair value	9,813	41,809	-	582,650
Accumulated depreciation / amortisation	(4,439)	(27,303)	-	(223,901)
Net book amount	5,374	14,506	-	358,749

(a) Pledged assets

Assets pledged as security comprise Land and Buildings with a carrying value of $15,427,000 (Refer Note 28 (c)) and Plant and Equipment held under finance leases with a carrying value of $705,000. The leased Plant and Equipment secures the obligation.

(b) Impairment losses

The total impairment loss recognised in the in the income statement during the period for Property, plant and equipment amounted to $4,222,000 (2005: $4,454,000). The impairment loss related to certain plant and equipment in a controlled entity, KH Foods Limited.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

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

Parent Entity	**Land**	**Buildings**	**Plant, fixtures, motor vehicles**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At 1 August 2004				
Cost or fair value	1,687	4,597	2,791	9,075
Accumulated depreciation / amortisation	-	(219)	(1,117)	(1,336)
Net book amount	1,687	4,378	1,674	7,739
Year ended 31 July 2005				
Opening net book amount	1,687	4,378	1,674	7,739
Additions	-	(98)	455	357
Assets included in a disposal group classified as held for sale and other disposals	(1,274)	(1,100)	(26)	(2,400)
Depreciation charge	-	(95)	(324)	(419)
Closing net book amount	413	3,085	1,779	5,277
At 31 July 2005				
Cost or fair value	413	3,399	3,220	7,032
Accumulated depreciation / amortisation	-	(314)	(1,441)	(1,755)
Net book amount	413	3,085	1,779	5,277

Parent Entity				
Year ended 31 July 2006				
Opening net book amount	413	3,085	1,779	5,277
Additions	-	-	269	269
Assets included in a disposal group classified as held for sale and other disposals	-	-	(67)	(67)
Depreciation charge	-	(160)	(297)	(457)
Closing net book amount	413	2,925	1,684	5,022
At 31 July 2006				
Cost or fair value	413	3,399	3,025	6,646
Accumulated depreciation / amortisation	-	(474)	(1,341)	(1,624)
Net book amount	413	2,925	1,684	5,022

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000

NOTE 23. NON-CURRENT ASSETS – INVESTMENT PROPERTIES

The group has elected to apply the cost model to accounting for investment properties.

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Freehold land at cost	**866**	866	**-**	-
Buildings at cost	**1,097**	1,097	**-**	-
Accumulated depreciation	**(404)**	(377)	**-**	-
Reconciliations	**1,559**	1,586	**-**	-
Opening balance 1 August	**1,586**	1,613	**-**	-
Additions	**-**	350	**-**	-
Depreciation	**(27)**	(377)	**-**	-
Closing balance at 31 July	**1,559**	1,586	**-**	-

(a) Amounts recognised in profit and loss for investment property

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Rental income	**676**	658	**-**	-
Direct operating expenses from property that generated rental income	**(655)**	(498)	**-**	-
	21	160	**-**	-

(b) Valuation

As at March 2004, the fair value of the investment properties was $2,800,000. This is based upon a valuation performed by a registered valuer. It is estimated that these properties have an approximate value of $3,000,000 at 31 July, 2006.

NOTE 24. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

The balance comprises:

Amounts recognised in profit and loss

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Provisions	**17,105**	9,751	**-**	353
Receivables and accrued expenses	**2,535**	3,056	**-**	47
Tax value of losses carry-forward	**10,026**	8,592	**-**	2,296
Other	**7,315**	36,647	**-**	44
	36,981	58,046	**-**	2,740
Less: amount not recognised	**(1,249)**	(2,956)	**-**	-
	35,732	55,090	**-**	2,740
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions (note 29)	**(25,530)**	(26,302)	**-**	-
Net deferred tax assets	**10,202**	28,788	**-**	2,740
Movements:				
Opening balance at 1 August	**55,090**	36,190	**2,740**	4,640
Credited / (charged) to the income statement (note 7)	**5,799**	(1,380)	**-**	(1,900)
Transfers	**(2,740)**	-	**(2,740)**	-
Other adjustments	**(22,417)**	20,280	**-**	-
Closing balance at 31 July	**35,732**	55,090	**-**	2,740

*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
FOR THE YEAR ENDED 31 JULY 2006

NOTE 25. NON-CURRENT ASSETS – INTANGIBLE ASSETS

Consolidated	Goodwill $'000	Brand names $'000	Television licence $'000	Customer base $'000	Software $'000	Total $'000
At 1 August 2004						
Cost	7,606	-	74,639	-	377	82,622
Impairment	-	-	-	-	-	-
Net book amount	7,606	-	74,639	-	377	82,622
Year ended 31 July 2005						
Opening net book amount	7,606	-	74,639	-	377	82,622
Additions	91,480	1,745	77	22,023	2,315	117,640
Impairment charge	-	-	-	-	-	-
Amortisation charge	-	(87)	(77)	(4,826)	(619)	(5,609)
Closing net book amount	99,086	1,658	74,639	17,197	2,073	194,653
At 31 July 2005						
Cost	99,086	1,745	74,716	22,023	2,692	200,262
Accumulated amortisation and impairment	-	(87)	(77)	(4,826)	(619)	(5,609)
Net book amount	99,086	1,658	74,639	17,197	2,073	194,653
Year ended 31 July 2006						
Opening net book amount	99,086	1,658	74,639	17,197	2,073	194,653
Additions	32,952	-	2,243	6,318	961	42,474
Impairment charge	(6,000)	-	-	-	-	(6,000)
Amortisation charge	-	(87)	(132)	(12,519)	(174)	(12,912)
Closing net book amount	126,038	1,571	76,750	10,996	2,860	218,215
At 31 July 2006						
Cost	132,038	1,745	76,959	28,341	3,653	242,736
Accumulated amortisation and impairment	(6,000)	(174)	(209)	(17,345)	(793)	(24,521)
Net book amount	126,038	1,571	76,750	10,996	2,860	218,215

Amortisation of $12,912,000 (2005: $5,609,000) is included in note 6.
The amortisation rate for items classified as finite are:

Brand name	2 years
Customer base	4 years
Software	3 to 5 years
Development	10 years

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

(a) Impairment Disclosures

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

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

	2006 $'000	2005 $'000	**Country of operation**
Media			
- Goodwill	49,039	49,039	Australia
- Television licence	74,639	74,639	
Telecommunications			
- Goodwill	61,461	31,148	Australia
Bakery			
- Goodwill	7,467	13,467	Australia
	192,606	168,293	

The following assumptions were used in the value-in-use calculations:

	Growth Rate	**Discount Rate**
Media	5%	12.0%
Telecommunications	2-6%	12.0%
Bakery	3%	13.6%

The recoverable amount of the cash generating unit has been determined based on value–in-use calculations. Management has based the value-in-use calculations on detailed budgets and forecasts for each reporting business segment. For media and telecommunication segments, cash flow projections are based on the three year business plan with a further two year period extrapolated using a growth rate of two percent. For the Bakery segment cash flows are based on projections over a five year period with the period extending beyond five years extrapolated using estimated growth rates for sales at three percent and cost increases of between three percent and six percent. The budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period. Discount rates are pre-tax and are adjusted to incorporate risks associated with each particular segment.

(b) Impairment charge

The impairment charge $ 6,000,000 (2005: nil) arose in the controlled entity KH Foods Limited.

	Consolidated		**Parent Entity**	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000

NOTE 26. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated 2006 $'000	Consolidated 2005 $'000	**Parent Entity 2006 $'000**	Parent Entity 2005 $'000
Trade payables	**72,014**	103,007	**1,736**	2,142
Other payables	**50,021**	23,580	**102**	-
	122,035	126,587	**1,838**	2,142

NOTE 27. CURRENT LIABILITIES – SHORT-TERM BORROWINGS

	Consolidated 2006 $'000	Consolidated 2005 $'000	**Parent Entity 2006 $'000**	Parent Entity 2005 $'000
Bank loans – secured (note 28a)	**2,300**	2,979	**-**	-
Convertible Notes – unsecured (note 28b)	**5,363**	-	**-**	-
Deposits from related parties - Directors (note 28f)	**15,760**	13,019	**15,760**	13,019
Lease liabilities (note 37b)	**345**	543	**-**	376
Hire Purchase Liabilities (note 37b)	**412**	693	**-**	-
Loans – controlled entities	**-**	-	**81**	81
Loans - unsecured	**8,702**	884	**-**	-
	32,882	18,118	**15,841**	13,476

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
NOTE 28. NON - CURRENT LIABILITIES – BORROWINGS SECURED				
Bank loans (a)	**39,500**	34,500	**-**	-
Other loans (c)	**7,901**	8,639	**-**	-
Hire purchase liabilities (note 37b)	**2,298**	2,989	**-**	-
Finance lease liabilities (note 37b)	**345**	269	**-**	-
Total secured non-current borrowings	**50,044**	46,397	**-**	-
Unsecured				
Bank loans (e)	**15,490**	-	**-**	-
Convertible notes - related entities (note 28b)	**-**	5,363	**-**	
Other loans	**310**	8,713	**-**	-
Total unsecured borrowings	**15,800**	14,076	**-**	-
Total long-term borrowings	**65,844**	60,473	**-**	-

(a) Bank loans – secured

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

(b) Convertible notes- secured

As part of KH Foods Limited's acquisition of the minority interest in Balfour Australia Pty Ltd on 31 December 2004, KH Foods Limited convertible notes were issued to two of its minority shareholders to a value equal to the existing loan facilities between Bakery Systems Pty Ltd ("BSL"), Business Management Limited ("BML") and Balfours Australia Pty Ltd. The BSL and BML shareholder loans, which were replaced with convertible notes, amounted to $5,363,069. The interest rate on all convertible notes is fixed at 10% p.a. On 31 January 2007 BSL and BML may convert each convertible note into one ordinary share in KH Foods Limited at the conversion value of $8.50. The ordinary shares rank equally with the fully paid ordinary shares of KH Foods Limited from the date of issue of such shares.

(c) Other loans secured

A deferred purchase agreement exists with Land Management Corporation whereby the loan is repayable by instalments by 30 June 2014 for the purpose of financing the purchase of the manufacturing premises at Dudley Park in South Australia. The interest rate is fixed at 7.19% p.a. Land Management Corporation hold legal title which will transfer to Balfours Property Holdings Pty Ltd when the loan is repaid. The carrying value of the Dudley Park premises is $15,427,000

(d) Finance and hire purchase leases

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

(e) Bank loan - unsecured

A $ 22,000,000 advance and guarantee line facility was established with the HSBC Bank of Australia Limited (HSBC) during 2006. The facility is for a fixed term with the amount outstanding repayable on 31 December 2007. The guarantee and indemnity for this loan has been provided by the ultimate parent entity of the Group. The interest rate on the advance component of the facility is variable based on BBSY plus a margin. The aggregate of guarantees issued by HSBC on behalf of the Group is $4,224,267

(f) Director Deposits

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

(g) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in note 46. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets to maturity.

(h) Fair value disclosures

The carrying amount and fair values of borrowings at balance sheet date are set out in note 46.

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

Financing arrangements

The economic entity has access to facilities as follows:

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'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				
Total facilities	**41,800**	55,100	**-**	-
Used at balance date	**(41,800)**	(14,867)	**-**	-
Unused at balance date	**-**	40,233	**-**	-

The major facilities are summarised as follows:

$41,800,000 unused secured bill facilities may be drawn-down at any time. The secured bills are subject to both fixed and floating interest rates. Of the bills that are at a fixed interest rate $4,000,000 expires 31 July 2009.

Other facilities

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Total facilities	**26,000**	-	**-**	-
Used at balance date	**(13,673)**	-	**-**	-
Unused at balance date	**12,327**	-	**-**	-

The major facilities are summarised as follows:

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

Bank loan facilities

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Total facilities	**17,776**	29,750	**-**	-
Used at balance date	**(15,490)**	(22,736)	**-**	-
Unused at balance date	**2,286**	7,014	**-**	-

The major facilities are summarised as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2006

NOTE 29. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributed to:				
Amounts recognised in profit and loss				
Property plant and equipment	**6,750**	6,621	**8**	29
Mine reserves	**1,612**	2,009	**-**	-
Inventories	**1,062**	745	**-**	-
Investments	**87,168**	107,093	**21,194**	26,882
Receivables	**4,325**	4,650	**118**	132
Intangible assets	**1,532**	3,372	**-**	-
Other	**1,474**	3,052	**1,109**	26
	103,923	127,542	**22,429**	27,069
Amounts recognised directly in equity				
Available-for-sale investments	**72,309**	-	**72,309**	-
Cash flow hedges	**3,712**	-	**-**	-
Other	**-**	878	**-**	-
	76,021	878	**72,309**	-
Total deferred tax liabilities	**179,944**	128,420	**94,738**	27,069
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions (note 24)	**(25,530)**	(26,302)	**-**	-
Net deferred tax liabilities	**154,414**	102,118	**94,738**	27,069
Movements:				
Opening balance 1 August	**128,420**	127,408	**27,069**	26,955
Change on adoption of AASB 132 and AASB 139	**58,903**	-	**52,823**	-
Charged / (credited) to the income statement (note 7)	**(4,071)**	4,013	**(3,164)**	95
Charged / (credited) to equity	**17,118**	(469)	**19,486**	-
Transfers	**(2,740)**	-	**(2,740)**	-
Other adjustments	**(17,686)**	(2,532)	**1,264**	19
Closing balance at 31 July	**179,944**	128,420	**94,738**	27,069

NOTE 30. CURRENT LIABILITIES – PROVISIONS

Unexpired airtime	**224**	-	**-**	-
Site rehabilitation	**1,815**	-	**-**	-
Mining restoration	**459**	3,000	**-**	-
Bonus	**-**	1,210	**-**	-
Dividends	**-**	23,864	**-**	23,864
	2,498	28,074	**-**	-
Employee benefits	**10,591**	14,262	**520**	470
	13,089	42,336	**520**	24,334

NOTE 30. CURRENT LIABILITIES – PROVISIONS (CONTINUED)

Movements in provisions 2006	Unexpired airtime $'000	Bonus $'000	Site Rehabilitation $'000	Mining Restoration $'000	Dividends $'000	Total $'000
Carrying amount at start of year	-	1,210	-	3,000	23,864	28,074
Additional provisions recognised	224	-	1,946	-	-	2,170
Payments	-	(1,210)	(131)	(775)	(23,864)	(25,980)
Reversal of overprovision	-	-	-	(1,766)	-	(1,766)
Carrying amount at end of year	224	-	1,815	459	-	2,498

NOTE 31. NON-CURRENT LIABILITIES – LONG-TERM PROVISIONS

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Site rehabilitation	**9,814**	9,124	**-**	-
TV Licence	**1,127**	1,285	**-**	-
Lease increment	**197**	-	**-**	-
Other	**160**	-	**-**	-
Premises 'make good'	**638**	551	**-**	-
	11,936	10,960	**-**	-
Employment benefits	**1,777**	6,826	**799**	704
	13,713	17,786	**799**	704

Movements in provisions 2006 Consolidated	Site rehabilitation $'000	TV licence $'000	Lease increment $'000	Other $'000	Premises 'make good' $'000	Total $'000
Carrying amount at start of year	9,124	1,224	61	-	551	10,960
Additional provisions recognised	690	1,127	136	160	87	2,200
Payments/provision used	-	(1,224)	-	-	-	(1,224)
Carrying amount at end of year	9,814	1,127	197	160	638	11,936

Refer to note 1 for a description of the above provisions.

NOTE 32. CURRENT LIABILITIES – OTHER

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Unearned income	**40,667**	37,519	-	-

NOTE 33. NON-CURRENT LIABILITIES –OTHER

Deferred exchange gains	**-**	10,457	**-**	-
Unearned income	**10,332**	353	**-**	-
	10,332	10,810	**-**	-

For details of the changes in accounting policy on adoption of AASB 132 and AASB 139 refer to note 46 (b) for deferred exchange gains.

NOTE 34. CONTRIBUTED EQUITY

	Parent Entity		Parent Entity	
	2006 No. of shares	**2006 $'000**	2005 No. of shares	2005 $'000
(a) Share capital				
Fully paid ordinary shares	**238,640,580**	**32,900**	238,640,580	32,900

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

NOTE 35. RESERVES

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
(a) Reserves				
General reserve	**404,548**	404,548	**402,206**	402,206
Capital redemption reserve	**2,800**	2,800	**-**	-
Asset revaluation reserve	**212,456**	5,601	**205,847**	288
Capital profits reserve	**11,368**	11,368	**-**	-
Hedging reserve	**5,361**	-	**-**	-
Share based payments reserve	**2,832**	1,546	**-**	-
Foreign currency translation reserve	**(232)**	806	**-**	-
Treasury reserve	**(230)**	-	**-**	-
	638,903	426,669	**608,053**	402,494
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	**5,601**	6,843	**288**	288
Adjustment to Available-for-sale investments on adoption of AASB132 & AASB 139, net of tax	**170,096**	-	**170,096**	-
Revaluation of Available-for-sale investments, net of tax	**37,243**	-	**37,243**	-
Transfer on sale of Available-for-sale investments to profit, net of tax	**(1,780)**	-	**(1,780)**	-
Transfer to retained earnings	**(2,048)**	-	**-**	-
Share of associates increments	**2,373**	1,347	**-**	-
Other revaluations	**971**	(2,589)	**-**	-
Balance 31 July	**212,456**	5,601	**205,847**	288
Capital profits reserve				
Balance 1 August	**11,368**	12,242	**-**	-
Decreased holding in controlled entity	**-**	(985)	**-**	-
Share of associates increments	**-**	111	**-**	-
Balance 31 July	**11,368**	11,368	**-**	-
Hedging reserve				
Balance 1 August	**-**	-	**-**	-
Adjustment on adoption of AASB 132 and AASB139, net of tax	**8,782**	-	**-**	-
Revaluation, net of tax	**(3,421)**	-	**-**	-
Balance 31 July	**5,361**	-	**-**	-
Share-based payment reserve				
Balance 1 August	**1,546**	500	**-**	-
Option expense	**1,286**	1,046	**-**	-
Balance 31 July	**2,832**	1,546	**-**	-
Foreign currency translation reserve				
Balance 1 August	**806**	(1,416)	**-**	-
Exchange difference on translation of foreign controlled entity and associates	**-**	(7,578)	**-**	-
Transfer to net profits on sale of foreign controlled entity and associates	**-**	8,941	**-**	-
Other foreign exchange movements	**(27)**	25	**-**	-
Share of associates increment	**(1,011)**	834	**-**	-
Balance 31 July	**(232)**	806	**-**	-
Treasury share reserve				
Balance 1 August	**-**	-	**-**	-
Revaluation	**(230)**	-	**-**	-
Balance 31 July	**(230)**	-	**-**	-

NOTE 35. RESERVES (CONTINUED)

(b) 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 of investments, such as equities classified as available-for-sale financial assets, are taken to this reserve as described in note 1 (n(iii)). 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(o). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

Share based payment reserve

The share based payment reserve is used to recognise the fair value of options issued.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
NOTE 36. CONTINGENT LIABILITIES				
The parent entity and Group had contingent liabilities at 31 July in respect of:				
(a) Secured by charge on the Economic Entity's Assets				
(i) Undertakings and guarantees issued by a Controlled Entity's bankers to the Department of Minerals & Energy, Statutory Power Authorities and various other entities.	**5,425**	9,768	**-**	-
(b) Not secured by a charge on the Economic Entity's assets				
(i) Bank guarantees issued in the normal course of business	**13,673**	4,836	**-**	-
(ii) Multiple drawdown revolving loan facility to a controlled entity	**1,000**	1,000	**1,000**	1,000
(iii) A $22,000,000 advance and guarantee line facility was established with HSBC Bank of Australia Limited during 2006 for controlled entities. The guarantee and indemnity for this loan has been provided by the parent. Subsequent to the balance sheet date, on 31st August 2006, the facility was extended by a further $10,000,000. The parent's guarantee is limited to amount of $32,000,000 plus interest, fees and associated charges.	**32,000**	**-**	**32,000**	-
(iv) Inclusive of (iii) above the parent entity has formally resolved to provide financial assistance to KH Foods Limited up to a limit of $35,000,000 to expire in March 2007.				
(v) Under the terms of a Deed of Cross Guarantee a controlled entity had guaranteed the repayment of all current and future creditors in the event any of the entities party to the deed is wound up. No deficiency in net assets exist in these companies at the reporting date.				
	52,098	15,604	**33,000**	1,000

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
NOTE 37. COMMITMENTS FOR EXPENDITURE				
(a) Capital commitments				
Capital expenditure contracted for at the reporting date:				
Property, plant and equipment				
Payable:				
Within one year	**31,875**	2,190	**-**	-
Later than one year but not later than five years	**-**	-	**-**	-
Later than five years	**-**	-	**-**	-
	31,875	2,190	**-**	-
Intangible assets				
Payable:				
Within one year	**283**	-	**-**	-
Later than one year but not later than five years	**-**	1,953	**-**	-
Later than five years	**-**	-	**-**	-
	283	1,953	**-**	-

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000

NOTE 37. COMMITMENTS FOR EXPENDITURE (CONTINUED)

(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:

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Within one year	**8,946**	5,217	**-**	-
Later than one year but not later than five years	**24,575**	13,863	**-**	-
Later than five years	**7,199**	5,000	**-**	-
	40,720	24,080	**-**	-

(ii) Finance and Hire purchase leases

The consolidated entity leases various plant and equipment under finance leases expiring within one to ten years. Some leases provide for the payment of incremental contingent rentals based on movements in the Consumer Price Index.

Commitment for minimum lease payments in relation to finance leases are payable as follows:

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Within one year	**1,000**	1,414	**-**	-
Later than one year but not later than five years	**3,054**	3,981	**-**	-
Later than five years	**-**	-	**-**	-
	4,054	5,395	**-**	-
Future finance charges	**(654)**	(901)	**-**	-
Recognised as a liability	**3,400**	4,494	**-**	-
Representing lease liabilities:				
Current (note 27)	**757**	1,236	**-**	-
Non-current (note 28)	**2,643**	3,258	**-**	-
	3,400	4,494	**-**	-

The weighted average interest rate implicit in the leases is 8.12% (2005 - 9.06%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

NOTE 38. 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 39 and note 41 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.

	Consolidated		**Parent Entity**	
	2006	2005	**2006**	2005
(e) Summary of transactions	**$'000**	$'000	**$'000**	$'000
Advisory, consulting and management fees received from subsidiaries from:				
- Parent	**-**	-	**46**	240
- Associates	**973**	3,482	**-**	-
Purchases of pharmaceutical products from:				
- Associates	**-**	-	**4,801**	5,295
Handling and commission revenue from:				
- Associates	**-**	31,427	**-**	-
Handling and commission expenses from:				
- Associates	**9,477**	6,501	**-**	-
Management and supervision fees from:				
- Associates	**250**	2,637	**-**	-
Partnership income:	**3,238**	2,882	**-**	-
Dividend revenue from:				
- Subsidiaries	**-**	-	**94,182**	27,950
- Associates	**-**	-	**24,538**	23,847
Interest income from:				
- Subsidiaries	**-**	-	**2,529**	9
- Associates	**1,011**	15	**-**	-
Return of capital from:				
- Subsidiaries	**-**	-	**49,370**	-

NOTE 38. RELATED PARTIES (CONTINUED)

(f) Loans to subsidiaries

During the year the parent entity advanced $23,000,000 to KH Foods Limited. Interest is charged at market rates with the total incurred for the year being $1,452,000. Loans are repayable by September 2007. The loan balance at the end of the year was $23,170,000.

In addition to the loan, the parent entity holds convertible notes of $4,999,999 in KH Foods Limited and interest incurred for the year totalled $500,000.

During the year the parent entity advanced $29,586,000 to SP Telemedia Limited. Interest is charged at market rates with the total incurred for the year being $577,000. Loans have no fixed term of repayment. The loan balance at the end of the year was $29,742,000.

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.

Souls Private Equity Limited has a loan agreement with its subsidiary Soda Incorporation Pty. Limited (SODA) to provide a loan facility of up to $750,000. During the year $465,000 was advanced (2005: $700,000) to SODA of which $545,000 was converted to equity. Interest on this loan for the year amounted to $73,360 (2005: $32,139).

Souls Private Equity Limited has a loan agreement with its subsidiary Cromford Pty. Limited (Cromford) to provide a loan facility of up to $2,893,000. During the year $893,000 was repaid from (2005: $2,893,000 advanced to) Cromford. Interest on this loan for the year amounted to $176,000 (2005: nil).

(g) Loans to associates

During the year Souls Private Equity Limited advanced $2,500,000 to its associate Hydramatic Engineering Pty. Limited. The loan is repayable by July 2007 and incurs interest at market rates.

During the year Souls Private Equity Limited advanced $24,875,000 to its associate Food and Beverage Company. The loan amount is repayable between 2008 and 2010 and incurs market interest rates.

	Consolidated		**Parent Entity**	
	2006	2005	**2006**	2005
(h) Guarantees	**$'000**	$'000	**$'000**	$'000
The following guarantees have been provided:				
Guarantee of a loan facility for KH Foods Limited (refer note 36 (b iii) for details)	**32,000**	-	**32,000**	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

NOTE 39. SUBSIDIARIES

Name of Entity	Country of Incorporation	Equity Holding 2006 %	Equity Holding 2005 %
(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	61.9	63.3
Souls Private Equity Limited+	Australia	11.7	11.8
PCP Holdings 1 Pty. Limited	Australia	11.7	11.8
Geoffrey Hill & Associates Pty. Limited	Australia	11.7	11.8
Cromford Pty.Limited	Australia	11.7	11.8
Soda Incorporation Pty. Limited	Australia	7.5	7.5
Pitt Capital Partners Limited	Australia	53.0	53.0
Corporate & Administrative Services Pty.Ltd	Australia	39.8	40.0
Pitt Capital Nominees Pty.Ltd	Australia	53.0	53.0
Rundle Capital Partners Limited	Australia	27.7	31.8
Pitt Capital Asia Ltd	Hong Kong	53.0	26.5
SP Telemedia Limited	Australia	44.5	51.0
Kooee Communications Pty. Limited	Australia	20.5	21.9
Soul Pattinson Telecommunications Pty. Limited	Australia	44.5	51.0
NBN Enterprises Pty. Limited	Australia	44.5	51.0
NBN Limited	Australia	44.5	51.0
NBN Investments Pty. Limited	Australia	44.5	51.0
NBN Productions Pty. Limited	Australia	44.5	51.0
NBN Holdings Pty. Limited	Australia	44.5	51.0
SPT Com Pty. Limited	Australia	32.5	36.7
Kooee Mobile Pty. Limited	Australia	44.5	51.0
B Digital Limited	Australia	20.5	21.9
B Digital Investments Pty. Limited	Australia	20.5	21.9
Digiplus Investments Pty. Limited	Australia	20.5	21.9
Digiplus Holdings Pty. Limited	Australia	20.5	21.9
Digiplus Pty. Limited	Australia	20.5	21.9
Digiplus Limited	Australia	20.5	21.9
Digiplus Contracts Pty. Limited	Australia	20.5	21.9
Codex Limited	Australia	20.5	21.9
Blue Call Pty. Limited	Australia	20.5	21.9
SPT Telecommunications Pty Limited	Australia	44.5	25.5
Kooee Pty Limited	Australia	44.5	10.7

NOTE 39. SUBSIDIARIES (CONTINUED)

Name of Entity	Country of Incorporation	Equity Holding 2006 %	Equity Holding 2005 %
New Hope Corporation Limited*	Australia	61.3	64.2
Jeebropilly Collieries Pty. Limited*	Australia	61.3	64.2
Fowlers Engineering Pty. Limited*	Australia	61.3	64.2
Tivoli Coal (Hawaii) Pty. Limited*	Australia	61.3	64.2
New Hope Collieries Pty. Limited*	Australia	61.3	64.2
Tivoli Collieries Pty. Limited*	Australia	61.3	64.2
Andrew Wright Holdings Pty. Limited*	Australia	61.3	64.2
Tetard Holdings Pty. Limited*	Australia	61.3	64.2
Consolidated Bulk Handling Pty. Limited*	Australia	61.3	64.2
New Hope Finance Pty. Limited*	Australia	61.3	64.2
Thor Earthmovers Pty. Limited*	Australia	61.3	64.2
New Hope Energy Pty. Ltd*	Australia	61.3	64.2
New Oakleigh Coal Pty. Ltd*	Australia	61.3	64.2
New Hope Exploration Pty. Ltd*	Australia	61.3	64.2
Seven Mile Coal Pty. Ltd*	Australia	61.3	64.2
New Acland Coal Pty Ltd*	Australia	61.3	64.2
Acland Pastoral Co. Pty Limited*	Australia	61.3	64.2
Arkdale Pty. Limited*	Australia	61.3	-
New Lenton Coal Pty. Limited*	Australia	61.3	-
KH Foods Limited formerly Keith Harris & Co Ltd			
Jusfrute Limited*	Australia	53.3	52.2
United Beverages Pty Limited*	Australia	53.3	52.2
Redland Industries Pty Limited*	Australia	53.3	52.2
Keith Harris Extracts Pty Limited*	Australia	53.3	52.2
Quotidian No.115 Pty Limited*	Australia	53.3	52.2
Keith Harris & Co. (Far East) Pte. Ltd*	Singapore	-	-
Balfours Australia Pty Ltd*	Australia	53.3	52.2
Balfours Operations VIC Pty Limited*	Australia	53.3	52.2
Balfours Operations NSW Pty Limited*	Australia	53.3	52.2
Balfours Operations Pty Limited*	Australia	53.3	52.2
Balfours Property Holdings Pty Limited*	Australia	53.3	52.2
Balfours NSW Pty Limited*	Australia	53.3	52.2
Balfours Wauchope Pty Limited*	Australia	53.3	52.2
Balfours Pty Limited*	Australia	53.3	52.2
Balfours Retail Pty Limited*	Australia	53.3	52.2

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

(c) Acquisition of controlled entities

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
(i) Aggregate details of Acquisitions	**$'000**	$'000	**$'000**	$'000
Total Purchase Price	39,421	97,839	-	53,985
Purchase Price paid in cash	1,376	88,180	-	53,985
Proceeds from Issue of Shares by Controlled Entities	38,045	26,867	-	-
Cash held by Acquiree at acquisition	1,095	15,740	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

NOTE 39. SUBSIDIARIES (CONTINUED)

(ii) Details of significant acquisitions completed during the current financial year include:

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

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

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

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

*Includes transactions fees and stamp duty

Kooee Pty Limited's net assets at the acquisition date

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

*Includes transactions fees and stamp duty

Conversion of loans to equity in Soda Incorporation Pty Limited

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

(iii) Acquisitions during the prior year

During the prior year the Company paid $5,000,000 as an initial investment in Souls Private Equity Limited. It has since increased its investment by the sale of investments satisfied by the issue of share capital. The Company also acquired additional shares/exercised options in New Hope

NOTE 39. SUBSIDIARIES (CONTINUED)

Corporation Limited, KH Foods Limited, SP Telemedia Limited and Souls Funds Management Limited. SP Telemedia Limited acquired 43% of B Digital Limited on 21 April 2005, a transaction which involved the sale of Kooee Communications Pty. Ltd. Souls Private Equity Limited acquired during the year 100% of PCP Holdings Pty. Limited, Cromford Pty. Limited and Geoffrey Hill & Associates Pty. Limited and 63.83% of Soda Incorporation Pty. Limited for a total of $7,022,000. On 31 December 2004 KH Foods Limited acquired the remaining 36.84% of Balfours Australia Pty. Limited for $4,893,000 through a share swap with existing minority shareholders.

Details of significant acquisitions completed during the prior year include:

Acquisition of Comindico Australia's assets and business

On 1st December 2004 SP Telemedia Limited acquired the assets and business of Comindico Australia. The operating results of this newly acquired entity have been included in the consolidated statement of financial performance since the date of acquisition. The acquisitions had the following effect on the consolidated entity's assets and liabilities:

Net Assets Acquired	Fair values $'000
Property, plant and equipment	27,546
Prepayments	796
Provisions	(687)
Net identifiable assets and liabilities	27,655
Goodwill on acquisition	-
Consideration paid, satisfied in cash	27,655
Cash (acquired)	-
Net cash outflow	27,655

Acquisition of equity in B Digital Ltd

On 21st April 2005 SP Telemedia Limited acquired 43% of the issued share capital of B Digital Limited. The acquisition transaction included (i) the sale of Kooee Communications Pty Ltd to B Digital Ltd in return for 29% of the issued capital of B Digital Ltd and the repayment of a debt satisfied by the issue of new share capital in SPT Com Pty Ltd to the value of $13,750,000 and (ii) the purchase of a further 14% of the share capital of B Digital Ltd for $49,450,000. The operating results of B Digital Ltd have been included in the consolidated statement of financial performance since the date of acquisition. The acquisitions had the following effect on the consolidated entity's assets and liabilities:

Acquisition of equity in B Digital Ltd	Recognised values $'000	Fair value adjustments $'000	Carrying amounts $'000
Property, plant and equipment	3,243		3,243
Intangible assets	58,226	(31,765)	89,991
Inventories	2,652		2,652
Investments	4,303		4,303
Trade and other receivables	69,837		69,837
Deferred tax assets	18,103		18,103
Other assets	3,044	(1,208)	4,252
Cash and cash equivalents	15,715		15,715
Interest-bearing loans and borrowings	(8,912)		(8,912)
Deferred tax liabilities	(22,590)	(6,607)	(15,983)
Other liabilities	(38,860)		(38,860)
Provisions	(1,153)		(1,153)
Trade and other payables	(42,346)	(139)	(42,207)
Net identifiable assets and liabilities	61,262	(39,719)	100,981
Less Outside equity interests	(34,981)		
	26,281		
Goodwill on acquisition	28,811		
Consideration	55,092		
Consideration satisfied by the sale of shares in controlled entity	(813)		
Cash (acquired)	(15,715)		
Net cash outflow	38,564		

The consolidated entity acquired an additional 24,800,000 ordinary shares (3% of the issued ordinary shares) in B Digital Limited on 31 October 2005. The effect of this acquisition was the recognition of goodwill of $1,468,846, an intangible asset for acquired customer base of $878,373 and a deferred tax liability of $263,515.

(d) Disposal of controlled entities

During the prior year the Company sold its shares in NBN Enterprises Pty. Limited to SP Telemedia Limited and its shares in Cromford Pty. Limited to Souls Private Equity Limited. New Hope Corporation Limited sold its shares in P.T. Indonesia Bulk Terminal and Indonesia Coal Pty. Ltd. during the prior financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2006

NOTE 40. JOINT VENTURE OPERATION

In the previous year, the Group sold its interest in a joint venture operation called Reorganic Energy Swanbank, that operated a landfill gas project. The controlled entity had a 33.33% participating interest in the joint venture and was entitled to 33.33% of its output. The consolidated entity's interest in the assets employed in the joint venture is included in the consolidated balance sheet.

	Consolidated	
	2006	2005
Current Assets:	**$'000**	$'000
Cash	**-**	50
Other	**-**	318
Total Current Assets	**-**	368
Non-Current Assets		
Plant and Fixtures at cost	**-**	581
Less Accumulated Depreciation	**-**	171
Total Non-Current Assets	**-**	410
Total Assets	**-**	778

NOTE 41. INVESTMENT IN ASSOCIATES

(a) Carrying amounts

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity (refer notes 19 and 21). Information relating to significant associates is set out in (f) below.

(b) Movement in carrying amounts

Movements in the carrying amounts of investments in associates		
Carrying amount at 1 August	**423,529**	430,589
Adjustment for additional interests in equity investments	**68,752**	22,472
Adjustment from the disposal of the interest in an equity investment	**-**	(41,298)
Adjustment for subsidiary transferred to(from) an equity investment	**(10,200)**	1,164
Share of profits after income tax	**40,689**	(5,017)
Share of profits after income tax – discontinued operations	**-**	36,441
Dividends received / receivable	**(24,897)**	(72,477)
Add back share of dividends received by associate	**20,741**	16,309
Writedown of associates	**(456)**	-
Share of associates increment in reserve	**1,362**	2,255
Profit from issue of shares in associates	**-**	33,091
A-IFRS adjustment on associates	**(299)**	-
Carrying amount at 31 July	**519,221**	423,529

(c) Summarised share of associates financial information

Assets	**1,131,034**	1,076,995
Liabilities	**(479,260)**	(509,388)
Net assets	**651,774**	567,607
Revenue	**944,966**	830,905
Profit before income tax	**53,430**	80,543
Income tax expense	**(12,741)**	(49,119)
Profit after income tax	**40,689**	31,424

The share of Associates net assets of $651,774,000 includes our share of the total net assets of Brickworks Limited. Brickworks Limited owns 42.85% (2005: 42.85%) of the issued capital in Washington H. Soul Pattinson and Company Limited. The equity accounted carrying value of this associate excludes an amount of $249,068,000 (2005: $246,198,000) which represents our share of Brickworks Limited equity accounted carrying value of Washington H. Soul Pattinson and Company Limited.

(d) Share of associates' expenditure commitments

Capital commitments	**20,124**	32,119
Lease commitments	**56,954**	46,599

(e) Contingent liabilities of associates

Share of incurred jointly with other investors	**38,689**	43,165

(f) Details of significant associates

Name and Principal Activity	Balance date	Members percentage ownership interest: Balance Date Company 2006 %	Balance Date Company 2005 %	Balance Date Associate 2006 %	Balance Date Associate 2005 %	Contribution to Group net profit 2006 $'000	Contribution to Group net profit 2005 $'000	Fair value of Listed investments 2006 $'000	Fair value of Listed investments 2005 $'000
Significant associates									
Listed									
Arrow Energy NL*									
Oil and gas exploration and production	30 June	**11.6**	-	**11.6**	-	**-****	-	**48,805**	-
Australian Pharmaceutical Industries Limited									
Pharmaceutical wholesaler	30 April	**21.7**	21.6	**21.7**	21.6	**4,463**	7,537	***	177,947
Brickworks Limited									
Manufacture of clay products	31 July	**49.5**	49.5	**49.5**	49.5	**33,843**	(17,024)	**784,459**	689,274
Unlisted									
Queensland Bulk Handling Pty Ltd									
Bulk Terminal	30 June	**30.8**	32.1	**30.8**	32.1	**2,936**	628	**n/a**	n/a
Ampcontrol Pty Limited									
Electrical manufacture and design	30 June	**5.3**	5.3	**5.3**	5.3	**2,429**	-	**n/a**	n/a
Windsor Farm Foods Limited									
Food processing and distribution	30 June	**43.8**	23.8	**43.8**	23.8	**(582)**	(64)	**n/a**	n/a
B Shop Telecommunications Pty Ltd									
Reseller of telecommunications products	30 June	**22.23**	25.5	**22.23**	25.5	**(4,183)**	(302)	**n/a**	n/a
Kooee Pty Limited ****									
Reseller of telecommunications products	31 July	**-**	25.0	**-**	25.5	**341**	264	**n/a**	n/a
SPT Telecommunications Pty Ltd ****									
Telecommunications carrier	30 June	**-**	50.0	**-**	50.0	**(63)**	1,567	**n/a**	n/a

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

The significant Associates as listed above are incorporated in Australia.

* Interest in associate acquired 29 June 2006

** The Group's revenues and profits for the current period is immaterial for inclusion as Arrow Energy has only been equity accounted for 1 day in the current year.

*** As at 31 July 2006, no bid price was available for Australian Pharmaceutical Industries Limited as the company was suspended from trading during the period 12 July 2006 through to 22 August 2006. Since this date, the company's shares have traded between $1.86 and $2.71. On this basis, the fair value of our investment is between $103,912,000 and $151,400,000.

**** Controlled from June 2006

NOTE 42. INTEREST IN PARTNERSHIP

	Consolidated 2006 $'000	Consolidated 2005 $'000
Andrew Wright Holdings Pty Ltd, a controlled entity of New Hope Corporation Limited holds a 50% interest in a partnership named Bulk Terminal Services, whose principal activity is supply of services. The partnership's year end is 30 June. The consolidated entity did not receive any products or services directly from the partnership. The Group's share of the partnership was $4,432,000 (2005 - $4,092,000)		
Contribution of the partnership to operating profit of the consolidated entity	**3,238**	2,882

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
NOTE 43. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES				
Profit for the year	**110,074**	579,643	**145,097**	224,965
Adjustments for non-cash items:	**-**	-	**-**	-
Depreciation and amortisation	**49,190**	39,279	**457**	419
Impairment losses	**11,735**	4,773	**-**	-
Gain on disposal of discontinuing operations	**-**	(414,963)	**-**	-
Dividends received (non-cash)	**(25)**	-	**-**	-
Net gain on sale of financial assets	**(13,520)**	(92,518)	**(4,960)**	(152,768)
Net (profit) / loss on sale of non-current assets	**(3,332)**	(6,807)	**-**	(5,228)
Other items	**-**	-	**-**	-
Share based payments	**1,877**	-	**-**	-
Share of profits of associates not received as dividends or distributions	**(19,030)**	4,641	**-**	-
Changes in operating assets and liabilities, net of effects from purchase and sales of business				
(Increase)/decrease in Trade Debtors, other debtors and prepayments	**13,019**	(81,614)	**3,573**	14,325
(Increase)/decrease in Inventory	**(3,867)**	(7,644)	**22**	(866)
Increase/(decrease) in Trade Creditors and accruals	**(4,552)**	95,541	**(385)**	25
Increase/(decrease) in Employee Entitlements, other liabilities and provisions	**(30,650)**	(16,118)	**145**	(8)
Increase/(decrease) in Tax Provision	**(40,497)**	54,103	**776**	1,474
(Increase)/decrease in Deferred Tax Liability	**(19,518)**	16,426	**(6,977)**	1,557
(Increase)/decrease in Deferred Tax Asset	**18,586**	8,700	**2,740**	1,900
Net cash (outflow)/inflow from operating activities	**69,490**	183,442	**140,488**	85,795
Non-cash financing and investing activities				
Share swap to purchase minority interest in Balfours Australia Pty Ltd (note 39)	**-**	4,599	**-**	4,599

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 directors
Mr P R Robinson
Mr D J Fairfull

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

NOTE 44. KEY MANAGEMENT PERSONNEL (CONTINUED)

(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*
Mr N L Smallbone	Financial Controller (retired 07/07/2006)	Washington H. Soul Pattinson and Company Limited
Ms M R Roderick	Chief Financial Officer (appointed 27/06/2006)	Washington H. Soul Pattinson and Company Limited
Mr R A O'Brien	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
Mr J Eather	Chief Executive Officer - Media	SP Telemedia Limited

(c) Key management personnel compensation

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Short-term employee benefits	**4,101**	3,702	**2,323**	2,075
Post-employment benefits	**531**	926	**261**	635
Share-based payments	**462**	262	**-**	230
	5,094	4,890	**2,584**	2,940

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

(d) Equity instrument disclosures relating to key management personnel

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

Details of options provided as remuneration and shares issued on the exercise of such options can be found in the remuneration report on pages 9-10. Terms and conditions of options are detailed in note 45.

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.

2006	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	16,174,025	95,000	-	-	16,269,025
M J Millner	15,809,005	95,000	-	-	15,904,005
P R Robinson	74,210	-	-	-	74,210
D J Fairfull	60,000	-	-	-	60,000
R G Westphal (from 01/04/2006)	-	5,000	-	-	5,000
D E Wills (from 01/04/2006)	-	(held at date of appointment)		-	10,000
Other key management personnel of the Group					
R C Neale	4,000	-	-	-	4,000
P K Mantell	200	-	-	-	200
M Simmons	4,400	-	-	-	4,400
J Eather	13,200	-	-	-	13,200
2005					
Directors of Washington H. Soul Pattinson and Company Limited (shares in Washington H. Soul Pattinson and Company Limited)					
R D Millner	16,002,355	171,670	-	-	16,174,025
M J Millner	15,637,335	171,670	-	-	15,809,005
P R Robinson	74,210	-	-	-	74,210
G L Robertson	160,000	-	-	-	160,000
D J Fairfull	60,000	-	-	-	60,000
Other key management personnel of the Group					
R C Neale	4,000	-	-	-	4,000
D J Ledbury	30,000		-	(10,000)	20,000
M Simmons	-	4,400	-	-	4,400
J Eather	13,200	-	-	-	13,200

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

NOTE 44. KEY MANAGEMENT PERSONNEL (CONTINUED)

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

2006	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	2,134,287	400,989	-		2,535,276
P R Robinson	57,357	-	-	-	57,357
D J Fairfull	10,000	-	-	-	10,000
D C Williamson	20,000	-	-	-	20,000
W H Grant (from 25/05/2006)	-	-	-	-	
Other key management personnel of the Group					
R C Neale	5,000	-	-	-	5,000
P K Mantell	13,000	-	-	-	13,000
2005					
Directors of New Hope Corporation Limited (shares in New Hope Corporation Limited)					
R D Millner	1,941,357	-	192,930	-	2,134,287
P R Robinson	30,000	24,357	3,000	-	57,357
G L Robertson	9,033,000	382,485	901,750	-	10,317,235
D J Fairfull	10,000	-	-	-	10,000
D C Williamson	10,000	-	10,000	-	20,000
Other key management personnel of the Group					
R C Neale	5,000	-	-	-	5,000
P K Mantell	13,000	-	1,000	1,000	13,000

2006	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	1,051,557	740,854	-	-	1,792,411
M J Millner	1,022,557	740,854	-	-	1,763,411
P R Robinson	115,556	-	8,000	-	123,556
D J Fairfull	144,445	-	-	-	144,445
D J Ledbury	224,223	-	4,000	-	228,223
W P Cleaves	28,889	-	2,000	-	30,889
Other key management personnel of the Group					
M Simmons	45,393	-	-	-	45,393
J Eather	108,500	-	-	-	108,500
2005					
Directors of SP Telemedia Limited (shares in SP Telemedia Limited)					
R D Millner	1,051,557	-	-	-	1,051,557
M J Millner	1,022,557	-	-	-	1,022,557
P R Robinson	115,556	-	-	-	115,556
D J Fairfull	144,445	-	-	-	144,445
D J Ledbury	202,223	22,000	-	-	224,223
W P Cleaves	28,889	-	-	-	28,889
Other key management personnel of the Group					
M Simmons	90,716	-	-	45,323	45,393
J Eather	108,500	-	-	-	108,500

NOTE 44. KEY MANAGEMENT PERSONNEL (CONTINUED)

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

2006	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 B Digital Limited)					
D J Ledbury	50,000	-	-	-	50,000
W P Cleaves	15,000	-		-	15,000
Other key management personnel of the Group					
M Simmons	33,000	-	-	-	33,000
J Eather	37,500	-	-	-	37,500
2005					
Directors of SP Telemedia Limited (shares in B Digital Limited)					
D J Ledbury	-	50,000	-	-	50,000
W P Cleaves	-	15,000	-	-	15,000
Other key management personnel of the Group					
M Simmons	-	33,000	-	-	33,000
J Eather	-	37,500	-	-	37,500

2006	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	78,842	-	-	-	78,842
D J Fairfull	8,300,001	-	-	-	8,300,001
D E Wills	199,728	100,000	-	-	299,728
R G Westphal	80,000	100,000	-	-	180,000
G G Hill (alternate for D J Fairfull)	8,150,000	-	-	-	8,150,000
Other key management personnel of the Group					
No key personnel held shares during the financial year					
2005					
Directors of Souls Private Equity Limited (shares in Souls Private Equity Limited)					
R D Millner	-	78,842	-	-	78,842
D J Fairfull	-	8,300,001	-	-	8,300,001
D E Wills	-	199,728	-	-	199,728
R G Westphal	-	80,000	-	-	80,000
G G Hill (alternate to D J Fairfull)	-	8,150,000	-	-	8,150,000
Other key management personnel of the Group					
No key personnel held shares during the financial year					

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

NOTE 44. KEY MANAGEMENT PERSONNEL (CONTINUED)

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

2006	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 R Robinson	2,000	-	-	-	2,000
P T Blizzard	387,650	-	-	-	387,650
Other key management personnel of the Group					
No key personnel held shares during the financial year					
2005					
Directors of KH Foods Limited (shares in KH Foods Limited)					
P R Robinson	2,000	-	-	-	2,000
D J Taig	-	195,148	-	-	195,148
G R Willmott	2,000	2,000	-	-	4,000
M J Millner	2,000	-	-	-	2,000
P T Blizzard	-	387,650	-	-	387,650
	-	-	-	-	-
Other key management personnel of the Group					
No key personnel held shares during the financial year					

iii. Option holdings

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

2006	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)					
R D Millner	1,206	-	-	-	1,206
P R Robinson	-	-	-	-	-
D J Fairfull	1,000	-	-	-	1,000
D C Williamson	-	-	-	-	-
W H Grant (from 25/05/2006)	-	-	-	-	-
Other key management personnel of the Group					
R C Neale	1,200,000	2,000,000	-	-	3,200,000
P K Mantell	1,090,000	1,500,000	-	-	2,590,000
2005					
Directors of New Hope Corporation Limited (New Hope Corporation Limited options)					
R D Millner	194,136	-	192,930	-	1,206
P R Robinson	3,000	-	3,000	-	-
D J Fairfull	1,000	-	-	-	1,000
D C Williamson	10,000	-	10,000	-	-
Other key management personnel of the Group					
R C Neale	1,200,500		500		1,200,000
P K Mantell	1,091,000		1,000		1,090,000

NOTE 44. KEY MANAGEMENT PERSONNEL (CONTINUED)

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

2006	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 (SP Telemedia Limited options)					
P R Robinson	8,000		8,000	-	-
D J Fairfull	10,000		-	(10,000)	-
D J Ledbury	4,000		4,000	-	-
W P Cleaves	2,000		2,000	-	-
Other key management personnel of the Group					
No key personnel held options at the end of the financial year					
2005					
Directors of SP Telemedia Limited (SP Telemedia Limited options)					
P R Robinson	8,000	-	-	-	8,000
D J Fairfull	10,000	-	-	-	10,000
D J Ledbury	4,000	-	-	-	4,000
Other key management personnel of the Group					
No other key personnel held options during the financial year					

2006	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	6,730	-	-	-	6,730
D J Fairfull	1,037,500	-	-	-	1,037,500
D E Wills	24,966	-	-	-	24,996
R G Westphal	10,000	-	-	-	10,000
	-	-	-	-	-
Other key management personnel of the Group					
No other key personnel held options during the financial year					
No options are vested and unexercisable at the end of the year.					
2005					
Directors of Souls Private Equity Limited (Souls Private Equity Limited options)					
R D Millner	-	6,730	-	-	6,730
D J Fairfull	-	1,037,500	-	-	1,037,500
D E Wills	-	24,966	-	-	24,966
R G Westphal	-	10,000	-	-	10,000
Other key management personnel of the Group					
No other key personnel held options during the financial year					

(e) Loans to key management personnel

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

At the beginning of the financial year Mr D Ledbury and Mr J Eather had interest free loans of $109,500 each from SP Telemedia Limited in relation to retirement benefits. On Mr D Ledbury's retirement as Managing Director on 1 August, 2005 his loan was repaid. The loan of $109,500 to Mr J Eather remains at 31 July, 2006.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

(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 $740,188 (2005: $495,678). The balance of deposits at 31 July 2006 was $15,760,000 (2005: $13,019,000).

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

Mr R G Westphal was appointed a director on 1 April, 2006 and received consultancy fees from Pitt Capital Partners Limited of $121,000 during the year.

Mr G L Robertson was a director during the prior year and had an interest in an entity which had transactions with New Hope Corporation Limited during the 2005 year. The transactions were for the reimbursement of costs and were based on normal commercial terms and conditions. Mr Robertson's father is governing director of Farjoy Pty. Ltd. and New Hope Corporation Limited has had transactions with Farjoy Pty. Ltd. which include payment of dividends and repayment of loans. All transactions with Farjoy Pty. Ltd. are based on normal commercial terms and conditions.

Mr D J Fairfull owns 12.5% of Pitt Capital Partners Limited (PCP) and is joint Managing Director. During the current financial year PCP provided the following services to companies in the Economic Entity:-

1. Washington H. Soul Pattinson and Company Limited for investment portfolio services $Nil 2006 (2004 - $175,000)
2. KH Foods Limited for services in respect of the acquisition of a controlled entity $Nil 2006 (2005 - $210,000)
3. SP Telemedia Limited for corporate advisory services $1,590,000 (2005 - $3,480,000).
4. New Hope Corporation Limited for corporate advisory services $484,583 (2005 - $5,250,140)
5. Souls Private Equity Limited for investment management fees $2,719,357 (2005 - $2,599,877)

Mr R D Millner and Mr P R Robinson are directors of Pitt Capital Partners Limited (PCP) which is a 53% controlled entity of Washington H. Soul Pattinson and Company Limited.

Washington H. Soul Pattinson and Company Limited charged PCP $123,600 for rental of office space in its own premises during the year (2005 - $99,600).

PCP paid Washington H. Soul Pattinson and Company Limited sub-underwriting fees of $10,000 and $198,367 for the provision of office furniture and fittings in 2005.

Souls Funds Management Limited received $190,992 from PCP for management fees (2005 - $266,388)

NOTE 45. SHARE-BASED PAYMENTS

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

New Hope Corporation Limited

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

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

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

2006

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	5 Sept 2008	$0.350*	8,100,000	-	(6,377,500)	-	1,722,500	-
5 Sept 2003	5 Sept 2008	$0.375*	8,100,000	-	(6,377,500)	-	1,722,500	-
5 Sept 2003	5 Sept 2008	$0.400*	8,100,000	-	(6,377,500)	-	1,722,500	-
5 Sept 2003	5 Sept 2008	$0.450*	8,100,000	-	(6,377,500)	-	1,722,500	-
31 Aug 2005	31 Aug 2010	$1.198*	-	800,000	-	-	800,000	-
3 Jan 2006	3 Jan 2011	$1.235	-	17,000,000	-	(750,000)	16,250,000	-
8 May 2006	8 May 2011	$1.288	-	500,000	-	-	500,000	-
Total			**32,400,000**	**18,300,000**	**(25,510,000)**	**(750,000)**	**24,440,000**	**-**
Weighted average exercise price			0.4938	1.2348	0.4938	1.2350	0.9977	-

The weighted average share price at the date of exercise of options exercised during the year was $1.31 (2005 – nil).

*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.

NOTE 45. SHARE-BASED PAYMENTS (CONTINUED)

New Hope Corporation Limited (continued)

2005

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	5 Sept 2008	$0.450	8,300,000	-	-	(200,000)	8,100,000	-
5 Sept 2003	5 Sept 2008	$0.475	8,300,000	-	-	(200,000)	8,100,000	-
5 Sept 2003	5 Sept 2008	$0.500	8,300,000	-	-	(200,000)	8,100,000	-
5 Sept 2003	5 Sept 2008	$0.550	8,300,000	-	-	(200,000)	8,100,000	-
Total			**33,200,000**	**-**	**-**	**(800,000)**	**32,400,000**	**-**
Weighted average exercise price			0.4938			0.4938	0.4938	-

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.8 years (2005 – 1.1 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.

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

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

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

Grant date	Expiry date	Exercise price	Share price at grant date	Expected volatility	Expected dividend yield	Risk free interest rate	Assessed fair value at grant date
31 Aug 2005	30 Aug 2010	$1.198	$1.350	38.7%	4.6%	4.9%	$0.372
3 Jan 2006	2 Jan 2011	$1.235	$1.230	41.3%	4.6%	5.1%	$0.346
8 May 2006	7 May 2011	$1.288	$1.280	40.5%	3.8%	5.6%	$0.384

SP Telemedia Limited

Executive Share Option Plan

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

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

All options expire on the earlier of their expiry date or termination of the executive's employment. Options may be exercised earlier than the expiry dates or where certain events occur such as where a takeover bid results in a bidder acquiring a relevant interest in more than half of the issued shares in the company or where the executive ceases to be employed for a limited number of reasons (such as death, total disability, redundancy or retirement) or where the board exercises a discretion for an earlier exercise.

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

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

Options do not vest until certain criteria have been achieved. Accordingly the plan does not represent remuneration for the past services. Each option is convertible to one ordinary share. As the options are low exercise price options, any options that are eligible for vesting will require the executive to pay $1 each time they exercise any number of options.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

NOTE 45. SHARE-BASED PAYMENTS (CONTINUED)

SP Telemedia Limited (continued)

2006	Expiry and exercise date	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
	30 Jun 2015	3,259	-	(735)	(587)	1,937	1,937
Total		**3,259**	**-**	**(735)**	**(587)**	**1,937**	**1,937**
2005							
	30 Jun 2015	-	3,259	-	-	3,259	3,259
Total		**-**	**3,259**	**-**	**-**	**3,259**	**3,259**

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

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

(i) market share price at grant date

(ii) any options that are eligible for vesting will require the executive to pay $1 each time they exercise any number of options

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

Executive Bonus Share Scheme

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

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

Under the bonus share scheme the executive receives the voting rights and dividend entitlement to shares purchased under the scheme however they are unable to access the shares until they satisfy the continuity of service criteria. These shares vest to the employee at 20% per annum at the end of each of the following five years, provided they continue to be employed in the consolidated entity. If the employee terminated their employment, they forfeit their entitlement to the unvested shares, except in limited circumstances such as medical reasons, bona fide retirement or termination other than for gross misconduct.

Souls Private Equity Limited

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

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

2006

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

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

NOTE 45. SHARE-BASED PAYMENTS (CONTINUED)

Souls Funds Management Limited

Employee Share Transactions

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

(a) The Long Term Incentive Plan ("LTIP") which provides an interest-free loan to employees for the express purpose of purchasing new shares in the Company. The purchase price of these shares is measured by reference to the fair value at the date at which they were issued. The fair value formula having been determined by an external valuer.

In the year ended 31 July 2006, a total of 167,550 new shares in the Company were issued to employees under the LTIP at a fair value of $11.31 per share, a consideration of $1,894,991.

(b) An equity incentive scheme available to the chief investment officer whereby he is issued with new shares in the Company 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.

NOTE 46. FINANCIAL INSTRUMENTS

Refer to note 1 for additional information on the accounting policy of financial instruments.

a) Derivative Financial instruments

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.

At balance date these contracts were assets with fair value of $12,374,000 (2005: $20,270,000) and were included in other receivables in the 2005 financial year and at 30 June 2006 as per below.

At balance date the details of outstanding contracts are (Australian Equivalents)

	Consolidated	
	2006	2005
	$'000	$'000
Current Assets		
- Forward exchange contracts	**8,060**	-
Non Current Assets		
- Forward exchange contracts	**4,314**	-
Note (21)	**12,374**	-

	Buy Australian Dollars		Average Exchange Rate	
Sell US Dollars	**2006**	2005	**2006**	2005
Maturity	**$'000**	$'000		
0 to 6 months	**33,027**	23,681	**0.66613**	0.633343
6 to 12 months	**27,719**	30,897	**0.64938**	0.61494
1 to 2 years	**40,472**	39,937	**0.69184**	0.62599
2 to 5 years	**43,089**	41,621	**0.71944**	0.69677
	144,307	136,136		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2006

NOTE 46. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 August 2005. At the date of transition to these standards at 1 August 2005, there were no impacts to retained earnings.

On the date of transition to AASB 132 and AASB 139 (1 August 2005) the deferred foreign exchange gains were reclassified from liabilities to equity (net of tax). For the group, this resulted in a decrease to current liabilities of $9,812,000, a decrease to non-current receivables of $10,458,000, and increase to deferred tax liabilities of $6,080,000, and an increase to hedging reserve of $14,190,000.

(c) Interest Rate Exposure

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

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

Investments are principally of a non-interest bearing nature, short term deposits have maturities between 11am and 180 days. Interest rates on cash at bank and short term deposits and notes range from 4.1 to 5.5% (2005: 4.5% to 7%).

Held to maturity investments of $435,059,000 (2005: $87,000,000) are deposits held to maturity for less than one year and carry a weighted average interest rate of 6.02% (2005: 5.55%).

Debtors are generally non interest bearing. This year $5,479,000 was interest bearing at a rate of up to 10% (2005: $9,369,000 at a rate up to 10%). Loans receivable have a maximum period of 10 years.

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

	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
			Weighted average % Interest Rate	
Loans				
Floating interest rate	**15,853**	13,394	**6 – 10%**	5.0
Fixed Interest maturities	**-**	-	**-**	
Less than 1 year	**16,741**	4,224	**6 – 10%**	2.2
1 to 5 years	**66,132**	60,473	**6 – 10%**	6.8
Non Interest Bearing	**-**	500	**-**	-
	98,726	78,591		

Reconciliation to balance sheet		**2006 $'000**	2005 $'000
Current liabilities – borrowing	Note 27	**32,882**	18,118
Non current liabilities - borrowing	Note 28	**65,844**	60,473
		98,726	78,591

(d) Net Fair Values

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

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

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

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

NOTE 47. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date the Group made a bid for the remaining 54% of the share capital in the controlled entity, B Digital Limited. The offer is for 16 cents per ordinary share in B Digital Limited and closes 10 November 2006.

The Company has also agreed to a proposed capital restructure of a controlled entity, KH Foods Limited, which is currently under review and is subject to the approval of KH Foods Limited's shareholders. The elements of the restructure include the conversion by the Company of approximately $16 million debt to equity in addition to a new capital raising by KH Foods Limited of not less than $15 million by way of a rights issue to be fully underwritten by the Company.

NOTE 48: ECONOMIC DEPENDENCY

NBN Limited acquires the majority of the television programs it broadcasts from the Nine Network pursuant to a supply agreement. This agreement expires 30 June 2007.

The B Digital Group has a Service Provider Agreement with Optus Mobile Pty. Limited for the supply of fixed line, mobile and internet services for its customers until 30 January 2007 and for the supply of mobile services for the B Mobile customers that expires in February 2009. The agreement is fundamental to the continued operations of the B Digital Group.

NOTE 49. EXPLANATIONS OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (A-IFRS)

(a) At the date of transition to A-IFRS: 1 August 2004

	Note	Consolidated			Parent Entity		
		Previous AGAAP	Effect of transition to A-IFRS	A-IFRS	Previous AGAAP	Effect of transition to A-IFRS	A-IFRS
		$'000	$'000	$'000	$'000	$'000	$'000
CURRENT ASSETS							
Cash and cash equivalents		128,419	-	128,419	2,067	-	2,067
Trade and other receivables	a,m	139,842	(64,876)	74,966	78,973	-	78,973
Inventories	a	20,276	(2,880)	17,396	2,683	(1,770)	913
Assets classified as held for sale	a,c	-	2,975	2,975	-	1,897	1,897
Held to maturity investments	a	-	75,586	75,586	-	-	-
Other	a	6,937	(5,736)	1,201	410	-	410
Total current assets		295,474	5,069	300,543	84,133	127	84,260
NON-CURRENT ASSETS							
Trade and other receivables	a,m	19,603	4,622	24,225	715	-	715
Investments accounted for using the equity method	n	425,295	5,294	430,589	-	-	-
Investment in subsidiaries		-	-	-	306,834	-	306,834
Available for sale financial assets	a	169,012	(6,625)	162,387	153,376	-	153,376
Property, plant and equipment	d,e,f	358,707	(3,465)	355,242	7,739	-	7,739
Investment properties	b	-	1,613	1,613	-	-	-
Deferred tax assets	q	13,262	24,226	37,488	4,640	-	4,640
Intangible assets	g,h,i,j	131,949	(49,327)	82,622	-	-	-
Other	a	1,391	(659)	732	-	-	-
Total non-current assets		1,119,219	(24,321)	1,094,898	473,304	-	473,304
TOTAL ASSETS		1,414,693	(19,252)	1,395,441	557,437	127	557,564
CURRENT LIABILITIES							
Trade and other payables	a,m	59,934	4,815	64,749	23,182	-	23,182
Short-term borrowings		59,427	-	59,427	8,553	-	8,553
Current tax liabilities		14,036	-	14,036	1,621	-	1,621
Short-term provisions	d, f	37,585	(2,087)	35,498	24,310	-	24,310
Other	a	824	(594)	230	-	-	-
Total current liabilities		171,806	2,134	173,940	57,666	-	57,666

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

NOTE 49. EXPLANATIONS OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(a) At the date of transition to A-IFRS: 1 August 2004 (continued)

		Consolidated			Parent Entity		
	Note	Previous AGAAP	Effect of transition to A-IFRS	A-IFRS	Previous AGAAP	Effect of transition to A-IFRS	A-IFRS
		$'000	$'000	$'000	$'000	$'000	$'000
NON-CURRENT LIABILITIES							
Other		14,396	-	14,396	-	-	-
Long-term borrowings		58,746	-	58,746	-	-	-
Deferred tax liabilities	q	14,537	71,155	85,692	6,051	20,993	27,044
Long-term provisions	d,f	42,715	(1,973)	40,742	24,600	-	24,600
Total non-current liabilities		130,394	69,182	199,576	30,651	20,993	51,644
TOTAL LIABILITIES		302,200	71,316	373,516	88,317	20,993	109,310
NET ASSETS		1,112,493	(90,568)	1,021,925	469,120	(20,866)	448,254
EQUITY							
Contributed equity		32,900	-	32,900	32,900	-	32,900
Reserves	r	479,687	(54,170)	425,517	402,494	-	402,494
Retained profits	r	354,922	(34,574)	320,348	33,726	(20,866)	12,860
Parent entity interests		867,509	(88,744)	778,765	469,120	(20,866)	448,254
Minority interests	r	244,984	(1,824)	243,160	-	-	-
Total equity		1,112,493	(90,568)	1,021,925	469,120	(20,866)	448,254

(b) At the end of the last reporting period under previous AGAAP: 31 July 2005

	Note	Consolidated Previous AGAAP $'000	Consolidated Effect of transition to A-IFRS $'000	Consolidated A-IFRS $'000	Parent Entity Previous AGAAP $'000	Parent Entity Effect of transition to A-IFRS $'000	Parent Entity A-IFRS $'000
CURRENT ASSETS							
Cash and cash equivalents	a	119,039	576,734	695,773	3,478	-	3,478
Trade and other receivables	a	806,294	(657,482)	148,812	91,236	(86,913)	4,323
Inventories	a	33,926	(8,886)	25,040	3,548	(2,615)	933
Assets classified as held for sale	a,c	1,909	233	2,142	-	-	-
Other financial assets at fair value through profit or loss	a	-	9,075	9,075	-	2,806	2,806
Held to maturity investments	a	-	87,000	87,000	-	87,000	87,000
Intangible assets	o	-	36,686	36,686	-	-	-
Other	a	7,247	(7,247)	-	87	(87)	-
Total current assets		968,415	36,113	1,004,528	98,349	191	98,540
NON-CURRENT ASSETS							
Trade and other receivables	a,m	26,215	5,778	31,993	177	-	177
Investments accounted for using the equity method	n	429,092	(5,563)	423,529	-	-	-
Investment in subsidiaries		-	-	-	170,955	-	170,955
Available for sale financial assets	a	211,644	(37,912)	173,732	413,939	-	413,939
Other financial assets	a	-	47,822	47,822	-	-	-
Property, plant and equipment	d,e,f	293,565	(3,767)	289,798	5,277	-	5,277
Investment properties	b	-	1,586	1,586	-	-	-
Deferred tax assets	q	25,483	3,305	28,788	2,740	-	2,740
Intangible assets	a,h,i,j	240,136	(45,483)	194,653	-	-	-
Other	a	25,184	(25,184)	-	-	-	-
Total non-current assets		1,251,319	(59,418)	1,191,901	593,088	-	593,088
TOTAL ASSETS		2,219,734	(23,305)	2,196,429	691,437	191	691,628

NOTE 49. EXPLANATIONS OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) At the end of the last reporting period under previous AGAAP: 31 July 2005 (continued)

		Consolidated			Parent Entity		
	Note	Previous AGAAP	Effect of transition to A-IFRS	A-IFRS	Previous AGAAP	Effect of transition to A-IFRS	A-IFRS
		$'000	$'000	$'000	$'000	$'000	$'000
CURRENT LIABILITIES							
Trade and other payables	a,m	117,959	8,628	126,587	2,223	(81)	2,142
Short-term borrowings		18,118	-	18,118	13,395	81	13,476
Current tax liabilities		68,256	(117)	68,139	3,095	-	3,095
Short-term provisions	d,f	47,110	(4,774)	42,336	24,334	-	24,334
Unearned revenue	a	6,697	30,822	37,519	-	-	-
Other	a	1,946	(1,946)	-	-	-	-
Total current liabilities		260,086	32,613	292,699	43,047	-	43,047
NON-CURRENT LIABILITIES							
Trade and other payables	a	10,458	(10,458)	-	-	-	-
Long-term borrowings	a	60,011	462	60,473	-	-	-
Deferred tax liabilities	q	22,208	79,910	102,118	6,146	20,923	27,069
Long-term provisions	d,f	10,871	6,915	17,786	704	-	704
Other	a	9,477	1,333	10,810	-	-	-
Total non-current liabilities		113,025	78,162	191,187	6,850	20,923	27,773
TOTAL LIABILITIES		373,111	110,775	483,886	49,897	20,923	70,820
NET ASSETS		1,846,623	(134,080)	1,712,543	641,540	(20,732)	620,808
EQUITY							
Contributed equity		32,900	-	32,900	32,900	-	32,900
Reserves	r	489,404	(62,735)	426,669	402,494	-	402,494
Retained profits	r	738,145	(48,213)	689,932	206,146	(20,732)	185,414
Parent entity interests		1,260,449	(110,948)	1,149,501	641,540	(20,732)	620,808
Minority interests	r	586,174	(23,132)	563,042	-	-	-
Total equity		1,846,623	(134,080)	1,712,543	641,540	(20,732)	620,808
(2) Reconciliation of profit for the year ended 31 July 2005							
Revenue from continuing operations	s	1,278,799	(690,938)	587,861	279,349	(191,590)	87,759
Other income		-	99,681	99,681	-	158,186	158,186
Costs of sales		(310,150)	-	(310,150)	(41,245)	33,448	(7,797)
Selling and Distribution expenses		(101,162)	-	(101,162)	(2,310)	-	(2,310)
Administration expenses		(224,774)	150,279	(74,495)	(2,856)	-	(2,856)
Occupancy expenses		(572)	-	(572)	(572)	-	(572)
Other expenses		-	(15,968)	(15,968)	-	-	-
Impairment of assets		-	-	-	-	-	-
Finance costs		(6,803)	680	(6,123)	(572)	-	(572)
Share of profits of associates and partnerships using the equity method		46,625	(12,319)	34,306	-	-	-
Profit before income tax		681,963	(468,585)	213,378	231,794	44	231,838
Income tax expense		(86,808)	38,110	(48,698)	(6,873)	-	(6,873)
Profit from continuing operations		595,155	(430,475)	164,680	224,921	44	224,965
Profit from discontinued operations	l	-	414,963	414,963	-	-	-
Profit for the year		595,155	(15,512)	579,643	224,921	44	224,965
Profit attributable to minority interest		(173,700)	(213)	(173,913)	-	-	-
Profit attributable to members of Washington H. Soul Pattinson and Company Limited		421,455	(15,725)	405,730	224,921	44	224,965

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2006

NOTE 49. EXPLANATIONS OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(3) Notes to the reconciliations

(a) Reclassifications

The Group and the parent entity have reclassified balances for cash and cash equivalents, trade receivables, prepayments, inventories, assets classified for held for sale, held to maturity investments and trade and other liabilities to enhance to comparability with the current financial year's disclosures.

The above reclassifications have no effect on the profit of the Group.

(b) Investment properties

Under previous AGAAP the Group measured investment property on cost basis. At the date of transition the Group has elected to reclassify investment properties which were previously recorded in property, plant and equipment.

(i) At 1 August 2004

For the Group there has been an increase in investment properties of $1,613,000 and decrease in the carrying amount of property, plant and equipment of $1,613,000. There is no effect on the parent entity.

(ii) At 31 July 2005

For the Group there has been a decrease of $1,586,000 in carrying value of property, plant and equipment and a corresponding increase in investment properties. There is no effect on the parent entity.

(iii) For the year ended 31 July 2005

There is no effect on the income statement of the Group and the parent entity.

(c)Assets held for sale

Under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, assets that are designated as held for sale must be disclosed separately as current assets on the face of the balance sheet.

(i) At 1 August 2004

For the Group there is an increase in assets classified as held for sale of $2,975,000. The parent entity increase is $1,897,000.

(ii) At 31 July 2005

For the Group $233,000 of property, plant and equipment has been reclassified as assets held for sale. There is no effect on the parent entity.

(iii) For the year ended 31 July 2005

There is no effect on the Group and parent entity.

(d) Rehabilitation provision

The controlled entities in the Group have certain obligations to rehabilitate sites at the conclusion of mining. Under AASB 116, the initial estimate of costs to dismantle and remove items and restore the site must be capitalised into the cost of the items and depreciated over their useful lives. The effect is:

(i) At 1 August 2004

There is an increase of $642,000 in cost of plant, an increase in of $484,000 in accumulated depreciation and an increase in retained earnings of $158,000. There is no effect on the parent entity.

(ii) At 31 July 2005

There is an increase of $642,000 in cost of plant, an increase in of $516,000 in accumulated depreciation and an increase in retained earnings of $126,000. There is no effect on the parent entity.

(iii) For the year ended 31 July 2005

There has been an increase of $32,000 in depreciation expense. There is no effect on the parent entity.

NOTE 49. EXPLANATIONS OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(3) Notes to the reconciliations (continued)

(e) Property, plant and equipment

The adjustments in the carrying value of property, plant and equipment arising from adoption of A-IFRS are due to reclassification of investment properties (b), recognition of rehabilitation provision (d) and reclassification of software to intangibles assets (h).

(f) 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. Under previous AGAAP this provision was required to be recognised on an incremental basis.
The effect of this is:

(i) At 1 August 2004

For the Group there has been an increase in provisions of $519,000, and an increase in property, plant and equipment $519,000. There is no effect on the parent entity.

(ii) At 31 July 2005

There has been an increase in provisions of $551,000, and an increase in property, plant and equipment of $551,000. There is no effect on the parent entity.

(iii) For the year ended 31 July 2005

There is no effect on the Group and the on the parent entity.

(g) Intangible assets

Television licences

Under AASB 138 *Intangible Assets* revaluation amount of internally generated intangible assets are not recognised. The consolidated entity reversed the revaluation of television licence amounting to $50,300,000. The effect is:

(i) At 1 August 2004

For the Group there is a decrease in intangible assets and asset revaluation reserve of $50,300,000 of the consolidated entity. There is no effect on the parent entity.

(ii) At 31 July 2005

For the Group there is a decrease in intangible assets and asset revaluation reserve of $50,300,000. There is no effect on the parent entity.

(iii) For the year ended 31 July 2005

There is no effect on the income statement of the consolidated entity and the parent entity. There is no effect on the parent entity.

(h) Software

Under A-IFRS, software is included in intangibles. Software previously under AGAAP was recorded in property, plant and equipment. The effect is:

(i) At 1 August 2004

For the Group there has been an increase in intangible assets of $337,000 of the consolidated entity. There is a decrease in property, plant and equipment of the same amount. There is no effect on the parent entity.

(ii) At 31 July 2005

For the Group there has been an increase in intangible assets of $2,073,000 of the consolidated entity. There is a decrease in property, plant and equipment of the same amount. There is no effect on the parent entity.

(iii) For the year ended 31 July 2005

There is no effect on the income statement of the Group and the parent entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2006

NOTE 49. EXPLANATIONS OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(3) Notes to the reconciliations (continued)

(i) Impairment of assets – goodwill

Under AASB 136 *Impairment of Assets* goodwill amortisation is prohibited but instead requires an annual impairment test to be performed on the carrying amount of goodwill. The effect is:

(i) At 1 August 2004

There is no impact on the Group and the parent entity as all acquisitions to this date have been "grandfathered" under the transitional provisions of AASB 1: *First-time Adoption of the Australian Equivalents to the International Financial Reporting Standards*.

(ii) At 31 July 2005

For the Group there has been an increase in intangible assets of $12,434,000 and a corresponding increase in retained earnings. There is no effect on the parent entity.

(iii) For the year ended 31 July 2005

For the Group there has been a decrease of $12,434,000 in the impairment and amortisation expense.

(j) Business combinations

AASB 3 *Business combinations* has been applied to all post transition acquisitions. Other identifiable intangible assets have been stated at cost, being fair value at acquisition date, less accumulated amortisation and impairment losses. All acquisitions prior to this date have been 'grandfathered' under the transitional provisions of AASB 1 *First time Adoption of the Australian Equivalent to the International Financial Reporting Standards.*

(i) At 1 August 2004

There is no effect on the Group and the parent entity.

(ii) At 31 July 2005

During the 2005 financial year, acquisitions by the consolidated entity have resulted in:

– a decrease in goodwill recognised by KH Foods Limited. KH Foods Limited acquired the remaining 37% of the issued capital of Balfours Australia Pty Ltd to increase its shareholding in the Balfours group to 100%. Under AGAAP the excess of the purchase consideration over net assets resulted in $11,174,000 in goodwill being recognised. Under the "consolidated entity" principle enshirned in A-IFRS, consideration paid for the purchase of Balfours Australia Pty Ltd minority interest is eliminated against the carrying value of the minority interest, and the excess treated as a distribution from the parent's ownership group to the minority ownership group.

– an increase in intangibles recognised by SP Telemedia Limited in its acquisition of 43% of the issued share capital of B Digital Ltd in April 2005. Under AGAAP, $60,000,000 of intangibles were recognised while under A-IFRS total intangibles recognised were $87,037,000. Under A-IFRS intangibles of $22,023,000 and $36,203,000 were separately identified relating to the acquired customer base (refer below) and capitalised subscriber acquisition costs respectively. The goodwill recognised on this acquisition reduces to $28,811,000.

After consolidation, the net effect on non-current intangibles, inclusive of goodwill, for the year ended 31 July 2005 is a decrease of $49,327,000.

(iii) For the year ended 31 July 2005

There is a decrease in profit for the year by $11,174,000.

Acquired customer base

SP Telemedia Limited, one of the controlled entities recognised separately identifiable intangible assets on transition to A-IFRS. Customer base acquired amounted to $22,023,000 and an entitlement to airtime commission of $600,000.

(i) At 1 August 2004

There is no impact on the Group and the parent entity.

(ii) At 31 July 2005

For the Group there is an increase in intangible assets of $22,023,000, increase in amortisation expense of $6,100,000 and increase deferred tax liability of $6,800,000. There is no effect on the parent entity.

(iii) For the year ended 31 July 2005

Acquired customer base is amortised over 4 years and entitlement to airtime commission over 2 years. For the Group there has been an increase in amortisation expense of $6,100,000.

(k) Share –based payments

Several controlled entities have employee share option plan. Under AASB 2 *Share Based Payments*. From 1 August 2004, the Group is required to recognise an expense for those options issue but not yet vested with employees.by 1 January 2005. The effect is:

(i) At 1 August 2004

There is a decrease in retained earnings of $788,000 and a corresponding increase in reserves. There is no effect on the parent entity.

NOTE 49. EXPLANATIONS OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(3) Notes to the reconciliations (continued)

(k) Share –based payments (continued)

(ii) At 31 July 2005

There is a decrease in retained earnings of $2,354,000 and a corresponding increase in reserves. There is no effect on the parent entity.

(iii) For the year ended 31 July 2005

There has been an increase in employee benefits expense of $1,566,000.

(l) Discontinued operations

Under AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, an entity must disclose the post tax profits or loss from discontinued operations and post tax gain or loss on sale of assets of discontinued operations as a single amount on the face of the income statement. Under AASB 121 the balance in the foreign currency translation reserve relating to a foreign translation reserve relating to a foreign operation shall be recognised in profit and loss when the gain or loss on sale of the operation occurs.

(i) At 1 August 2004

There is no effect on the Group or the parent entity.

(ii) At 31 July 2005

There is no effect on the Group or the parent entity.

(iii) For the year ended 31 July 2005

For the Group there is a decrease in revenue of $41,144,000, decrease in other revenue of $496,994,000, decrease in cost in sales of $21,947,000, decrease in borrowing costs of $407,000, decrease in cost of disposal of non-current assets of $89,189,000, decrease in share of profits of associates of $36,441,000, decrease in income tax expense of $49,444,000, increase in profit from discontinued operations of $402,597,000.
There is no effect on the parent entity.

(m) Employee benefits

(i) At 1 August 2004

For the Group there has been an increase of $5,405,000 in accounts payable, a decrease in current provisions of $2,493,000, an increase in current receivables of $2,493,000. There is no effect on the parent entity.

(ii) At 31 July 2005

For the Group, there has been an increase of $5,724,000 in accounts payable, a decrease in current provisions of $2,904,000, a decrease in non current receivables of $2,820,000 and a decrease in non current receivables of $2,820,000. There is no effect on the parent entity.

(iii) For the year ended 31 July 2005

There is no effect on the income statement of the Group and parent entity.

(n) Investments accounted for using the equity method

Share of profits from associates and profit from the issue of share by the associates has changed in accordance with the changes made by the associates in the transition to A-IFRS. The effect is:

(i) At 1 August 2004

For the Group there has been an increase in investment in associates accounted for using equity method of $5,294,000 and corresponding increase in equity. There is no effect on the parent entity.

(ii) At 31 July 2005

For the Group there has been a decrease in investment in associates accounted for using equity method of $5,563,000 and a corresponding decrease in equity. There is no effect on the parent entity.

(iii) For the year ended 31 July 2005

For the Group there has been a decrease in the share of profits of associates of $12,319,000. There is no effect on the parent entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2006

NOTE 49. EXPLANATIONS OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(3) Notes to the reconciliations (continued)

(o) Subscriber acquisition costs

Under UIG 1042 *Subscriber Acquisition Costs* in the Telecommunication Industry specifically excludes handset costs which are now expensed. As commission received is now separately deferred, acquisitions costs are capitalised on a gross basis. Subscriber acquisition costs are classified as current assets on the balance sheet. Under previous AGAAP capitalised subscriber costs include handset and other costs directly attributable to acquisition and retention of subscriber contracts. Where costs attributable to acquisitions exceed associated revenues, costs, net of revenue, were deferred. Subscriber acquisition costs were previously classified as other non current assets.

(i) At 1 August 2004

There is no effect for the Group and the parent entity.

(ii) At 31 July 2005

For the Group there has been an increase in current intangibles of $36,686,000, an increase in unearned income of $30,800,000 and an increase in non current receivables of $13,900,000.

(iii) For the year ended 31 July 2005

There is no effect on the income statement of the Group and the parent entity.

(p Share options

Under AASB 2 *Share Based Payments*, the fair value of options and shares that are equity settled have been recognised as an employee benefit expense with a corresponding increase in equity. Under the previous AGAAP no expense was recognised for options or shares that are equity settled issued to employees.

(i) At 1 August 2004

There is no effect for the Group and the parent entity.

(ii) At 31 July 2005

For the Group there has been an increase in employee benefits expense and a decrease in retained profits of $400,000. There is no effect on the parent entity.

(iii) For the year ended 31 July 2005

For the Group there is a decrease in the profit for the year of $400,000.

(q) Deferred taxes

Under previous AGAAP, income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Under AASB 112 *Income Taxes* the income tax expense consists of current tax expense and deferred tax expense. Current tax expense is calculated by reference to taxable income and deferred tax expense is calculated using the balance sheet method. Deferred tax was not recognised to amounts recognised directly in equity under A-IFRS. The application of AASB 112 has resulted in a change in accounting policy.

Deferred tax asset has been recognised in respect of temporary allowable deduction differences relating to investments in associates, intangible assets and in relation to equity raising costs.

(i) At 1 August 2004

For the Group there has been an increase of $24,226,000 in deferred tax assets, an increase in deferred tax liabilities of $71,155,000 and a decrease in retained profits of $46,929,000. For the parent entity there is an increase in deferred tax liability of $20,933,000 and a corresponding decrease in retained profits.

(ii) At 31 July 2005

For the Group there has been an increase of $3,305,000 in deferred tax assets, an increase in deferred tax liabilities of $79,910,000 and decrease in retained profits of $76,605,000. For the parent entity there is an increase in deferred tax liability of $20,923,000.

(iii) For the year ended 31 July 2005

For the Group there has been a decrease in income tax expense as disclosed on the face of the income statement by $38,110,000. The net impact is an increase in tax expense of $8,333,000 as there is a further tax expense of $48,213,00 included in the net profit from discontinued operations. There is no effect on the parent entity.

NOTE 49. EXPLANATIONS OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(3) Notes to the reconciliations (continued)

r) Reserves, retained profits and minority interests

The effect on reserves, retained earnings and minority interests of the changes set out above is as follows:

(i) At 1 August 2004

For the Group there is decrease in reserves of $54,170,000, and a decrease in retained profits of $34,574,000 and a decrease in minority interests of $1,824,000. For the parent entity there is decrease in retained profits of $20,866,000.

(ii) At 31 July 2005

For the Group there is decrease in reserves of $62,735,000, and decrease in retained profits of $48,213,000 and a decrease in minority interests of $23,132,000. For the parent entity there is a decrease in retained profits of $20,732,000.

(iii) For the year ended 31 July 2005

For the Group there has been a decrease in profit attributable to the members of parent entity of $15,725,000. There is a net increase in profit of the parent entity of $44,000.

(s) Revenue measurement and disclosure

Commission revenue

Under A-IFRS, revenue for services that are performed over a contract period is recognised on a straight-line basis over the specified period. The activation and retention commission revenues are deferred and amortised over the contract term. Under the previous AGAAP The activation and retention commission revenues was recognised when the fee in respect of the services was earned.

Handset revenue and cost of sale

Under A-IFRS multiple elements of a single transaction are separately recognised. Revenue arising from handset sales is separately recognised at the time of delivery and is measured at fair value. Where the handset sales are settled through instalments, interest revenue is recognised over the contract term. Under the previous AGAAP, revenue was not separated but treated as one transaction.

Sale of investments and property, plant and equipment

Under A-IFRS the net gain on sale of investments and property plant and equipment are presented on the notes to the financial statements. Under previous AGAAP, gross proceeds for sale were recognised as revenue and the carrying amount of assets sold as expense.

Dividend and interest revenue

Dividend and interest income are now classified within ‘Revenue from continuing operations’.

(4) Effect of cash flow statement

There is a net effect of $13,064,000 for the consolidated entity in the cash flow statement for the year ended 2005 as a result of reclassifications. The net effect for the parent entity is $45,000,000.

WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

DIRECTORS' DECLARATION

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

(a) the accompanying financial statements and notes, set out on pages 16 to 85 and the Remuneration Report set out on pages 8 to 10 of the Directors' Report, are in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the financial position of the Company and consolidated entity as at 31 July, 2006 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

(ii) Complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due and payable.

The directors have been given the declarations by the Executive Director and Chief Financial Officer as required by section 295A of the Corporations Act 2001 for the financial year ended 31 July, 2006.

Signed in accordance with a resolution of the directors:

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

Dated at Sydney this 26th day of October, 2006.

MOORE STEPHENS

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

CONSULTANTS:
Pat Bugden FCA
Anja Dorrell CA

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

Scope

The financial report, remuneration report and directors' responsibilities

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the Directors' declaration for both Washington H. Soul Pattinson and Company Limited ("the Company") and its consolidated entities ("the consolidated entity") for the year ended 31 July 2006. The consolidated entity comprises both the Company and the entities it controlled during that year.

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

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the Directors' report in accordance with the Corporations Regulations 2001.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures in the Directors' report comply with Accounting Standard AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures in the Directors' report comply with Accounting Standard AASB 124.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and the remuneration disclosures in the directors' report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

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

MOORE STEPHENS

Independence

In conducting our audit, we have complied with the independence requirements of Australian professional ethical pronouncements and 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 25 October 2006, would be on the same terms if provided to the directors as at the date of this report.

Audit opinion

In our opinion,

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

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of Washington H. Soul Pattinson and Company Limited's and the consolidated entity's financial position as at 31 July 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia; and

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

S.M.WHIDDETT
Partner

MOORE STEPHENS SYDNEY

Dated this 30th day of October 2006

SHARE REGISTER INFORMATION

As at 25th October, 2006 there were 7,957 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 25TH OCTOBER, 2006

Size of Shareholding	Number of Shareholders	Number of Shares
1 - 1,000	2,403	1,538,350
1,001 - 5,000	3,657	9,709,424
5,001 - 10,000	946	7,458,488
10,001 - 100,0000	864	22,693,770
100,001 - and over	87	197,240,548
TOTAL	**7,957**	**238,640,580**
Holding less than a marketable parcel	**61**	**1,919**

Substantial shareholders as at 25th October, 2006 as disclosed by notices received by the Company were:

Name	No. of Shares	%
Brickworks Limited	102,257,830	42.85
Perpetual Limited	32,540,064	13.64

LIST OF TOP 20 SHAREHOLDERS AS AT 25th OCTOBER, 2006

Name	No. of Shares	%
Brickworks Limited	102,257,830	42.85
RBC Dexia Investor Services Australia Nominees Pty. Ltd (Pipooled A/c)	19,597,778	7.21
Dixson Trust Pty Limited	8,438,190	3.54
J.S. Millner Holdings Pty. Limited	7,044,460	2.95
Milton Corporation Limited	4,713,150	1.97
Choiseul Investments Limited	4,251,690	1.78
RBC Dexia Investor Services Australia Nominees Pty. Ltd. (PIIC A/c)	4,000,977	1.68
T.G. Millner Holdings Pty. Limited	3,117,920	1.31
Perpetual Trustee Company Limited	3,100,072	1.30
Hexham Holdings Pty. Limited	2,710,090	1.14
Cogent Nominees Pty. Limited	2,431,631	1.02
Mr. James Sinclair Millner	2,402,477	1.01
J.P. Morgan Nominees Australia Limited	2,126,255	0.89
Citicorp Nominees Pty. Limited	1,844,796	0.77
Argo Investments Limited	1,532,507	0.64
Westpac Custodial Nominees Limited	1,523,230	0.64
National Nominees Limited	1,495,199	0.63
Dixson Trust Pty. Limited (No. 1 A/c)	1,332,200	0.56
UBS Nominees Pty. Ltd	1,234,658	0.52
AMP Life Limited	1,154,184	0.48

AUSTRALIAN STOCK EXCHANGE LISTING

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

WASHINGTON H SOUL PATTINSON

WHSP

INCORPORATED 1903