



WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

A.B.N. 49 000 002 728

DIRECTORS' ANNUAL REPORT and FINANCIAL STATEMENTS

2004

**WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED
AND CONTROLLED ENTITIES**

A.B.N. 49 000 002 728

FINANCIAL SUMMARY

	2000	2001	2002	2003	2004
	\$000	\$000	\$000	\$000	\$000
Before non regular items					
Total sales revenue	851,303	906,448	334,307	340,624	392,854
Operating profit after taxation and excluding outside equity.	49,675	45,756	65,987	78,706	81,508
Total assets employed.	1,206,086	1,381,008	1,092,348	1,115,282	1,414,693
Shareholders' funds.	570,592	643,017	668,436	729,926	867,509
Operating profit after taxation and excluding outside equity as a percentage of shareholders' funds. . .	8.7%	7.1%	9.9%	10.8%	9.4%
Earnings per share on adjusted issued capital (cents). . . .	20.82	19.17	27.65	32.98	34.16
Ordinary Dividends per share (cents).	10.5	11.5	14.0	17.0	20.0
Special Dividends per share (cents).	3.5	4.0	5.0	5.0	10.0

After non regular items					
Operating profit after taxation and excluding outside equity.	54,381	56,751	72,741	88,307	155,925
Earnings per share on adjusted issued capital (cents). . . .	22.79	23.78	30.48	37.00	65.34

WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

A.B.N. 49 000 002 728

DIRECTORS:

ROBERT D. MILLNER

Chairman of Directors
Director since 1984

MICHAEL J. MILLNER

Non-Executive Director - Deputy Chairman
Director since 1997

PETER R. ROBINSON

B.Com.
Executive Director
Joined the Company 1978
Director since 1984

GRAEME L. ROBERTSON

B.A., M.A.I.E., F.A.I.C.D.
Executive Director
Director since 1997

DAVID J. FAIRFULL

B.Com, A.C.I.S., C.P.A., A.S.I.A.
Executive Director
Director since 1997

SECRETARY:

ROBERT A. O'BRIEN

AUDITORS:

MOORE STEPHENS WI

Chartered Accountants

REGISTERED OFFICE:

FIRST FLOOR

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SHARE REGISTER:

Computershare Investor Services Pty. Limited

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WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

A.B.N. 49 000 002 728

DIRECTORS' REPORT

The Directors of Washington H. Soul Pattinson and Company Limited present their report and the financial statements of the parent entity and its controlled entities for the financial year ended 31st July, 2004.

DIRECTORS

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

Robert Dobson Millner

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 and SP Telemedia Limited as well as Brickworks Limited, Milton Corporation Limited, Choiseul Investments Limited. Mr. Millner is also a non-executive director of Australian Pharmaceutical Industries Limited.

Michael John Millner

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 Brickworks Limited, Ruralco Limited and the Group's listed entities Keith Harris & Co. Ltd. and SP Telemedia Limited.

Peter Raymond Robinson B. Com.

Executive Director

Joined the Company 1978, appointed Director 1984.

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

Graeme Lance Robertson B.A., M.A.I.E., F.A.I.C.D.

Executive Director and member of the Audit Committee. Appointed Director 1997.

Mr. Robertson is Managing Director of New Hope Corporation Limited having been appointed in 1987. He is also a director of PT Adaro Indonesia , PT Indonesia Bulk Terminal and the World Coal Institute.

David John Fairfull B.Com., A.C.I.S., C.P.A., A.S.I.A.

Executive Director and Chairman of the Audit Committee. 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 and SP Telemedia Limited as well as Australian Pharmaceutical Industries Limited, Stockland Trust Group and Gazal Corporation Limited.

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:

	<u>Board of Directors</u>	<u>Audit Committee</u>	<u>Remuneration Committee</u>	<u>Nomination Committee</u>
Total number of meetings held:	14	6	1	1
Director:				
Mr. R.D. Millner ⁺	14	-	1	1
Mr. P.R. Robinson	13	-	-	-
Mr. M.J. Millner ^{*+}	12	5	1	1
Mr. G.L. Robertson [*]	14	6	-	-
Mr. D.J. Fairfull [*]	14	6	-	-

* Denotes member of the Audit Committee of Directors.

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

DIRECTORS' REPORT (Cont.)

CONSOLIDATED FINANCIAL PERFORMANCE

Comparisons with last year are as follows:-

	2004	2003		%
	\$000	\$000		Change
Sales	392,854	340,624	+	15.3%
Profit after tax before non regular item.	81,508	78,706	+	3.6%
Profit after tax and non regular items	155,925	88,307	+	76.6%
Share of Net profits of Associates	78,489	41,620	+	88.6%
Earnings per share.	65.3c	37.0c	+	76.6%
Final Dividend	12.0c	10.0c	+	20.0%
Interim Dividend	8.0c	7.0c	+	14.3%
Total Dividends (excluding Special Dividends).	20.0c	17.0c	+	17.6%

DIVIDENDS

Directors recommend the payment of a fully franked final dividend of 12 cents per share in respect of the year ended 31st July, 2004 (2003 – 10 cents). On 16 June, 2004 Directors announced that, arising from the sale of NBN Television to SP Telemedia Limited, two special dividends of 10 cents per share would be paid at the same time as the final dividend in 2004 and 2005. Accordingly, this year, the final dividend and the special dividend will be paid on 29 November, 2004 and both dividends will be fully franked. The record date for the final and special dividends will be 27 October, 2004.

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 year				
Final ordinary dividend 2003	10.0	23,864	Fully Franked	24 Nov 2003
Interim ordinary dividend 2004	8.0	19,092	Fully Franked	13 May 2004
Declared and not paid during the year				
1 st Special Dividend arising from the sale of NBN Television to SP Telemedia Limited	10.0	23,864	Fully Franked	29 Nov 2004
2 nd Special Dividend arising from the sale of NBN Television to SP Telemedia Limited	<u>10.0</u>	<u>23,864</u>	Fully Franked	28 Nov 2005
Dealt with in the financial report as dividends	<u>38.0</u>	<u>90,684</u>		
Declared after the end of year				
Proposed final ordinary dividend 2004	<u>12.0</u>	<u>28,637</u>	Fully Franked	29 Nov 2004

REVIEW OF OPERATIONS

INVESTMENTS – Share Portfolio

The Company's portfolio of investments, which includes the Group's listed controlled entities and associated companies, returned 48.3% for the year after including unrealised capital gains, compared to the Benchmark S&P/ASX 300 Accumulation Index of 18.2% for the same period.

The market value of the listed investment portfolio, including listed controlled entities and associates, was \$1.91 billion as at 31 July, 2004 compared with \$1.15 billion last year, an increase of 66.1%.

During the year a net \$25 million was invested in the equity market which included a net \$16 million for the rights issue by SP Telemedia Limited. The main purchases were Huntley Investment Co. Limited, Trust Company of Australia Ltd, Bank of Queensland Ltd and Ruralco Limited. Disposals included WMC Resources Ltd., Sabre Group Limited, Abigroup Limited and Prudential Investment Co. of Aust. Ltd.

Dividend income from investments, excluding controlled entities and associates was \$12 million.

DIRECTORS' REPORT (Cont.)

INVESTMENTS – Associated Entities

Australian Pharmaceutical Industries Limited (API) (Group shareholding 23.2%)

Despite continued revenue growth API's net profit after tax for the year ended 30 April, 2004 declined 21.7% to \$18.4 million. The decline in profit was attributable to the delay in return to production at the Kingsgrove manufacturing plant following the voluntary suspension of the Company's TGA licence, higher redundancy costs from the API Pharmacy restructure and the inclusion this year of a charge relating to the development of a new information and warehouse management system.

To conform to the new standards set for all pharmaceutical manufacturing plants in Australia, API has decided to build a new manufacturing plant on the existing Kingsgrove site at a cost of \$10 million. As a result of compliance with the new TGA standards the number of pharmaceutical manufacturers will reduce and the investment in new manufacturing plant will enable API to maximize their market position and take advantage of the new conditions. The current plant will continue to operate until the new facility is completed in April, 2005.

The Group's equity accounted profit from API amount to \$4.2 million compared with \$5.6 million in 2003.

API maintained its full year dividend of 13 cents per share.

On 6 September, 2004 API announced the acquisition of New Price Retail (NPR) for \$112.4 million. NPR is the holding company for Priceline, Priceline Pharmacy, House and Price Attack.

API believes the acquisition will deliver a fast track retail-led strategy for API, enhance its wholesale, manufacturing and distribution capabilities whilst allowing for the continuation of NPR's strong growth and the delivery of best practice specialist retail services to NPR franchisees. The acquisition is expected to be earnings per share positive in year one.

As consideration for the acquisition, API will issue 33.5 million shares and debt funded cash of \$28.7 million.

Brickworks Limited (Brickworks) (Group shareholding 49.8%)

National building products company Brickworks Limited's net profit after tax for the year ended 30 June, 2004 was \$157.4 million, an increase of 116%.

The main factors contributing to the result were the acquisition of Bristle Limited, which helped lift building products sales 170%, higher contributions from property and its equity accounted associate Washington H. Soul Pattinson & Co. Limited and the sale of its investment portfolio to Brickworks Investment Company Limited.

Excluding non-regular items such as the sale of the investment portfolio and various one-off costs, net profit after tax for the year was up 16.3% to \$74.2 million.

Earnings per share increased by 107% to 114.3 cents (55.2 cents previously) and Directors are recommending a final dividend of 15 cents per share fully franked, taking the full year dividend to 24 cents per share fully franked, an increase of 20% on the previous year.

Brickworks level of borrowings to fund the Bristle Limited acquisition was reduced by more than half during the year, decreasing from a peak of \$566 million to \$276 million, assisted by the sale of the investment portfolio and the successful \$165 million issue of reset preference shares called PAVERS.

The past year has been a landmark for Brickworks as it made the transition from a state-based clay products and investment company to a national building products business with national branding and a presence in all Australian States. Brickworks is now structured so that approximately two thirds of its profit comes from building products with the remainder from non-building cycle sources.

Bristle Limited has been integrated successfully and proven to be a natural fit in terms of corporate culture, product lines and markets. The roll out of the new national brands, Austral Bricks for bricks, Bristle Roofing for roof tiles and Eureka for floor tiles, is nearing completion.

With trading conditions being much stronger than many had forecast, Brickworks increased its EBITDA sales margin to 19.4% from 17.5% and achieved record export sales (up 137%), following the inclusion of Bristle's export sales, with unprecedented growth in New Zealand where demand stretched the ability to supply.

Brickworks program of realising property assets surplus to its building products business encompasses rezoning and development in partnership with other groups. In excess of \$15 million has been received as deposits during the year, however, the long lead time to completion is delaying recognition of profit. Brickworks earned \$9.6 million from property disposals in the current year.

The Waste Management Division continued strongly during the year with royalties in excess of \$1.6 million received from the Horsley Park waste facility.

The Group's equity accounted profit from Brickworks amounted to \$60.7 million compared with last year's result of \$22.3 million.

DIRECTORS' REPORT (Cont.)

Clover Corporation Limited (Clover) (Group shareholding 28.6%)

Clover Corporation Limited's profit for the year was \$1.2 million which is an increase of 168%. The improved earnings are due to increased sales of Omega³ DHA oils and microencapsulated powders during the year. Sales for the year ended 30 June, 2004 reached \$17.1 million a 54% increase over last year of \$11.1 million.

The 2004 result is lower than forecasts primarily due to lower sales from the UK and Europe and the inability of Martek to supply Arasco oil which is a key ingredient to Omega³ DHA enriched infant formula. Based on the most recent information received from Martek, oil supply will not return to normal until after November, 2004. On the marketing side Clover continues to work closely with large multinationals in Australia and overseas. In Scotland a new Omega³ DHA enriched orange juice branded 'Supajus' has been released which is targeted at the school canteen market and supported by the government's 'green machine' campaign which is aimed at providing a more health conscious diet to Scotland's school children. The product, which has a unique packaging design is now being considered by a number of UK supermarket chains. In Australia, interest in Omega³ DHA fortified breads continues, with all prominent bakeries seeking to launch products based on the success of GWF Tip Top Up range and GF Wonder White, to name a few. Clover is seeking to broaden the Omega³ DHA range with several projects set to meet the spring retail launch window in August/September. The meat industry continues to show interest in both domestic and international markets. Infant nutrition trends continue to assist Asian sales growth.

The awareness level of Omega³ DHA and its health related benefits continues to grow in the USA. To capitalise on this trend a US based Development Manager has been appointed during the year. Currently there are at least 6 multinationals who have various trials underway using Clover's Omega³ DHA products. Results from a number of these trials look promising.

As the health benefits of Omega³ DHA have become widely known worldwide a number of competitive products have been introduced to the market. Clover continues to refine its product to ensure the quality remains at the highest level. However, a number of less expensive products are now available which has caused Clover to look for alternative less costly sources of Omega³. The research continues to ensure Clover has a product offering across all markets.

Clover's JV with Austgrains, to manufacture and market a unique soy flour, is well underway with civil works having commenced on site in Moree. The manufacturing plant is expected to be commercialised during February, 2005. A pilot plant has been installed and commissioned which allows Clover's R&D staff to work on technology applications in the bakery, cereal and beverage areas. Marketing has commenced with a view to having a number of potential customers ready to take product early in the 2005 calendar year.

Clover has declared a maiden dividend of 1 cent per share payable on 30 November, 2004 and expects the dividend will be 38% franked.

The Group's equity accounted profit from Clover amounted to \$116,000 for the year.

CONTROLLED ENTITIES

Coal (New Hope Corporation Limited Group) (NHC)

New Hope Corporation Limited is listed on the Australian Stock Exchange (ASX Code NHC) with the Group's shareholding being 63.4%.

The Group's share of net profit after tax and outside equity interest of NHC amounted to \$38 million, an increase of 49.6% over the previous year.

For the year ended 31 July, 2004, NHC's profit after tax and outside equity interests was \$59.4 million compared with \$36.7 million for the previous year. The improved profit was due to increased coal production and sales and operating efficiencies combined with higher coal prices in U.S. dollar terms. An offsetting factor was the strong appreciation in the Australian dollar against the U.S. dollar during the period, which impacted adversely on results from the overseas operations.

NHC's profit also included a number of non-regular items including \$13.6 million after tax from the settlement of a handling contract through PT Indonesia Bulk Terminal, \$2.5 million profit on the sale of NHC's interest in Minerva Coal Pty. Ltd. and a \$2.3 million benefit on implementation of tax consolidations.

The NHC Board is recommending the payment of a final dividend of 1.5 cents per share in addition to the previously paid interim dividend of 0.75 cents per share.

Combined coal production of New Hope and its associate P.T. Adaro Indonesia totalled 27.7 Mt compared with 24.9 Mt in the previous year, an increase of 11.2%. Coal sales increased to 28.0 Mt from 25.3 Mt previously.

Bulk handling operations of NHC's associates, Queensland Bulk Handling Pty. Ltd. and P.T. Indonesia Bulk Terminal contributed positive results despite a slightly reduced combined throughput of 10.6 Mt compared with 10.7 Mt in the previous year.

DIRECTORS' REPORT (Cont.)

Australian Operations

NHC Australia's after tax profit for the period was \$21.9 million compared with \$15.5 million in the previous year. This was achieved despite the adverse impact of the Australian dollar appreciation against the U.S. dollar affecting export results, although offset by hedging and contractual coal price increases after March, 2004.

Coal production increased to 3.3 Mt from 2.8 Mt as a result of the first full year's production from the New Acland mine achieving 2.1 Mt – better than its design capacity of 2.0 Mt. Coal sales increased to 3.4 Mt from 2.9 Mt last year with a sales split of 44% domestic and 56% export.

Overseas Operations

NHC's overseas interests include P.T. Adaro Indonesia (Adaro) (40.8% shareholding) and P.T. Indonesia Bulk Terminal (IBT) (50% shareholding), both located in South Kalimantan, Indonesia. NHC's associate, Vindoor Investments (Mauritius) Ltd. owns Coaltrade Services International Pte. Ltd. (Coaltrade) which operates independently in Singapore and specialises in coal marketing, blending and trading.

The overseas operations contributed an after tax profit of \$37.5 million to NHC for the year ended 31 July, 2004 compared with \$21.2 million in the previous year. The increased profit included a non-regular item after tax amounting to \$13.6 million received as payment for the cessation of contractual obligations with P.T. Paiton Energy and reflected improved U.S. dollar coal prices received by Adaro, despite the adverse effect of the Australian dollar appreciation.

During the year Adaro increased production of coal to 24.4 Mt from 22.1 Mt in the previous period, representing an average daily production of 67,500 tonnes, 8,000 tonnes per day more than the previous year. Sales reached 24.5 Mt compared with 22.4 Mt previously with domestic sales of 9.0 Mt and export sales of 15.5 Mt. Demand for Adaro's clean 'envirocoal' remains strong with the mine production fully contracted for next year.

During the year Adaro continued to upgrade its infrastructure including commencement of chip-sealing its haul road and ongoing expansion work at the river loading port at Kelanis.

IBT produced satisfactory results handling 7.4 Mt on coal during the period (7.2 Mt in 2003). With the receipt of additional abnormal funds and the existing repayment schedule, debt was reduced to US\$17.5 million during the year. Since the end of the financial year, the decision was made to repay the remaining debt from internal cash flows in August, 2004.

Coaltrade, due to expanding market relationships in Southern China and strong market demand, traded 7.1 Mt of coal (3.4 Mt in 2003) and produced a solid contribution to profits.

Media - NBN Limited (NBN)

NBN's profit after tax was \$7.5 million compared to \$5.8 million last year, an increase of 30%. The increased profit was due to a buoyant advertising market with a 9.6% increase in revenue for the year.

The national advertising market, which represents in excess of 60% of NBN's advertising revenue, has experienced an extended period of growth, and NBN's national revenue growth for the year of 12.1% reflects this trend.

NBN's dominant position in its Northern NSW market is reflected by a 44% market share of revenue – considerably higher than the average for the Nine Network stations Australia wide.

The year was important from a business development perspective, with a major investment in state of the art digital post production facilities, and the construction of Australia's first High Definition Digital Outside Broadcast Unit. These facilities are expected to provide increasing profit streams in the new financial year.

As previously announced, and following shareholder approval, the NBN Group was sold to SP Telemedia Limited with effect from 1 August, 2004 for a cash consideration of \$80 million and 44,217,688 shares in SP Telemedia Limited.

Telecommunications - SP Telemedia Limited (SPT)

SPT is listed on the Australian Stock Exchange (ASX Code SOT) with the Group's shareholding being 44.5% on 31 July, 2004.

As mentioned above, following shareholder approval in June, 2004, SPT acquired the NBN Group from the parent company with settlement occurring subsequent to the end of the financial year end on 1 August, 2004. Following the acquisition SP Telecommunications Limited changed its name to SP Telemedia Limited.

To fund the NBN acquisition, SPT carried out a 4-for-9 rights issue to shareholders at \$1.05 per share. At the conclusion of the transaction the parent company now holds 52.2% of the enlarged share capital.

SPT's profit after tax for the period attributable to shareholders was \$9.7 million, an increase of 66% over the previous year. Earnings per share (adjusted for the new shares issued at year end) were 5.4 cents per share compared with 3.2 cents last year. The increase in profit can be attributed to the continued profit growth from SPT's joint ventures via SPT Telecommunications Pty. Limited and Koee Pty. Limited.

DIRECTORS' REPORT (Cont.)

SPT has announced a final dividend for the year ended 31 July, 2004 of 0.75 cents per share on the enlarged share capital which, together with the interim dividend of 0.75 cents per share paid in April, 2004, gives a total dividend distribution for the year of 1.5 cents per share. This represents a payout ratio of approximately 40% of the profits after tax for the year.

SPT's subsidiary Soul Pattinson Telecommunications Pty. Limited currently operates Australia's second largest regional broadband access network extending from Melbourne to Cairns and the joint venture with ntl Telecommunications has enabled the creation of this extensive network.

SPT's other subsidiary, Koee Communications Pty. Limited, holds a 50% interest in a joint venture with WIN Television which offers an extensive range of mainstream telecommunications products and services to both domestic and business markets.

SPT continues to expand geographically in network coverage and in products and services, particularly in the data telecommunications market. The quality of SPT's products is highlighted by their appointment as preferred State Government supplier in Queensland, New South Wales and Victoria. SPT has recently secured a major Government contract in South Australia and is creating a presence in Canberra to target the Federal Government market.

Merchant Banking – Pitt Capital Partners Limited (PCP) (Group shareholding 50%)

Following a successful year PCP reported a profit after income tax of \$1.7 million for the year ended 31 July, 2004 a 250% increase over the previous year.

PCP is a licenced Dealer in Securities and provides advice and expertise in all major facets of corporate advice. During the year PCP advised and or implemented a number of the Group's major strategic initiatives as well as acting for an expanding client base.

PCP, through its partly owned subsidiary Rundle Capital has opened offices in Adelaide and, since balance date, has established an Asian presence with the formation of Pitt Capital Partners Asia Ltd. in Hong Kong.

Funds Management – Souls Funds Management Limited (SFM) (Group shareholding 63.6%)

The Company acquired its investment in SFM (formerly Veritas Investment Management Limited) in September, 2003 when it had \$20 million under management. At the end of the current financial year this had grown to \$234 million. SFM recorded a profit after tax for the year of \$292,000 and declared a maiden fully franked dividend of 8 cents per share.

SFM's Souls Australian Equity Fund recorded a return of 20.2% for the year compared with the S&P/ASX All Ordinaries Accumulation Index of 18.8%. The Souls Australian Small Companies Fund returned 38.1% compared with the S&P/ASX Small Ordinaries Accumulation Index return of 22.6%. These strong returns have continued into the new financial year, however, it is unlikely that the quantum of returns will be repeated for the duration of 2005.

The strong investment results have led to a growth in funds under management late in the financial year and it is expected this trend will accelerate as SFM's investment and management capabilities become increasingly recognised.

Cromford Pty. Limited

Cromford Pty. Limited are recyclers of post industrial and post consumer waste plastics for use in the building industry.

Despite a drop in sales revenue and the strong Australian dollar continuing to favour imported products, Cromford Pty. Limited was able to increase profit after tax by 18% to \$989,145 for the year.

Polythene dampcourse again proved to be the backbone of the operation with steady growth in market share and the penetration of the New Zealand market where Cromford Supercourse 500 is now the preferred dampcourse in housing construction.

Keith Harris & Co. Ltd.

Keith Harris & Co. Ltd. is listed on the Australian Stock Exchange (ASX Code HAK) and the Group has a 58.7% shareholding.

Keith Harris & Co. Ltd. has reported a net loss after tax for the year of \$449,000 (2003 profit \$2.7 million). The loss was attributed to the expected trading loss in Balfours Australia, in which Keith Harris acquired a 63% shareholding on 1 December, 2003, and subsequent non-recurring restructuring costs relating to Balfours Australia.

Balfours was established in South Australia in 1853 as a small family-owned business manufacturing biscuits and cakes and is now the largest fresh bakery in Australia with manufacturing facilities in South Australia, New South Wales and Victoria.

Subsequent to the end of the financial year Keith Harris has acquired the Western Australian based bakery business of Mills & Ware and also arranged to acquire the 37% minority interest in Balfours Australia. These corporate changes will result in the major proportion of the Company's assets being in the baking industry.

DIRECTORS' REPORT (Cont.)

The Flavours and Fragrances Division produced increased profits during the year despite higher than expected start-up costs in the new Indonesian operation and negative exchange rate variations.

The Juice Division, which marketed the Orchy brand in New South Wales and Queensland, was sold on 30 June, 2004 and realised a profit of \$2.7 million.

Keith Harris' investment portfolio performed well during the year with dividend income increasing by 17% over last year. The market value of the portfolio at year end was \$16.2 million.

Keith Harris & Co. Limited has declared a fully franked final dividend of 12.5 cents per share.

PRINCIPAL ACTIVITIES

The principal activities of the corporations in the Economic 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, seasonings, essences, food colours, perfumes and aromatic chemicals, fruit juices, and reconstitution and extrusion of polyethylene film.

There were no significant changes in the nature of the economic 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 Economic Entity that occurred during the financial year under review not otherwise disclosed in this report or the Economic Entity's Financial Statements.

EVENTS SUBSEQUENT TO BALANCE DATE

On 15 June, 2004 shareholders approved the sale of the entire issued capital of NBN Enterprises Pty. Limited to SP Telecommunications Limited. The consideration for the sale comprised \$80 million in cash and the equivalent of \$65 million in new shares in SP Telecommunications Limited. The completion date of the sale was 1 August, 2004.

Other than the matter referred to above, there has not arisen in the interval between the end of the financial year and the date of the report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Parent Entity, to affect substantially the operations of the Economic Entity, the results of those operations or the state of affairs of the Economic Entity in subsequent financial years.

LIKELY DEVELOPMENTS

The Economic Entity will continue to pursue its policy of increasing its strength in its major business sectors in subsequent financial years.

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	16,002,355
Mr. M.J. Millner	15,637,335
Mr. P.R. Robinson	74,210
Mr. G.L. Robertson	160,000
Mr. D.J. Fairfull	60,000

DIRECTORS' AND OFFICERS BENEFITS

The remuneration of non-executive directors is determined by the Board within the maximum amount approved by shareholders, from time to time, at Annual General Meetings. In determining the level of fees, the Board has regard to the number of meetings to be attended and the preparation and travelling time involved, including overseas travel. The members of the Parent Board also sit on the Boards of the controlled entities and attend regular board meetings of these companies.

DIRECTORS' REPORT (Cont.)

The remuneration of non executive directors and senior executives is reviewed annually by the Board after receiving recommendations from the Remuneration Committee

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the five executive officers of the Company and the consolidated entity receiving the highest remuneration are:-

Name	Primary Benefits		Post Employment Benefits	Equity	Other	Total
	Salary & Fees	Non Monetary Benefits	Super-annuation	Value of Options	Termination Benefits	
Directors of the Parent Entity						
R. D. Millner	234	31	20	230	75	360
M.J. Millner	148		13		161	
P.R. Robinson	416	41	68		525	
G.L. Robertson	105	17	8		360	
D.J. Fairfull	781		103		54	938
Executives of the Parent Entity						
N.L. Smallbone	171	2	30			203
R.A. O’Brien	128	7	14			149
J.G. Riley	103	9	10			122
Executives of the Consolidated Entity						
D. Ledbury	402	24	56	32		482
R.C. Neale	212	64	91		399	
N. Tzvetkoff	98	27	19		238	382
J. Eather	258	19	36		313	
M. Simmons	255	17	38		310	

INDEMNIFICATION OF DIRECTORS AND OFFICERS

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.

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 its 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

DIRECTORS' REPORT (Cont.)

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.

ROUNDING OFF

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 13th day of October, 2004.

Signed in accordance with a resolution of the Directors:

R.D. MILLNER

P.R. ROBINSON

WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

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 2 non-executive and 3 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 the non executive directors are not independent for the following reasons:-

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 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.

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 the executive directors Mr. D.J. Fairfull (Chairman) and Mr. G.L. Robertson and the non-executive director Mr. M.J. Millner. The non-executive chairman is not a member of the audit committee. The non-executive chairman, an executive director, financial controller, company secretary and the internal auditor may attend audit committee meetings by invitation.

The company does not comply with Best Practice Recommendation 4.3 in so far as the audit committee does not have a majority of independent directors and two members are executive directors of the Group.

The external auditors (Moore Stephens WI) 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 Financial Controller of the Company 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 Financial Controller of the Company 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 Company's Executive Director and senior executive staff is reviewed annually by the non-executive directors. Senior executive performance is continually monitored by the Executive Director.

The performance of non-executive directors is reviewed by the Chairman with any unsatisfactory performance referred to the remainder of the 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 20,000 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 Notes to the financial statements.

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
AND ITS CONTROLLED ENTITIES**

**STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31st JULY, 2004**

	Note	Consolidated		Company	
		2004	2003	2004	2003
		\$000	\$000	\$000	\$000
Operating Profit after Income Tax before Non Regular Items.....		81,508	78,706	65,802	45,936
Non Regular Items after Income Tax	2d	74,417	9,601	23,630	12,690
Revenues	2a	528,992	386,230	145,328	115,373
Less Expenses excluding Borrowing Costs	2b	367,688	294,181	48,628	52,273
Less Borrowing Costs	2b	8,069	8,559	431	283
Share of Net Profits of Associates.....	10	78,489	41,620	—	—
Share of Partnership Profits		2,499	3,672	—	—
Operating Profit before Income Tax.....		234,223	128,782	96,269	62,817
Less Income Tax Expense.....	3	41,647	21,546	6,837	4,191
Net Profit Before Extraordinary Item		192,576	107,236	89,432	58,626
Profit from Extraordinary Item after Income Tax		—	—	—	—
Net Profit Before Outside Equity.....		192,576	107,236	89,432	58,626
Less Net Profit attributable to Outside Equity Interests.....		36,651	18,929	—	—
Net Profit attributable to Soul Pattinson Shareholders		155,925	88,307	89,432	58,626
Increase in Asset Revaluation Reserve		50,174	—	—	—
Net exchange difference on translation of controlled entities.....	23	(1,322)	(8,565)	—	—
Total attributable to Soul Pattinson Shareholders recognised directly in equity.....		48,852	(8,565)	—	—
Total Net Profit and Items Recognised Directly in Equity		204,777	79,742	89,432	58,626

EARNINGS PER SHARE:

	2004	2003
Basic and Diluted earnings per share (cents per share)	65.3	37.0
Weighted average number of shares on issue	238,640,580	238,640,580

The Directors have enlarged the Statement of Financial Performance to highlight the Operating Profit after Income 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 accompanying notes form part of these financial statements

**WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED
AND ITS CONTROLLED ENTITIES**

STATEMENTS OF FINANCIAL POSITION AS AT 31st JULY, 2004

		Consolidated		Company	
		2004	2003	2004	2003
	Note	\$000	\$000	\$000	\$000
CURRENT ASSETS					
Cash.....	1q	128,419	38,503	2,067	8,399
Receivables	5	139,842	92,847	78,973	23,999
Inventories	12	20,276	25,576	2,683	5,780
Other	16	6,937	6,294	410	158
TOTAL CURRENT ASSETS.....		295,474	163,220	84,133	38,336
NON-CURRENT ASSETS					
Receivables	5	19,603	20,437	715	24,893
Investments - Associates	6,10	425,295	349,237	202,610	199,414
- Other	7,8,9	169,012	153,315	257,600	224,888
Property, plant and equipment.....	13	358,707	334,689	7,739	7,175
Intangibles	14	131,949	78,369	-	2,931
Tax	15	13,262	15,302	4,640	4,763
Other	16	1,391	713	-	-
TOTAL NON-CURRENT ASSETS		1,119,219	952,062	473,304	464,064
TOTAL ASSETS.....		1,414,693	1,115,282	557,437	502,400
CURRENT LIABILITIES					
Accounts Payable	17	59,934	33,113	23,182	9,931
Interest Bearing.....	18	59,427	53,064	8,553	8,159
Provisions.....	19	37,585	20,829	24,310	12,674
Tax	20	14,036	6,256	1,621	-
Other	21	824	575	-	-
TOTAL CURRENT LIABILITIES.....		171,806	113,837	57,666	30,764
NON-CURRENT LIABILITIES					
Accounts Payable	17	14,396	14,359	-	-
Interest Bearing.....	18	58,746	122,124	-	-
Provisions.....	19	33,695	8,289	24,600	1,264
Tax	20	14,537	13,138	6,051	-
Other	21	9,020	6,070	-	-
TOTAL NON-CURRENT LIABILITIES		130,394	163,980	30,651	1,264
TOTAL LIABILITIES.....		302,200	277,817	88,317	32,028
NET ASSETS		1,112,493	837,465	469,120	470,372
EQUITY					
Contributed Equity.....	22	32,900	32,900	32,900	32,900
Reserves	23	479,687	430,866	402,494	402,494
Retained Profits	24	354,922	266,160	33,726	34,978
Equity attributable to Soul Pattinson					
Shareholders		867,509	729,926	469,120	470,372
Outside equity interest in controlled entities	26	244,984	107,539	-	-
TOTAL EQUITY		1,112,493	837,465	469,120	470,372
Commitments and Contingent Liabilities	28				

The accompanying notes form part of these financial statements.

**WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED
AND ITS CONTROLLED ENTITIES**

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31st JULY, 2004**

	Consolidated		Company	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
Cash Flows From Operating Activities				
Receipts from customers	464,010	375,852	23,675	51,114
Payments to suppliers and employees	(305,341)	(279,901)	(20,220)	(45,564)
	158,669	95,951	3,455	5,550
Dividends Received	43,634	45,812	48,724	40,666
Interest Received	5,203	2,807	3,568	2,360
Borrowing costs paid	(8,519)	(10,172)	(426)	(269)
Income Tax paid	(27,752)	(27,287)	(525)	(3,515)
Net Cash Inflow from Operating Activities	171,235	107,111	54,796	44,792
Cash Flows From Investing Activities				
Payments for property, plant and equipment	(45,552)	(44,700)	(2,610)	(685)
Proceeds from sale of property, plant and equipment	7,277	3,898	5,433	3,215
Payments for investments	(39,417)	(10,953)	(38,597)	(10,235)
Proceeds from sale of investments	39,405	17,691	34,353	14,369
Loans advanced	(110)	(780)	(110)	–
Repayment of loans advanced	3,076	6,485	1,118	3,803
Sale of businesses	11,756	–	5,761	–
Sale of controlled entities	876	–	–	–
Acquisition of controlled entities net of cash acquired	(10,081)	–	(921)	–
Net Cash Inflow (Outflow) from Investment Activities	(32,770)	(28,359)	4,427	10,467
Cash Flows From Financing Activities				
Proceeds from Issue of Shares	94,365	47	–	–
Proceeds from borrowings	20,326	22,354	400	4,649
Repayment of borrowings	(89,157)	(34,744)	–	–
Dividends paid	(41,725)	(50,117)	(42,955)	(47,728)
Net Cash Inflow (Outflow) from Financing Activities	(16,191)	(62,460)	(42,555)	(43,079)
Net Increase (Decrease) in Cash Held	122,274	16,292	16,668	12,180
Cash at the beginning of the financial year	80,933	67,287	27,399	15,219
Cash from Associate now treated as Controlled Entity	1,810	–	–	–
Effect of exchange rate changes on cash	(1,011)	(2,646)	–	–
Cash at the end of the financial year	204,006	80,933	44,067	27,399

**WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED
AND ITS CONTROLLED ENTITIES**

NOTES TO THE FINANCIAL STATEMENTS 31st JULY, 2004

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are a general purpose financial report and have been prepared in accordance with the Corporations Act 2001 and applicable accounting standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

They have been prepared in accordance with the historical cost convention except for certain assets which are at valuation. The assumption is made that the economic entity will continue as a going concern.

Additional information has been provided to present what the directors believe to be the true and fair position of the Company's performance

The consolidated accounts include those of the parent entity and all of its controlled entities as listed in Note 8. Where controlled entities are acquired during a financial year their results are included only from the date of acquisition and where controlled entities are disposed of during a financial year their results are included to the date of disposal. All intercompany transactions and unrealised profits have been eliminated.

The parent entity holds 49.84% of the issued capital of Brickworks Limited which in turn holds 42.85% of the issued capital of the parent entity. The directors believe its interest in Brickworks Limited should be reported as an associated entity together with other entities in which it has a significant influence.

Set out below is a summary of the significant accounting policies adopted by the economic entity, and in particular the accounting policy adopted where there exists a choice between two or more acceptable methods.

(a) Non Current Assets - Where the carrying amount of a non-current asset is materially greater than its recoverable amount the asset is revalued to its recoverable amount. The decrement is recognised as an expense in the statement of financial performance. The expected net cash flows included in determining recoverable amounts of non-current assets have not been discounted to their present values.

(b) Depreciation - Depreciation is calculated so as to write off the value of each non-current asset excluding freehold land over its estimated useful life. Components of major assets that have materially different useful lives, are separately depreciated.

(c) Inventories - Raw materials are valued at the lower of cost and net realisable value. Work in progress, finished goods and trading shares are valued at the lower of cost or net realisable value. Cost consists of direct material, labour and includes an appropriate allocation of production overheads. Costs are assigned based on normal operating capacity.

(d) Taxation - The economic entity adopts the principles of tax effect accounting. Income tax on net cumulative timing differences is set aside to deferred income tax and future tax benefit accounts at declared rates prevailing when those timing differences are expected to reverse

The group provisions of the Income Tax Assessment Act have been utilised so that tax losses in some entities are to be recouped against tax payable in the current year by other entities.

Tax Consolidation - Some of the entities within the Economic Entity are part of a tax consolidation group from 1 August, 2003 (Refer Note 8). Washington H. Soul Pattinson & Company Limited and New Hope Corporation Limited are the head entities. The head entity recognises all of the current and deferred tax assets and liabilities of the respective tax consolidated group. The Company has notified the Australian Taxation Office of its decision to consolidate.

The tax consolidated group has entered into a tax funding agreement that requires wholly-owned subsidiaries to make contributions to the head entity for:

- * deferred tax balances recognised by the head entity on implementation date, including the impact of any relevant reset tax cost base; and

- * current tax assets and liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidation.

Under the tax funding agreement, the contributions are calculated on a stand-alone basis so that the contributions are equivalent to the tax balances generated by external transactions entered into by wholly-owned subsidiaries. The contributions are payable as set out in the agreement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense/revenue.

The impact of the decision to implement tax consolidation is disclosed in Note 3.

(e) Investments

Partnership - Andrew Wright Holdings Pty. Ltd. holds a 50% interest in a partnership named Bulk Terminal Services Partnership. Contribution to consolidated operating profit was a profit of \$1,600,000 (2003 - \$2,546,000). The partnership year end is 30th June.

Associated Entities - An associate is an entity, other than a partnership, over which the consolidated entity exercises significant influence and includes joint venture entities.

Investments in associates are accounted for using equity accounting principles. The consolidated entity's share of the associates net profit or loss after tax is recognised in the consolidated financial performance statement. The carrying amount is reduced to the recoverable amount if lower.

Joint Venture Operation - 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. Details are set out in Note 11.

Other Companies - Investments in listed and unlisted corporations are carried at cost with provision made where appropriate when it is considered amounts will not be recovered. Dividends are brought to account when declared.

(f) Restoration, Rehabilitation and Environmental Expenditure - Restoration, Rehabilitation and Environmental expenditure to be incurred during the production phase of operations is expensed as part of the cost of production of the mine property concerned.

An entity may also have obligations for restoration and rehabilitation of mining areas and decommissioning of plant following the completion of production. Such obligations are being accrued in proportion to production and the accrual will be adequate to meet those obligations once production from the mineral resource is completed. These obligations include profiling, stabilisation and revegetation of the completed area.

Costs are estimated on the basis of current undiscounted costs, current statutory requirements and current technology. Changes in estimates of costs relating to producing areas are dealt with prospectively over the remaining mine life. Where there is virtual certainty that the liability will be extinguished by the sale or development of the property, the liability is reduced by the amount of the positive cash flows expected to be generated.

(g) Mine Properties, Mine Development Costs, Mining Reserves and Mining Leases - Mining Reserves, Leases and Mine Development costs are amortised over the estimated productive life of each applicable mine on the unit of production basis or years of operation basis as appropriate. Amortisation commences when a mine commences commercial production.

Development expenditure incurred by the economic 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. Revenue earned while the mine is being developed is offset.

Interest and foreign exchange differences are classified as part of Mine Development costs where they relate to funds borrowed specifically for developing those projects. Interest earned on the temporary investment of such funds prior to commencement of commercial production is deducted from the amounts so capitalised.

Capitalised interest is amortised over the same period as the asset to which it relates is depreciated.

(h) Exploration and Evaluation Expenditure - Exploration, Evaluation and relevant acquisition costs are accumulated separately for each area of interest. They comprise acquisition costs, direct exploration and evaluation costs and an appropriate portion of related overhead expenditure. Costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:-

- i) Such costs are expected to be recouped through successful development and exploitation or from sale of the area; and
- ii) Exploration and Evaluation activities in the area at balance date have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Exploration and Evaluation expenditure which does not satisfy these criteria is written off.

(i) Maintenance and Repairs - Maintenance, repair costs and minor renewals are charged as expenses as incurred except where they relate to the replacement of a component of an asset, in which case they are capitalised.

(j) Acquisitions - On acquisition of controlled entities or assets of another entity the excess of the purchase consideration plus incidental expenses over the fair value of the identifiable net assets acquired, **goodwill**, is amortised on a straight line basis over a period of up to twenty years, during which the benefits are expected to arise. **Discount** on acquisition is written off against non-monetary assets at date of acquisition.

(k) Goodwill - Goodwill acquired is amortised over a period of between 10 and 20 years unless it is immediately expensed.

(l) Foreign Currency - Foreign currencies are converted into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable or receivable by the economic entity in foreign currencies have been translated to Australian currency at rates of exchange ruling at year end. Gains and losses are charged against operating profit.

Specific Commitment - Hedging is undertaken in order to avoid or minimise possible adverse effects of movements in exchange rates. Gains or losses arising upon entry into a hedging transaction, together with subsequent gains or losses resulting from those transactions are deferred and included in the measurement of the purchase or sale. When anticipated sale transactions have been hedged, actual sales which occur during the hedged period are accounted for as having been hedged until the amounts of those transactions are fully allocated against the hedged amounts.

The net amount receivable or payable under the hedging transaction is also recorded in the statements of financial position. Any gains or losses arising on the hedging transaction after the recognition of the hedged purchase or sale are included in the statements of financial performance.

General Commitment - Exchange gains and losses on other hedge transactions are brought to account in the statement of financial performance in the financial year in which the exchange rates change. Gains or losses arising on entry into hedges of general commitments are brought to account at the time of entry into the hedges and are amortised over the period of the hedge.

Foreign Controlled Entities - Assets and liabilities of overseas controlled entities which are self sustaining have been translated at the rate of exchange ruling at balance date.

Revenue and Expenses are translated at the weighted average of rates during the year. Exchange differences arising on translation are taken directly to foreign currency exchange reserve.

(m) Employee Benefits - Provision is made for employees' entitlements to annual, sick, and long service leave, potential retirement benefits and redundancy entitlements at current rates of pay and include applicable oncosts. The contributions made to superannuation funds by entities within the economic entity are charges against profits

(n) Leased Non-Current Assets - Distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of the leased property, and operating leases under which

the lessor effectively retains all such risks and benefits. Where non-current assets are acquired by means of finance leases, the present value of minimum lease payments is established as a non-current asset at the beginning of the lease term and amortised on a straight line basis over its expected useful life. A corresponding liability is also established and each lease payment is allocated between such liability and interest expense. Operating lease payments are charged to the statement of financial performance in the period in which they are incurred.

(o) Benching and Forward Overburden Removal - The costs of overburden removed in advance and establishment of work benches have been deferred and will be absorbed in subsequent years on the basis of saleable tonnes produced.

(p) Television Licence - The television licence is brought to account at fair value as determined by directors' valuation. The television licence is subject to renewal by the Australian Broadcasting Authority, but the directors have no reason to believe it will not be renewed and have not identified any factor that would affect its useful life. The carrying amount of the television licence is not amortised as the directors believe it will exist in perpetuity and its value will not diminish over time.

As assessment of the recoverable amount of the licence is made each reporting period to ensure this is not less than its carrying amount. The recoverable amount is determined based on the net amount expected to be recovered through the net cash inflows arising from the continued use of the licence and subsequent disposal, where applicable, discounted to their present values using a risk adjusted discount rate.

(q) Cash Flows - In the preparation of cash flows, cash is defined to include cash on hand and at bank and short term deposits, net of bank overdrafts. These items are all readily convertible to cash and are used in the day to day cash management.

(r) Port Development Costs - Development expenditure incurred in respect of a Port Loading Facility is accumulated. Direct development expenditure, pre-operating start-up costs and an appropriate portion of related overhead expenditure are capitalised until the facility is in commercial operation. Amortisation and depreciation commences when the facility is in commercial operation.

(s) Development Costs - Costs incurred in the development of the enlarged service area on aggregation of television services and other significant items of expenditure related to establishment of this market, having a benefit or relationship to more than one accounting period, have been deferred and amortised over the period of that expected benefit, but not exceeding twenty years.

(t) Debtors - Debtors are recognised at the amount receivable as they are generally due for settlement 30 days from the end of month in which the invoice is raised. Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is maintained to cover the estimate of the amount of those debts which may be uncollectable.

(u) Trade and other Creditors - These amounts represent liabilities for goods and services provided to the economic entity to the end of the financial year and which are unpaid.

(v) Revenue - Comprises revenue earned (net of returns and allowances) from the provision of products and services to entities outside the consolidated entity. It is recognised when the control passes to the customer.

A controlled entity has a service provider agreement under which the service provider undertakes billing and collection for its customers on its behalf. In addition the service provider has assumed credit risk for bad debts. As the controlled entity acts as principal in its relationship with its customers, revenues and cash flows associated with billings and collections are brought to account in the Statements of Financial Performance and Cash Flows on a gross basis.

(w) Goods and Services Tax - The net amount of GST recoverable from or payable to the ATO is shown as a current asset or liability.

The amounts in the financial performance statement are net of GST unless non recoverable. In the statement of cash flow, the GST component has been classified as operating cash flow.

(x) Dividends - Provision is made for the amount of any dividend declared, determined or publicly recommended by Directors on or before the end of the financial year but not distributed. With the change in accounting standard, from this financial year onwards no provision is made for dividends recommended after year end.

(y) Comparative Amounts - Last year's figures have been reclassified where necessary to facilitate proper comparison.

(z) Contributed Equity - Issued and paid up capital is recognised at the fair value of the consideration received by the company. Transaction costs arising on the issue of shares are recognised directly in equity.

(aa) Restructuring Costs - Liabilities for the cost of restructuring entities or operations acquired are recognised as at the date of acquisition, if the main features of the restructuring were planned and there was a demonstrable commitment to the restructuring and this is supported by a detailed plan developed within three months of the commitment of the acquisition or prior to completion of the final report.

Reversal of part or all of a provision for restructuring because the costs are no longer expected to be incurred are adjusted against the goodwill on acquisition.

(ab) International Financial Reporting Standards (IFRS) - The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January, 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 January, 2006 and the year ending 31 July, 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 August, 2004.

The consolidated entity has established a project team to manage the transition to Australian equivalents to IFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team is chaired by Chief Financial Officer and reports to the audit committee. The project team is managing the transition. To

date the project team has analysed most of the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 First- time Adoption of Australian Equivalents to International Financial Reporting Standards. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity. Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following:

Income Tax - Under the Australian equivalent to IAS 12 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised in equity are also recognised directly in equity.

This will result in a change to the current accounting policy under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

Equity based compensation benefits - Under the Australian equivalent to IFRS 2 Share based Payment, equity-based compensation to employees will be recognised as an expense in respect of the services received. This will result in a change to the current accounting policy under which no expense is recognised for equity based compensation.

Financial Instruments - Under the Australian equivalent to IAS 32 Financial Instruments: Disclose and Presentation the current classification of financial instruments issued by entities in the consolidated entity will not change.

Under the Australian equivalent to IAS 39 Financial Instruments: Recognition and Measurement there may be major impacts as a result of foreign exchange contracts held for hedging purposes being accounted for as cash flow hedges. Changes in the fair value of those contracts will be recognised directly in equity until the hedged transaction occurs, in which case the amounts recognised in equity will be released against the underlying transaction. Currently, the costs or gains arising under contracts together with any unrealised gains from remeasurement are included in assets or liabilities as deferred losses or deferred gains

As well, financial instruments must be recognised at fair value. Revaluations will be recognised directly to Reserves until the asset has been sold at which time the profit will be recognised in the statement of financial performance. Details of market value of investments and unrealised gains for taxation purposes are currently noted in the financial statements.

Impairment of Assets - Under IAS 36, assets are required to be reviewed annually for an indication of impairment. In the event that there is an indication of impairment, the asset will be subject to impairment testing using a discounted cash flow methodology. Where the carrying value of the asset exceeds the discounted cash flow calculation, the asset is required to be written down to that value. This will result in a change to the current accounting policy under which the expected net cash flows included in determining recoverable amounts of non current assets are not discounted to their present values.

Asset dismantlement, removal and restoration costs - Under the Australian equivalent to IAS 37, dismantlement, removal and restoration obligations associated with the retirement or disposal of long-lived assets will have to be recognised when the liability arises. This represents a change to the current accounting policy where asset dismantlement and removal costs for significant plant on site closure are recognised as incurred. Restoration and rehabilitation costs incurred during the production phase of operations are currently recognised when the liability arises. The Group is still evaluating what impact this change will have on the entity's reporting results and financial position.

Revaluations - Revaluation increments and decrements relating to revalued property, plant and equipment and intangible assets will be recognised on an individual asset basis, not a class of assets basis.

Changes in Accounting Policies - Changes will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

Revenue - Revenue will include only the gain and not the proceeds on the sale of non current assets.

Research and Development Expenditure - Costs associated with research are to be expensed in the period they occur and not capitalised, as is currently, where it is expected beyond reasonable doubt that sufficient future benefits will be derived to recover those capitalised costs.

Business Combinations - Goodwill arising from business combinations will be tested annually for impairment or when indications of impairment are present. The current policy of amortising goodwill will cease.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

2. In arriving at profit for the year the following items of revenue and expense from ordinary activities have been taken into account.

	Consolidated		Company	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
(a) Revenue from ordinary activities				
Sales of goods	250,268	190,025	16,890	42,468
Revenue from services	142,586	150,599	–	–
Other Revenue –				
Dividend Income –				
Associates	–	–	21,361	17,336
Related Entities	–	–	31,443	15,315
Other Parties	11,976	12,973	11,286	12,340
Interest Received –				
Related Entities	–	–	1,089	1,093
Other Parties	5,501	3,713	2,413	1,186
Rental Income	1,485	1,910	893	1,153
Breach of Contract Settlement	38,785	–	–	–
Sundry Income	9,119	7,861	1,392	1,838
From outside operating activities –				
Sale from Investments	49,175	14,891	46,285	19,369
Sale of Businesses	11,756	300	5,761	–
Sale of Land and Buildings	5,433	3,215	5,433	3,215
Sale of Plant and Equipments	2,908	743	1,082	60
Total Revenue	528,992	386,230	145,328	115,373
Profit on Sale of Plant and Equipment	691	108	325	9
(b) Expenses				
Cost of Sales	261,295	213,534	41,401	38,881
Selling and Distribution	79,087	61,125	3,251	9,622
Administration	25,477	18,895	2,915	3,143
Property Rental	1,829	627	1,061	627
Borrowing Costs –				
Directors and Director Related Entities	412	253	412	253
Other Related Parties	–	14	–	14
Other Parties	7,657	8,292	19	16
Total Expenses Including Borrowing Costs ..	375,757	302,740	49,059	52,556
Depreciation – Property	372	280	53	18
– Plant and fixtures	24,921	24,310	300	697
Amortisation –				
Goodwill	520	557	50	557
Mining Reserves and Mine Development. .	5,108	3,401	–	–
Development Costs	95	88	11	11
Port Development Costs	1,438	1,438	–	–
Provisions for–				
Employee Entitlements	3,372	4,206	129	144
Doubtful Debts – Trade Debtors	81	(31)	–	–
Unearned Revenue	(100)	139	–	–
Net Foreign Exchange Losses (Gains)	270	(1,527)	–	–
Loss on Sale of Plant & Equipment	1,154	105	983	20
Bad Debts Written Off (Net) – Trade Debtors	201	123	–	–
Rental Expense on Operating Leases	3,409	3,184	241	1,820
Write Down – Inventory	3	68	–	–
– Plant and Fixtures	–	276	–	–

2. (cont.)

	Consolidated		Company	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
(c) Remuneration of Auditors –				
Auditing Services –				
Auditors of Parent Entity	70	81	60	69
Other Auditors	439	442	–	–
Other Services –				
Auditors of Parent Entity	2	1	2	1
Other Auditors	938	680	37	–

(The Auditors received no other benefits)

(d) In arriving at the profit for the year the following non regular items have been taken into account.

Profit on Disposal of Land and Buildings . .	4,410	2,990	4,410	2,990
Income Tax applicable	333	344	333	344
	<u>4,077</u>	<u>2,646</u>	<u>4,077</u>	<u>2,646</u>
Profit on Disposal of Investments	24,800	5,970	21,849	10,636
Income Tax applicable	6,364	1,103	6,399	2,503
	<u>18,436</u>	<u>4,867</u>	<u>15,450</u>	<u>8,133</u>
Profit on Disposal of Business	5,003	253	2,876	–
Income Tax applicable	439	76	439	–
	<u>4,564</u>	<u>177</u>	<u>2,437</u>	<u>–</u>
Settlement for Breach of Coal Handling Contract	12,417	–	–	–
Income Tax applicable	3,725	–	–	–
	<u>8,692</u>	<u>–</u>	<u>–</u>	<u>–</u>
Sale of Investment Portfolio by Associate . .	44,008	–	–	–
Income Tax applicable	7,026	–	–	–
	<u>36,982</u>	<u>–</u>	<u>–</u>	<u>–</u>
Dermerger Dividend	–	1,911	–	1,911
Income Tax effect of tax consolidation	1,666	–	1,666	–
Total	<u><u>74,417</u></u>	<u><u>9,601</u></u>	<u><u>23,630</u></u>	<u><u>12,690</u></u>

3. INCOME TAX EXPENSE:

The aggregate amount of income tax attributable to the financial year differs by more than 15% from the amount of prima facie tax payable on the operating profit. The difference is reconciled as follows:–

Operating profit before Income Tax	234,223	128,782	96,269	62,817
Prima facie tax payable at 30%	70,267	38,635	28,881	18,845
Non Taxable Dividends	(3,041)	(3,768)	(18,738)	(13,384)
Capital Gains not assessable	(3,580)	(1,241)	(1,570)	(1,241)
Profit of Associates	(23,547)	(12,486)	–	–
Unutilised Tax Losses	2,463	–	–	–
Overseas Tax Rate Differential	90	14	–	–
Sundry Items	1,292	(55)	82	(10)
Effect of entry into tax consolidation	(3,997)	–	(1,666)	–
Prior Year Adjustments	1,700	447	(152)	(19)
Income Tax attributable to operating profit	<u><u>41,647</u></u>	<u><u>21,546</u></u>	<u><u>6,837</u></u>	<u><u>4,191</u></u>

4. SEGMENT OPERATIONS (CONSOLIDATED):

	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Primary Reporting Industry Segments								
	Revenue		Profit After Tax		Total Assets		Total Liabilities	
Coal Mining	241,088	178,195	63,795	28,917	373,922	376,376	144,612	219,884
Investment	63,661	33,548	31,582	19,501	245,264	205,230	12,533	8,159
Media	77,118	70,560	7,543	5,809	179,789	124,051	48,393	45,136
Telecommunications	16,968	30,484	5,698	4,864	109,451	39,710	8,477	7,626
Bakery	62,819	–	(8,244)	–	55,558	–	47,524	–
Fruit Products	15,665	12,846	3,092	774	990	8,057	630	1,386
Flavours and Fragrances	12,295	11,747	753	602	15,832	10,571	3,480	3,532
Pharmaceutical	21,543	40,855	2,969	427	950	11,707	3,231	5,498
Property	6,324	3,215	4,207	4,147	8,149	7,176	–	–
Unallocated	19,714	11,238	2,692	575	16,634	8,956	52,837	13,177
Associates (Note a)	–	–	78,489	41,620	425,295	350,029	–	–
Intersegment (Note b)	(8,203)	(6,458)	–	–	(17,141)	(26,581)	(19,517)	(26,581)
Group Totals	<u>528,992</u>	<u>386,230</u>	<u>192,576</u>	<u>107,236</u>	<u>1,414,693</u>	<u>1,115,282</u>	<u>302,200</u>	<u>277,817</u>

	Acquisition Non Current Assets (Note e)		Depreciation/ Amortisation		Other Non Cash Expenditure	
Coal Mining	24,439	31,282	22,791	21,865	189	4,727
Media	7,337	4,060	3,599	3,609	509	188
Telecommunications	953	6,461	2,308	2,461	(9)	102
Bakery	7,054	–	2,148	–	–	–
Fruit Products	42	497	212	434	–	–
Flavours and Fragrances	918	654	561	463	167	313
Pharmaceutical	–	–	61	568	206	144
Property	4,295	729	353	715	–	–
Unallocated	487	80	826	443	154	(63)
Group Totals	<u>45,525</u>	<u>43,763</u>	<u>32,859</u>	<u>30,558</u>	<u>1,216</u>	<u>5,411</u>

Secondary Reporting Geographical Segments

	Revenue		Acquisition Non Current Assets (Note e)		Total Assets	
Australia	436,580	334,194	44,488	42,893	1,198,208	881,393
South East Asia	92,412	52,036	1,037	870	216,485	233,889
Group Totals	<u>528,992</u>	<u>386,230</u>	<u>45,525</u>	<u>43,763</u>	<u>1,414,693</u>	<u>1,115,282</u>

Products and Services

Coal Mining	Coal operations in Australia and South East Asia.
Investment	Investment in shares and short-term deposits.
Media	Television advertising and commercial and program production.
Telecommunications	Licensed carrier and retailer of telecommunication services and products.
Bakery	Manufacture of biscuits and cakes.
Fruit Products	Fruit product processing, sales and distribution.
Flavours and Fragrances	Flavours, fragrances, aromatic chemicals and essential oil manufacture.
Pharmaceutical	Pharmaceutical retailing.
Property	Sale and rental of properties.

4. SEGMENT OPERATIONS (Cont).:

		Consolidated	
		2004	2003
		\$000	\$000
(a) Associates (Refer note 10)			
Revenue from associates is not included in total Revenue.			
Total assets includes the company's share of associates increase in post acquisition profits and reserves.			
(b) Split of Intersegment revenue is as follows:			
Investment	2,093	1,995	
Property	379	343	
Telecommunications	2,480	2,464	
Media	1,928	1,656	
Unallocated	1,323	–	
	8,203	6,458	
All Intersegment revenue is based on commercial rates			
(c) Split of outside equity interest is as follows:			
Coal Mining	36,498	16,579	
Telecommunications	2,284	1,902	
Bakery	(4,178)	–	
Flavours and Fragrances	249	110	
Fruit Products	669	123	
Investment	221	215	
Unallocated	908	–	
	36,651	18,929	
(d) Split of non regular items is as follows:			
Associates	36,982	–	
Investment	18,471	6,721	
Property	4,077	2,646	
Coal Mining	10,323	–	
Fruit Products	2,127	234	
Pharmaceutical	2,437	–	
	74,417	9,601	
(e) Acquisition of non-current assets excludes investments.			

5. RECEIVABLES:

	Consolidated		Company	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
Current:				
Trade Debtors	52,391	46,497	62	4,474
Less Provision for Doubtful Debts.....	2,265	3,011	25	25
	50,126	43,486	37	4,449
Short Term Deposits	75,587	42,430	42,000	19,000
Loans Receivable Secured by Mortgages over Real Estate and other Contracts	140	200	140	200
Amounts Owing by Controlled Entities	–	–	33,191	123
Hedge Receivable	5,942	4,180	–	–
Other Amounts Receivable	8,047	2,551	3,605	227
	139,842	92,847	78,973	23,999
Non-Current:				
Loans Receivable Secured by Mortgages over Real Estate and other Contracts	715	654	715	654
Loans Receivable – Unsecured.....	538	605	–	–
Amounts Owing by Controlled Entities	–	–	–	24,239
Deferred Hedge Receivable.....	14,396	14,038	–	–
Other Amounts Receivable	3,954	5,140	–	–
	19,603	20,437	715	24,893

Trade Deposits of \$3,000,000 (2003 \$3,000,000) in the New Hope group have been pledged as security for a loan to a third party.

Short Term Deposits of \$1,650,000 (2003 \$2,850,000) in the SP Telemedia Group have been pledged as security over bank loans.

6. INVESTMENTS - ASSOCIATES:

	Consolidated		Company	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Non - Current:				
Equity Accounted -				
Listed	356,707	293,874	—	—
Unlisted	68,588	55,363	—	—
At Cost -				
Listed	—	—	196,160	196,118
Unlisted	—	—	6,450	3,296
	<u>425,295</u>	<u>349,237</u>	<u>202,610</u>	<u>199,414</u>
Market Value of Listed Investments	827,146	700,263	826,066	699,028

7. INVESTMENTS - OTHER:

Non - Current:				
Shares in Other Companies at Cost				
Listed	161,056	135,583	153,090	127,268
Unlisted	7,956	16,732	286	5,374
	<u>169,012</u>	<u>152,315</u>	<u>153,376</u>	<u>132,642</u>
Shares in Controlled Entities at Cost				
Listed	—	—	84,015	20,949
Unlisted	—	—	20,209	71,297
	—	—	104,224	92,246
Interest in Partnership	—	1,000	—	—
	<u>169,012</u>	<u>153,315</u>	<u>257,600</u>	<u>224,888</u>
Market Value of Listed Investments				
Other Corporations	326,843	286,324	311,572	270,512
Controlled Entities	—	—	729,001	164,236

Unlisted Investment of \$7,115,000 (2003 \$11,308,342) has been pledged as security for a loan to a third party.

Estimated capital gains tax liability of the company's total listed investments	385,620	383,587	178,625
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8. PARTICULARS RELATING TO CONTROLLED ENTITIES:

	Country of Incorporation	Parent Entity's Interest	
Name of Entity		2004 %	2003 %
(a) Parent Entity			
Washington H. Soul Pattinson and Company Limited*	Australia		
(b) Controlled Entities			
SP Laboratories Pty. Limited*	Australia	100	100
SP Newcastle Pty. Limited*	Australia	100	100
SP Runaway Bay Pty. Limited*	Australia	100	100
Cromford Pty. Limited*	Australia	100	100
Souls Funds Management Limited	Australia	50.8	—
Pitt Capital Partners Limited	Australia	50.0	—
Corporate & Administrative Services Pty. Ltd.	Australia	37.5	—
Pitt Capital Nominees Pty. Ltd.	Australia	50.0	—
Rundle Capital Partners Limited.	Australia	30.0	—
SP Telemedia Limited	Australia	44.5	56.6
(formerly SP Telecommunications Limited)			
and its 100% owned controlled entities			
Koee Communications Pty. Limited	Australia	44.5	56.6
Soul Pattinson Telecommunications Pty. Limited	Australia	44.5	56.6
New Hope Corporation Limited*	Australia	63.4	69.3
Jeebropilly Collieries Pty. Limited*	Australia	63.4	69.3
Fowlers Engineering Pty. Limited*	Australia	63.4	69.3
Tivoli Coal (Hawaii) Pty. Limited*	Australia	63.4	69.3
New Hope Collieries Pty. Limited*	Australia	63.4	69.3
Tivoli Collieries Pty. Limited*	Australia	63.4	69.3
Andrew Wright Holdings Pty. Limited*	Australia	63.4	69.3
Tetard Holdings Pty. Limited*	Australia	63.4	69.3
Consolidated Bulk Handling Pty. Limited*	Australia	63.4	69.3
P.T. Indonesia Bulk Terminal.	Indonesia	31.7	34.7
Indonesia Coal Pty. Limited*	Australia	63.4	69.3
New Hope Finance Pty. Limited*	Australia	63.4	69.3
Thor Earthmovers Pty. Limited*	Australia	63.4	69.3
New Hope Energy Pty. Ltd*	Australia	63.4	69.3
New Oakleigh Coal Pty. Ltd*	Australia	63.4	69.3
New Hope Exploration Pty. Ltd*	Australia	63.4	69.3
Minerva Coal Pty. Ltd.	Australia	—	48.5
Seven Mile Coal Pty. Ltd*	Australia	63.4	69.3
New Acland Coal Pty. Ltd*	Australia	63.4	69.3
Keith Harris & Co. Limited	Australia	58.7	84.2
Jusfrute Limited	Australia	58.7	84.2
United Beverages Pty. Limited	Australia	58.7	84.2
Redland Industries Pty. Limited	Australia	58.7	84.2
Keith Harris Extracts Pty. Limited	Australia	58.7	84.2
Quotidian No. 115 Pty. Limited	Australia	58.7	84.2
Keith Harris & Co. (Far East) Pte. Ltd.	Singapore	35.2	50.5
Balfours Australia Pty. Ltd.	Australia	37.0	—
PT Keith Harris Indonesia.	Indonesia	24.7	—
NBN Enterprises Pty. Limited*	Australia	100	100
NBN Limited*	Australia	100	100
NBN Investments Pty. Limited*	Australia	100	100
NBN Productions Pty. Limited*	Australia	100	100
NBN Holdings Pty. Limited*	Australia	100	100

Pitt Capital Partners Limited became a controlled entity during the year (2003 an associated entity).

* Companies marked with an asterisk are part of a tax consolidation group.

9. a) ACQUISITION OF CONTROLLED ENTITIES:

During the current year the Company acquired additional shares in Keith Harris & Co. Ltd. for \$59,000. The Company also acquired during the year 50.83% of Souls Funds Management Limited for \$862,000. Pitt Capital Partners Limited also acquired 25.53% of Souls Funds Management Limited for \$140,000. Pitt Capital Partners Limited acquired 60% of Rundle Capital Partners Limited during the current year for \$250,000. Keith Harris & Co. Ltd. acquired 63% of Balfours Australia Pty. Ltd on 1 December, 2003 for \$6,980,000.

	Consolidated		Company	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
Aggregate details of Acquisitions:				
Purchase Price paid in cash	8,291	–	921	–
Cash held by Acquiree at acquisition	(2,640)	–	68	–

b) DISPOSAL OF CONTROLLED ENTITIES

Minerva Coal Pty. Ltd. was sold during the financial year. Cash received was \$876,000. Deferred sale proceeds of \$1,750,000 are due to be received 12 months after settlement. The sale contributed a profit of \$1,630,000 to the current year's results.

As consideration for the payment of a special dividend, the company issued some of its shares in New Hope Corporation Limited. The number of shares issued equalled 4.32% of the shares on issue at the time. The company received no cash. A profit of \$3,353,000 was included in the current year's results.

10. INVESTMENT IN ASSOCIATES:

	Consolidated	
	2004	2003
	\$000	\$000
Share of Associates Retained Profits at beginning of year	92,381	66,913
Share of Associates Retained Profits at the end of year ..	166,455	92,381
Share of Associates Reserves:		
Asset Revaluation	12,426	11,752
Capital Profit.....	6,191	6,191
Foreign Currency	(11,122)	(9,143)
	7,495	8,800
Schedule of Movements in Carrying Amount		
Balance at beginning of the financial year	349,237	324,819
Adjustment from the restatement of a associate as a controlled entity	(1,154)	–
Investments - Acquired	6,335	6,918
Share of Associates profit before tax	102,437	52,553
Share of Associates income tax expense	(23,549)	(10,695)
Amortisation of Goodwill on Acquisition	(399)	(238)
Dividends from Associates	(27,814)	(27,773)
Share of dividends received by associate	23,507	10,193
Share of movements in reserves	(1,305)	(6,540)
Devaluation of Investment	(2,000)	–
Balance at end of financial year	425,295	349,237
Contingent Liabilities:		
Share of associates contingent liabilities-		
Bank Guarantees	42,445	35,206
Bank Performance Bonds.....	6,392	10,620
	48,837	45,826
Share of Associates capital expenditure commitments	13,973	5,564
Share of Associates operating lease commitments	18,320	565
Share of Associates finance lease commitments	111	17
Joint Venture Entities		
SPT Telecommunications Pty. Ltd. and Koee Pty. Ltd. are joint venture entities.		
Share of Results:		
Revenue	14,294	4,357
Less Expenses.....	10,821	3,237
Less Income Tax Expense	1,042	312
Profit / (Loss)	2,431	808
Share of Assets and Liabilities:		
Current Assets.....	2,969	1,856
Non-Current Assets	5,766	2,983
Total Assets	8,735	4,839
Less Current Liabilities.....	3,475	1,792
Less Non-Current Liabilities	1,855	2,038
Net Assets	3,405	1,009

10. INVESTMENT IN ASSOCIATES (cont.)

Details of Investments in Associates

Name and Principal Activity	Balance Date	Ownership Interest				Share of Associates		Carrying Amount	
		Balance Date		Balance Date		Net Profit			
		Company		Associate					
		2004	2003	2004	2003	2004	2003	2004	2003
		%	%	%	%	\$000	\$000	\$000	\$000
Australian Pharmaceutical Industries Limited - Pharmaceutical wholesaler	30th April	23.2	22.9	23.2	22.8	4,242	5,599	103,843	106,138
Brickworks Limited - Manufacture of clay products	30th June	49.8	49.8	49.8	49.8	60,748	22,254	246,994	175,815
Clover Corporation Limited - Manufacture and distribution of nutritional supplements	30th June	28.6	28.9	28.5	28.9	116	(105)	8,605	7,930
InterRisk Australia Pty Ltd Insurance Broker	30th June	20.0	—	20.0	—	—	—	540	—
Koee Pty Limited - Reseller of Telecommunication Products	31st July	22.3	28.3	22.3	28.3	212	10	222	10
Pacific Strategic Investments Limited - Investor	30th June	27.6	24.9	27.6	24.9	790	(100)	5,102	3,991
Pitt Capital Partners Limited Investment Advisor	31st July	—	50.0	—	50.0	—	154	—	1,154
Pitt Capital Partners Asia Limited Investment Advisor	30th June	25.0	—	25.0	—	(27)	—	110	—
P.T. Adaro Indonesia- Coal mining	31st July	25.9	28.3	25.9	28.3	3,599	5,724	43,842	44,958
Queensland Bulk Handling Pty Ltd - Coal mining	30th June	31.7	34.7	31.7	34.7	61	310	2,125	2,064
Queensland Commodity Exports Pty Ltd - Wood chip handling	30th June	21.1	23.1	21.1	23.1	52	29	560	508
Soda Incorporation Pty Limited Distributor of Skin & Hair Care Products	30th June	43.4	—	43.4	—	(335)	—	75	—
SPT Telecommunications Pty Ltd - Telecommunications Carrier	31st July	22.3	28.3	22.3	28.3	2,219	798	3,434	1,215
Vindoor Investments (Mauritius) Ltd - Investor	31st July	25.9	28.3	25.9	28.3	7,029	7,044	6,769	3,368
Windsor Farm Foods Limited - Food Processing & Distribution	30th June	23.8	—	23.8	—	(217)	(97)	3,074	2,086
						<u>78,489</u>	<u>41,620</u>	<u>425,295</u>	<u>349,237</u>

Pitt Capital Partners Limited was treated as a controlled entity from 1 August, 2003.

Indonesian Government Regulation No. 144/2000 (GR 144) which was effective from 1 January, 2001 stipulates that coal is no longer VAT-able and as a result P.T. Adaro Indonesia (Adaro) has been unable to seek restitution for VAT Input incurred from this date onwards. However, under the terms of its 1st generation coal agreement (“CCA”), Adaro contends that it is entitled to a refund for any VAT input it pays, as VAT is not a tax specified in the CCA, and under the terms of the CCA the Government is responsible for any new taxes.

Since January, 2001 Adaro has offset its VAT inputs against production sharing payments due to the Government of Indonesia of US\$64 million (A\$91.7 million) - WHSP shareholders’ share - A\$23.7 million. The Directorate General of Geology and Mineral Resources which administers the CCA’s on behalf of the Government is aware of this and has not taken a contrary position.

In March, 2004 a Supreme Court Judge of the Indonesian Supreme Court issued a legal opinion to the Indonesian Coal Mining Association stating that in his view GR 144 contradicts VAT Law which does not include coal as non VAT-able goods. This opinion suggested that GR 144 should be revoked as the VAT law is the higher legislation. However, the Indonesian Government’s position is that it is not legally bound to follow the opinion and is yet to decide on the issue.

Adaro has made provision of US\$36.5 million (A\$52.2 million) - WHSP shareholders’ share - A\$13.5 million for the tax in its accounts in case the Company is not entitled to the refund from the CCA.

In the event that the Indonesian Government does not decide in Adaro’s favour on the VAT issue and all legal resources have been exhausted with a binding decision against Adaro, the maximum exposure to Adaro is likely to be the difference between VAT offset and VAT provided for, which at 31 July, 2004 amounted to US\$32.7 million (A\$46.9 million) - WHSP shareholders’ share A\$12.1 million.

The amounts stated are before income tax.

11. JOINT VENTURE OPERATION:

A controlled entity has entered into a joint venture operation called Reorganic Energy Swanbank to develop a landfill gas project. The controlled entity has a 33.33% participating interest in the joint venture and is entitled to 33.33% of its output. The group interest in the assets employed in the joint venture is included in the Statement of Financial Position under the following classifications.

	Consolidated	
	2004	2003
	\$000	\$000
Current Assets:		
Cash	161	49
Other	170	158
Total Current Assets	331	207
Non-Current Assets:		
Plant and Fixtures at cost	520	509
Less Accumulated Depreciation	105	51
Total Non-Current Assets	415	458
Total Assets	746	665

12. INVENTORIES:

	Consolidated		Company	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
Current:				
Trading shares at lower of cost and market value	2,880	1,837	1,770	1,837
Raw Materials	8,871	7,758	–	–
Work in Progress	63	125	–	–
Finished Goods	8,632	16,026	1,083	4,113
	20,446	25,746	2,853	5,950
Less Provision for Fluctuation in value of Finished Goods	170	170	170	170
	20,276	25,576	2,683	5,780

13. PROPERTY, PLANT AND EQUIPMENT:

Land:				
At Cost	40,007	35,766	1,687	2,295
Buildings:				
At Cost	20,720	18,800	4,597	2,587
Less Provision for Depreciation	4,426	4,488	219	401
	16,294	14,312	4,378	2,186
Total Land and Buildings	56,301	50,078	6,065	4,481
Plant, Fixtures & Motor Vehicles:				
At Cost	412,757	376,961	2,791	7,068
Less Provision for Depreciation	163,730	153,677	1,117	4,374
Total Plant, Fixtures & Motor Vehicles	249,027	223,284	1,674	2,694
Mining Reserves & Leases:				
At Cost	9,813	9,813	–	–
Less Amortisation	1,187	749	–	–
Total Mining Reserves & Leases	7,996	9,064	–	–
Mine Development				
At Cost	41,444	40,149	–	–
Less Amortisation	19,566	15,525	–	–
Total Mine Development	21,878	24,624	–	–
Port Development - At Cost	7,604	7,585	–	–
Port Infrastructure - At Cost	31,494	33,635	–	–
	39,098	41,220	–	–
Less Amortisation	15,593	13,581	–	–
Total Port Development	23,505	27,639	–	–
Total Property, Plant & Equipment	358,707	334,689	7,739	7,175

Valuation of Land and Buildings: The Market Value of land and buildings excluding land and buildings held for mining (book value) based on independent valuations and movements since at cost was:–

Consolidated – \$43,026,500

Company – \$22,355,000

13. PROPERTY, PLANT AND EQUIPMENT (Cont.):

	Consolidated		Company	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
Reconciliations				
Land:				
Carrying amount at beginning of year.....	35,766	33,483	2,295	2,516
Additions	5,152	2,504	–	–
Disposals	(911)	(221)	(608)	(221)
Carrying amount at end of year	40,007	35,766	1,687	2,295
Buildings:				
Carrying amount at beginning of year.....	14,312	13,359	2,186	1,748
Additions	4,289	1,648	3,268	456
Disposals	(1,760)	(415)	(1,023)	–
Depreciation	(438)	(280)	(53)	(18)
Foreign Exchange Differences	(109)	–	–	–
Carrying amount at end of year	16,294	14,312	4,378	2,186
Plant, Fixtures & Motor Vehicles:				
Carrying amount at beginning of year.....	223,284	251,248	2,694	3,189
Additions	36,175	40,503	1,027	273
Transfers	(1,053)	(21,488)	–	–
Disposals	(4,967)	(372)	(1,737)	(71)
Depreciation	(24,089)	(24,310)	(310)	(697)
Foreign Exchange Differences	(7,147)	(22,021)	–	–
Writedown	(40)	(276)	–	–
Acquisition through entities acquired	26,864	–	–	–
Carrying amount at end of year	249,027	223,284	1,674	2,694
Mining Reserves & Leases:				
Carrying amount at beginning of year.....	9,064	9,663	–	–
Amortisation	(1,068)	(599)	–	–
Carrying amount at end of year	7,996	9,064	–	–
Mine Development:				
Carrying amount at beginning of year.....	24,624	5,097	–	–
Additions	1,296	–	–	–
Transfers	–	22,328	–	–
Disposals	–	–	–	–
Amortisation	(4,042)	(2,801)	–	–
Carrying amount at end of year	21,878	24,624	–	–
Port Development and Infrastructure:				
Carrying amount at beginning of year.....	27,639	45,783	–	–
Additions	85	–	–	–
Transfers	–	(839)	–	–
Disposals	(8)	–	–	–
Discount on exercise of option	–	(8,879)	–	–
Amortisation	(2,391)	(2,582)	–	–
Foreign Exchange Differences	(1,820)	(5,844)	–	–
Carrying amount at end of year	23,505	27,639	–	–
14. INTANGIBLES:				
Television Licence at Directors' Valuation	124,939	75,438	–	–
Goodwill	7,531	6,402	–	5,566
Less Amortisation	521	3,471	–	2,635
	7,010	2,931	–	2,931
	131,949	78,369	–	2,931

15. TAX ASSETS:	Consolidated		Company	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Non Current:				
Future Income Tax Benefit	<u>13,262</u>	<u>15,302</u>	<u>4,640</u>	<u>4,763</u>
16. OTHER ASSETS:				
Current:				
Prepayments	<u>6,937</u>	<u>6,294</u>	<u>410</u>	<u>158</u>
Non-Current:				
Development Costs	<u>2,358</u>	<u>1,603</u>	<u>–</u>	<u>–</u>
Less Amortisation	<u>967</u>	<u>890</u>	<u>–</u>	<u>–</u>
	<u>1,391</u>	<u>713</u>	<u>–</u>	<u>–</u>
17. ACCOUNTS PAYABLE:				
Current:				
Trade Creditors and Accrued Expenses	<u>40,473</u>	<u>20,394</u>	<u>2,050</u>	<u>3,492</u>
Amounts owing to controlled entities	<u>–</u>	<u>–</u>	<u>21,132</u>	<u>6,439</u>
Deferred Exchange Gains	<u>5,942</u>	<u>4,180</u>	<u>–</u>	<u>–</u>
Other Amounts Payable	<u>13,519</u>	<u>8,539</u>	<u>–</u>	<u>–</u>
	<u>59,934</u>	<u>33,113</u>	<u>23,182</u>	<u>9,931</u>
Non-Current:				
Deferred Exchange Gains	<u>14,396</u>	<u>14,038</u>	<u>–</u>	<u>–</u>
Other Amounts Payable	<u>–</u>	<u>321</u>	<u>–</u>	<u>–</u>
	<u>14,396</u>	<u>14,359</u>	<u>–</u>	<u>–</u>
18. INTEREST BEARING LIABILITIES:				
Current:				
Bank Loans – Secured	<u>41,369</u>	<u>35,872</u>	<u>–</u>	<u>–</u>
Other Loans – Secured	<u>9,372</u>	<u>6,916</u>	<u>–</u>	<u>–</u>
– Unsecured				
– directors	<u>8,201</u>	<u>7,739</u>	<u>8,201</u>	<u>7,739</u>
– other related parties	<u>–</u>	<u>2,278</u>	<u>–</u>	<u>161</u>
– other	<u>352</u>	<u>259</u>	<u>352</u>	<u>259</u>
Lease Liabilities	<u>133</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>59,427</u>	<u>53,064</u>	<u>8,553</u>	<u>8,159</u>
Non-Current:				
Bank Loans – Secured	<u>11,400</u>	<u>81,681</u>	<u>–</u>	<u>–</u>
Other Loans – Secured	<u>36,021</u>	<u>20,331</u>	<u>–</u>	<u>–</u>
– Unsecured	<u>11,317</u>	<u>20,112</u>	<u>–</u>	<u>–</u>
Lease Liabilities	<u>8</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>58,746</u>	<u>122,124</u>	<u>–</u>	<u>–</u>
Loans are secured by a fixed and floating charge over the assets, uncalled capital and undertakings of various entities in the economic entity.				
The Company accepts deposits from Directors and Director related entities under normal commercial arrangements and consistent with deposits received from other parties.				
19. PROVISIONS:				
Current:				
Proposed Dividends (Note 1x)	<u>23,864</u>	<u>11,932</u>	<u>23,864</u>	<u>11,932</u>
Employee Entitlements	<u>12,169</u>	<u>8,454</u>	<u>446</u>	<u>742</u>
Restructure	<u>1,552</u>	<u>–</u>	<u>–</u>	<u>–</u>
Unearned Revenue	<u>–</u>	<u>443</u>	<u>–</u>	<u>–</u>
	<u>37,585</u>	<u>20,829</u>	<u>24,310</u>	<u>12,674</u>
Non-Current:				
Proposed Dividends (Note 1x)	<u>23,864</u>	<u>–</u>	<u>23,864</u>	<u>–</u>
Employee Entitlements	<u>8,546</u>	<u>7,269</u>	<u>736</u>	<u>1,264</u>
Television License Fee	<u>1,285</u>	<u>1,020</u>	<u>–</u>	<u>–</u>
	<u>33,695</u>	<u>8,289</u>	<u>24,600</u>	<u>1,264</u>
Aggregate Employee Entitlement Liability	<u>20,715</u>	<u>15,723</u>	<u>1,182</u>	<u>2,006</u>
Number of Employees at year end	<u>1,303</u>	<u>775</u>	<u>83</u>	<u>216</u>

20. TAX LIABILITIES::	Consolidated		Company	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Current				
Income Tax	<u>14,036</u>	<u>6,256</u>	<u>1,621</u>	<u>—</u>
Non-Current:				
Deferred Income Tax.....	<u>14,537</u>	<u>13,138</u>	<u>6,051</u>	<u>—</u>
21. OTHER LIABILITIES:				
Current:				
Restoration Costs accrued (Note 1f)	<u>824</u>	<u>575</u>	<u>—</u>	<u>—</u>
Non-Current:				
Restoration Costs accrued (Note 1f)	<u>9,020</u>	<u>6,070</u>	<u>—</u>	<u>—</u>
22. CONTRIBUTED EQUITY:				
Share Capital:				
238,640,580 – (2003 – 238,640,580) Ordinary				
Shares Issued and Fully Paid.....	<u>32,900</u>	<u>32,900</u>	<u>32,900</u>	<u>32,900</u>
The number of shares held by associates - 102,257,830 (2003 - 102,257,830)				
23. RESERVES:				
General	<u>404,020</u>	<u>403,994</u>	<u>400,452</u>	<u>400,426</u>
Capital	<u>15,698</u>	<u>15,730</u>	<u>—</u>	<u>—</u>
Asset Revaluation.....	<u>63,493</u>	<u>13,345</u>	<u>2,042</u>	<u>2,068</u>
Foreign Currency	<u>(3,524)</u>	<u>(2,203)</u>	<u>—</u>	<u>—</u>
	<u>479,687</u>	<u>430,866</u>	<u>402,494</u>	<u>402,494</u>
Material Movements to:				
General Reserve:				
From Asset Revaluation Reserve.....	<u>26</u>	<u>—</u>	<u>26</u>	<u>—</u>
Foreign Currency Reserve:				
Net exchange difference on translation of controlled entities	<u>(1,275)</u>	<u>(8,565)</u>	<u>—</u>	<u>—</u>
Net exchange difference on translation in associates.....	<u>(46)</u>	<u>192</u>	<u>—</u>	<u>—</u>
Asset Revaluation Reserve:				
Revaluation increments				
- Television Licence	<u>49,500</u>	<u>—</u>	<u>—</u>	<u>—</u>
- in associates.....	<u>674</u>	<u>—</u>	<u>—</u>	<u>—</u>

Nature and Purpose of Reserves

General Reserve

Amounts allocated from Retained Profits as reserved for the future general needs of the operations of the entity.

Capital Reserve

This reserve represents amounts allocated from Retained Profits that were profits of a capital nature. Where appropriate it is intended to transfer the balance to General Reserve.

Asset Revaluation Reserve

This Reserve includes net revaluation increments and decrements arising from the revaluation of non-current assets. Upon the disposal of revalued assets, any related revaluation increment standing to the credit of the asset revaluation reserve is transferred to capital/general reserve. The reserve relates to asset previously revalued now deemed to be at cost in adopting accounting standard AASB1041.

Foreign Currency Reserve

The foreign currency reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations.

24. RETAINED PROFITS:

	Consolidated		Company	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
Retained Profits at Beginning of the Financial Year	266,160	196,297	34,978	4,989
Current Year Profit	155,925	88,307	89,432	58,626
Dividends paid or provided for (Note 25a)	(67,163)	(18,444)	(90,684)	(28,637)
Retained Profits at the end of the Financial Year ...	<u>354,922</u>	<u>266,160</u>	<u>33,726</u>	<u>34,978</u>

25. DIVIDENDS

a) Paid or Provided for:

Final dividend (2003 - 10 cents) fully franked at tax rate of 30%	23,864	—	23,864	—
Interim dividend 8 cents (2003 - 7 cents) fully franked at tax rate of 30%	19,092	16,705	19,092	16,705
Proposed special dividends 20 cents (2003 - 5 cents) fully franked at tax rate of 30%	47,728	11,932	47,728	11,932
Share of Dividends Received by Associate	(23,521)	(10,193)	—	—
	<u>67,163</u>	<u>18,444</u>	<u>90,684</u>	<u>28,637</u>

b) Recommended (Note 1x)

Recommended final dividend 12 cents (2003 - 10 cents) fully franked at tax rate of 30%	28,637	23,864	28,637	23,864
Balance of franking accounts at year end adjusted for franking credits arising from payment of income tax and dividend provisions	<u>121,046</u>	<u>137,536</u>	<u>104,930</u>	<u>84,168</u>

26. OUTSIDE EQUITY INTERESTS:

	Consolidated	
	2004	2003
	\$000	\$000
Contributed Equity	125,422	27,325
Reserves	9,566	9,716
Retained Profits	<u>109,996</u>	<u>70,498</u>
	<u>244,984</u>	<u>107,539</u>

27. FINANCIAL INSTRUMENTS:

(a) Credit Risk Exposure

The credit risk on financial assets of the economic entity which has been recognised in the Statement of Financial Position, other than investments in shares, is generally the carrying amount net of any provision for doubtful debts.

For financial instruments not included in the Statement of Financial Position, including derivatives which are deliverable, credit risk also arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. A material exposure arises from forward exchange contracts and the economic entity is exposed to loss in the event that the counterparties fail to deliver the contracted amount. At 31st July, 2004 an amount of \$113,083,000 (Australian dollar equivalents) (2003 - \$99,556,000) is receivable.

The economic entity transacts across a range of industries and operates predominately in Australian and South East Asia. It is not materially exposed to an individual customer apart from that disclosed in Note 32.

(b) Foreign Exchange Risk

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

The Australian originated export sales revenue of the New Hope Corporation Limited economic entity is denominated in United States Dollars. In order to protect against adverse rate movements, a proportion of the anticipated revenue of future financial periods has been sold under forward exchange contracts. The contracts are timed to mature to match expected US\$ revenue streams. At 31st July, 2004 details of outstanding contracts in Australia were:

Sell US Dollars	Buy Australian Dollars		Average Exchange Rate	
	2004	2003	2004	2003
	\$000	\$000		
Maturity				
0 to 6 Months	30,149	16,180	0.67995	0.58713
6 to 12 Months	37,345	20,163	0.60250	0.57034
1 to 2 Years	32,047	32,252	0.53048	0.55811
2 to 5 Years	33,881	49,178	0.56078	0.52869

27. FINANCIAL INSTRUMENTS (Cont.)

As these contracts are hedging anticipated future sales, any unrealised gains and losses on these contracts, together with the costs of contracts, are deferred and will be recognised in the measure of underlying transactions. Included in the amounts deferred are any gains and losses on hedging contracts terminated prior to maturity where the related hedge transaction is still expected to occur.

The net unrecognised gain relating to these contracts at 31st July, 2004 is \$20,338,000 (2003 gain of \$18,217,000).

(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 Statement of Financial Position. 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 range from 0.5% and 5.0%. Debtors are generally non interest bearing. Loans receivable have a maximum period of 10 years and are based on bank bill or bank loan base rates. Financial liabilities consist of creditors, bank overdraft and loans as shown in the Statement of Financial Performance. Creditors are non interest bearing. Bank overdraft is the cashbook balance and as such is non interest bearing.

Other Loans

	2004 \$000	2003 \$000	2004 Weighted average % Interest Rate	2003 Weighted average % Interest Rate
Floating Interest rate.....	33,224	12,488	5.7	3.6
Fixed Interest Maturities				
Less than 1 year	31,369	106,502	2.2	2.5
1 to 5 years	66,241	54,081	6.8	6.2
Non Interest Bearing	737	10,977	—	—
	<u>131,571</u>	<u>184,048</u>		

Reconciliation to Statement of Financial Position

			2004 \$000	2003 \$000
Loans	-Current	Note 18	59,314	53,064
	-Non Current	Note 18	58,738	122,124
Other Amounts Payable	-Current	Note 17	13,519	8,539
	-Non Current	Note 17	—	321
			<u>131,571</u>	<u>184,048</u>

(d) Net Fair Value of financial assets and liabilities

The net fair value of cash and cash equivalents and non interest bearing monetary financial assets and financial liabilities for the economic entity approximate their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based on a review of the current carrying value of assets and liabilities and the assessment of the value reported by the economic entity. Listed investments are valued at cost and the market value is disclosed in Notes 6 and 7.

28. COMMITMENTS AND CONTINGENT LIABILITIES

A. Superannuation Commitments

The Economic Entity participates in a number of superannuation funds, most of which were established and are sponsored by the Economic Entity. The funds provide benefits either on a defined benefit or cash accumulation basis for employees or their dependents on retirement, resignation, disablement or death. The funds provide benefits in the form of lump sum payments. The Economic Entity and employee members make contributions as specified in the rules of the respective funds. Although the Economic Entity is committed to make contributions to the various funds some obligations are not legally enforceable except in respect of the provision of defined benefits. An independent actuarial assessment of the level of contributions to the Economic Entity's sponsored defined benefit fund is performed annually by the AMP Life Limited.

	Estimate of Maximum Amount			
	Consolidated		Company	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
B. Capital Expenditure Commitments				
Estimated capital expenditure contracted for at balance date but not provided for, payable				
— Not later than one year	2,642	7,040	—	4,500
— One year or later and no later than five years	—	1,507	—	—
	<u>2,642</u>	<u>8,547</u>	<u>—</u>	<u>4,500</u>

28. COMMITMENTS AND CONTINGENT LIABILITIES (Cont.):

C. Lease Commitments

(i) Operating Leases:

	Estimate of Maximum Amount		Company	
	Consolidated			
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000
Amount due within one year	3,004	2,704	—	1,661
Amount due later than one year, not later than five years	6,737	6,836	—	4,040
Amount due later than five years	1,627	2,522	—	578
	11,368	12,062	—	6,279

The consolidated entity leases property under operating leases expiring from one to ten years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are negotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

(ii) Finance Leases:

Including as lease liabilities are the present values of future rentals for leased assets capitalised

Current	133	—	—	—
Non Current	8	—	—	—
Total	141	—	—	—
Finance Lease Commitments:				
Amount due within one year	133	—	—	—
Amount due later than one year, not later than five years	8	—	—	—
Amount due later than five years	—	—	—	—
	141	—	—	—

The consolidated entity leases production plant and equipment under finance leases expiring from one to three years. At the end of the lease term the consolidated entity has the option to purchase the equipment at a price deemed to be a bargain purchase option. Some leases involve lease payments comprising a base amount plus an incremental contingent rental. Contingent rentals are based on the Consumer Price Index

D. Contingent Liabilities:**(a) Secured by a charge on the Economic Entity's Assets.**

(i) The Parent Entity has provided a guarantee and indemnity to National Australia Trustees Limited, secured by an Equitable Mortgage over certain Investments, for the provision of finance amounting to US\$100 million by National Australia Bank Limited and Banque Nationale de Paris to P.T. Indonesia Bulk Terminal for the construction of the coal loading facility at Pulau Laut. Outstanding principal and interest accrued as at 31st July, 2004.

— — **25,221** 79,779

(ii) Undertakings and guarantees issued by a Controlled Entity's bankers to Department of Minerals & Energy, Statutory Power Authorities and various other entities.

8,085 4,879 — —

(iii) A controlled entity has given security in respect of a loan to a third party.

10,115 14,308 — —

(b) Not secured by a charge on the Economic Entity's Assets.

(i) Bank guarantees issued in the normal course of business

2 2 **2** 2

(ii) Multiple drawdown revolving loan facility to a controlled entity - Nil balance as at 31st July, 2003.

— — **1,000** 1,000

(iii) In addition to the above, legal actions against members of the Economic Entity are outstanding which are not provided for in the Financial Statements. They are being defended, liability denied and no loss is expected.

— — — —

18,202 19,189 **26,223** 80,781

NO LOSSES ARE ANTICIPATED IN RESPECT OF ANY OF THE ABOVE CONTINGENT LIABILITIES

29. DIRECTORS AND EXECUTIVE DISCLOSURES

Specified Directors

The names of persons who were Directors of Washington H. Soul Pattinson and Company Limited during the financial year are:

Mr. R.D. Millner - Non-executive Chairman

Mr. M.J. Millner - Non-executive Deputy Chairman

Mr. P.R. Robinson - Executive Director

Mr. G.L. Robertson - Executive Director

Mr. D. J. Fairfull - Executive Director

Specified Executives

Mr. R.C. Neale - General Manager, New Hope Corporation Limited

Mr. D. Ledbury - Managing Director, SP Telemedia Limited

Mr. J. Eather - General Manager, NBN Limited

Mr. M. Simmons - General Manager, SP Telemedia Limited

Mr. N.L. Smallbone - Financial Controller, Washington H. Soul Pattinson & Company Limited

Remuneration of specified directors and specified executives by the consolidated entity (\$000)

Remuneration of specified directors and specified executives by the consolidated entity (\$000)								
Name		Primary Benefits			Post Employment Benefits	Equity	Other	Total
		Salary & Fees	Bonus	Non Monetary Benefits	Super- annuation	Value of Options	Termination Benefits	
Specified Directors								
Mr. R.D. Millner	2004	234	-	31	20	-	75	360
Chairman - Non-executive	2003	219	-	30	20	-	-	269
Mr. M.J. Millner	2004	148	-	-	13	-	-	161
Deputy Chairman - Non-executive	2003	151	-	-	13	-	-	164
Mr. P.R. Robinson	2004	416	-	41	68	-	-	525
Executive Director	2003	383	-	41	52	-	-	476
Mr. G.L. Robertson	2004	105		17	8	230	-	360
Executive Director	2003	55	-	-	-	-	-	55
Mr. D.J. Fairfull	2004	781	-	-	103	-	54	938
Executive Director	2003	128	-	-	7	-	-	135
Total Remuneration Specified Directors	2004	1,684	-	89	212	230	129	2,344
	2003	936	-	71	92	-	-	1,099
Specified Executives								
Mr. R.C. Neale	2004	212	-	64	91	32	-	399
General Manager - New Hope Corporation Ltd	2003	200	-	31	72	-	-	303
Mr. D. Ledbury	2004	372	30	24	56	-	-	482
Managing Director - SP Telemedia Limited	2003	351	30	25	52	-	-	458
Mr. J. Eather	2004	217	41	19	36	-	-	313
General Manager - NBN Limited	2003	200	37	18	33	-	-	288
Mr. M. Simmons	2004	200	55	17	38	-	-	310
General Manager - SP Telemedia Limited	2003	197	50	17	34	-	-	298
Mr. N.L. Smallbone	2004	171	-	2	30	-	-	203
Group Financial Controller	2003	158	-	22	27	-	-	207
Total Remuneration Specified Executives	2004	1,172	126	126	251	32	-	1,707
	2003	1,106	117	113	218	-	-	1,554

Effective 31 July, 2004 non prescribed post employment benefits (Retiring Allowances) for non-executive directors were frozen at three times the average annual fees for the last three years.

The aggregate amount of Retiring Allowances frozen at 31 July, 2004 was \$836,000 an increase of \$43,000 over the previous year.

29. DIRECTORS AND EXECUTIVE DISCLOSURES (Cont.):

Equity instrument disclosures relating to specified directors and specified executives
Ordinary Share holdings

Name	Balance at start of year	Acquired during year	Received on exercise of options	Rights entitlement taken-up	Sold during year	Balance at end of year
Shares in Washington H. Soul Pattinson and Company Limited						
Specified Directors						
R.D. Millner	15,807,355	195,000				16,002,355
M.J. Millner	15,442,335	195,000				15,637,335
P.R. Robinson	74,210					74,210
G.L. Robertson	140,000	20,000				160,000
D.J. Fairfull	40,000	20,000				60,000
Specified Executives						
R.C. Neale	4,000					4,000
D. Ledbury	30,000					30,000
J. Eather	13,200					13,200
M. Simmons	5,400					5,400
Shares in New Hope Corporation Limited						
Specified Directors						
R.D. Millner		1,941,357				1,941,357
M.J. Millner		50,000				50,000
P.R. Robinson		30,000				30,000
G.L. Robertson	9,000,000	32,500	500			9,033,000
D.J. Fairfull		10,000				10,000
Specified Executives						
R.C. Neale		5,000				5,000
D. Ledbury		10,000			10,000	-
J. Eather		5,000				5,000
M. Simmons		15,000				15,000
Shares in SP Telemedia Limited						
Specified Directors						
R.D. Millner	320,000	380,000	28,000	323,557		1,051,557
M.J. Millner	280,000	400,000	28,000	314,557		1,022,557
P.R. Robinson	80,000			35,556		115,556
G.L. Robertson	622,000	50,000		298,667		970,667
D.J. Fairfull	100,000			44,445		144,445
Specified Executives						
D. Ledbury	40,000		100,000	62,223		202,223
J. Eather	81,000		4,000	23,500		108,500
M. Simmons	89,143	7,200	-	27,913	33,540	90,716
Shares in Pitt Capital Partners Limited						
Specified Directors						
D.J. Fairfull	500,000					500,000

Shares and options acquired in New Hope Corporation Limited includes receipt of shares by way of a special dividend paid by Washington H. Soul Pattinson & Co. Limited to facilitate the compliance listing of New Hope Corporation Limited on the Australian Stock Exchange in September, 2003.

Options holdings

Name	Balance at start of year	Granted/ Acquired during year	Exercised during year	Sold during year	Balance at end of year
Options in New Hope Corporation Limited					
Specified Directors					
R.D. Millner		194,136			194,136
M.J. Millner		1,800			1,800
P.R. Robinson		3,000			3,000
G.L. Robertson		9,663,250	500		9,662,750
D.J. Fairfull		1,000			1,000
Specified Executives					
R.C. Neale		1,200,500			1,200,500
D. Ledbury		1,000		1,000	-
J. Eather		500			500
M. Simmons		1,500			1,500
Options in SP Telemedia Limited					
Specified Directors					
R.D. Millner	28,000		28,000		-
M.J. Millner	28,000		28,000		-
P.R. Robinson	8,000				8,000
G.L. Robertson	50,000		50,000		-
D.J. Fairfull	10,000				10,000
Specified Executives					
D. Ledbury	1,104,000		100,000	1,000,000	4,000
J. Eather	904,000		4,000	900,000	-
M. Simmons	1,006,000			1,006,000	-

Other Transactions

The Directors and their related entities received dividends during the year in respect of their shareholdings in the Group consistent with other shareholders. Unsecured deposits are accepted from Directors and their related entities and interest is paid at normal commercial rates. The aggregate amounts of interest paid for the year and the balance of deposits on hand and the end of the year are disclosed in Notes 2 and 18 respectively.

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

29. DIRECTORS AND EXECUTIVE DISCLOSURES (Cont.):

Loans made to Mr. D. Ledbury and Mr. J. Eather, specified executives, at balance date amounted to \$219,000. The total amount of repayments during the financial year were \$21,694. The secured loans are repayable by weekly instalments and interest is charged at 5% per annum and amounted to \$11,500 for the year.

Mr. G.L. Robertson is a Director. His father is Governing Director of Farjoy Pty. Ltd. New Hope Corporation Limited and some of its controlled entities have transactions with Farjoy Pty. Ltd. which include payment of dividends and repayment of loans.

Mr. G.L. Robertson has an interest in an entity which has had transactions with a controlled entity. These transactions are for the reimbursement of costs. All transactions are based on normal commercial terms and conditions.

Mr. D.J. Fairfull owns 25% of Pitt Capital Partners Limited (PCP). During the current financial year PCP provided the following services to other companies in the Economic Entity:-

1. Washington H. Soul Pattinson & Co. Limited \$319,438 (2003 \$48,750) for investment portfolio services.
2. Keith Harris & Co. Ltd. \$800,000 (2003 nil) for services in respect of an acquisition of a controlled entity.
3. SP Telemedia Limited \$1,580,000 (2003 nil) for services in respect of an acquisition of a controlled entity.

Washington H. Soul Pattinson & Co. Limited charged PCP \$825,000 (2003 \$200,000) for management fees. It also charged PCP \$198,367 for the provision of office furniture and fittings and \$15,400 for rental of office space in its own premises.

PCP paid Washington H. Soul Pattinson & Co. Limited \$16,000 (2003 nil) for subunderwriting fees. Richvale Pty. Ltd., an entity related to Mr. D.J. Fairfull, received \$348,500 (2003 \$100,000) from PCP for management fees.

Mr. D.J. Fairfull is a joint Managing Director of PCP.

30. NOTES TO THE STATEMENTS OF CASH FLOWS:

	Consolidated		Company	
	2004	2003	2004	2003
	Inflows	Inflows	Inflows	Inflows
	(Outflows)	(Outflows)	(Outflows)	(Outflows)
	\$000	\$000	\$000	\$000
Reconciliation of Net Cash Inflow from Operating Activities to Operating Profit After Income Tax				
Operating profit after income tax	192,576	107,236	89,432	58,626
Gains on non-current assets	(35,933)	(9,323)	(29,134)	(13,626)
(Profit)/Loss on Sale of Plant and Equipment ..	455	17	658	11
Income tax in accounts	41,647	21,546	6,837	4,191
Income tax paid	(27,752)	(27,287)	(525)	(3,515)
Depreciation and amortisation	33,018	30,074	410	1,282
Net foreign exchange gain/(loss)	(122)	1,101	-	-
Partnership income	(2,499)	(3,672)	-	-
Amounts set aside to provisions	2,522	334	206	144
Amounts paid direct from provision	(777)	(7)	(696)	(7)
Share of profit of associates not received as dividends	(47,042)	(9,238)	-	-
Changes in operating assets and liabilities				
(Increase)/Decrease in debtors	4,839	3,202	(7,327)	(3,704)
(Increase)/Decrease in inventories	7,991	(1,595)	3,097	1,382
(Increase)/Decrease in prepayments	1,043	(3,811)	(252)	4
Increase/(Decrease) in creditors	1,269	(1,466)	(7,910)	4
Net Cash Provided by Operating Activities	171,235	107,111	54,796	44,792

Reconciliation of Cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position as follows:

Cash	128,419	38,503	2,067	8,399
Short term deposits (Note 5)	75,587	42,430	42,000	19,000
Balance as per Statement of Cash Flows	204,006	80,933	44,067	27,399

30. NOTES TO THE STATEMENTS OF CASH FLOWS (Cont.):

	Consolidated		Company	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Financing Facilities				
The economic entity has access to facilities as follows:				
Bank overdraft	1,000	1,000	1,000	1,000
Loan facilities	56,995	59,372	—	—
Bank loan facilities	87,514	134,711	—	—
Guarantees	2,000	—	—	—
Unused at balance date:				
Bank overdraft	1,000	1,000	1,000	1,000
Loan facilities	13,249	11,969	—	—
Bank loan facilities	30,144	11,960	—	—
Guarantees	135	—	—	—

Facilities may be drawn at any time in either Australian or United States Currency and may be payable on demand. They are subject to review on a regular basis. Interest rates on facilities are both fixed and variable.

31. RELATED PARTIES

The ultimate holding company is Washington H. Soul Pattinson and Company Limited

(a) **Controlled Entities**

Information related to controlled entities is set out in Note 8. Transactions between the parent entity and its wholly owned or partly owned controlled entities and between related entities are at normal commercial rates except that there may be no fixed terms for repayment of loans. Transactions consist of the transfer of funds for day to day financing, the sale of goods and services, loans advanced and repaid, interest and dividend payments, rent, advisory and management fees.

(b) **Associates**

Australian Pharmaceutical Industries Limited is the major supplier of products to the Company's pharmacies. In the previous financial year the Company invested \$1 million in Pitt Capital Partners Limited and reduced its shareholding to 50%. At the same time an entity controlled by Mr. D. Fairfull acquired a 25% shareholding at a cost of \$250,000. Pitt Capital Partners Limited provides advisory services to various sections of the economic entity.

Washington H. Soul Pattinson and Company Limited received dividends from Brickworks Limited, Australian Pharmaceutical Industries Limited and Pacific Strategic Investments Limited.

Souls Funds Management Limited provided financial advisory services to Pacific Strategic Investments Limited.

Koee Pty. Ltd. provides telecommunication services to the Economic Entity and some of its associates.

The aggregate amount of transactions between New Hope Corporation Limited Group and its associates were as follows:

	Consolidated	
	2004 \$000	2003 \$000
Handling and Commission Expense	6,351	6,478
Handling and Commission Revenue	40,869	47,738
Management fees received	1,102	1,246
Partnership income received	2,499	3,672
Loan advanced	2,499	3,672
Repayment of loans advanced	2,550	4,251

All transactions are based on normal commercial terms and at market rates.

All loans are expected to be repaid within 12 months of advance.

32. ECONOMIC DEPENDENCY:

NBN Limited acquires the majority of the television programs it broadcasts from the NINE Network pursuant to a program supply agreement. The agreement expires in June, 2007. Koee Communications Pty. Limited is dependent upon telecommunication services rendered by Primus Telecommunications Pty. Limited pursuant to a virtual service provider agreement which expired on 12 August, 2003. A new agreement for a period of 3 years, with a 2 year option, has been negotiated.

33. DISCONTINUING OPERATION

On 1 June, 2004 Keith Harris & Co. Ltd. announced the execution of sale agreements to effect the sale of the 'Orchy' fruit juice business to Bevco, a fruit juice manufacturer and distributor based in Mudgee, N.S.W. The sale of the business to Bevco included the following 'Orchy' fruit juice assets:-

- Goodwill;
- Plant and equipment;
- Inventory; and
- Land and buildings located at Thornlands, Queensland

Keith Harris & Co. Ltd. will retain ownership of and collect all trade debtors due and will also settle all trade creditors owed as at 30 June, 2004. The division was sold on 30 June, 2004 and is reported in this financial report as a discontinuing operation. Financial information relating to the discontinuing operation for the period to date of disposal is set out below:-

	Consolidated	
	2004	2003
	\$000	\$000
Financial performance information of the juice division for eleven months ended 30 June, 2004 and 31 July, 2003		
Revenue from ordinary sales, excluding the sale of the division.	9,670	12,846
Revenue from the sale of the division.	5,995	-
Total revenue from ordinary activities.	15,665	12,846
Expenses from ordinary activities, excluding the carrying amount of the division sold	9,059	11,662
Carrying amount of the net assets of the division sold.	3,280	-
	12,339	11,662
Profit from ordinary activities before income tax expense.	3,326	1,184
Carrying amount of assets and liabilities as at 30 June, 2004 and 31 July, 2003:		
Segment total assets.	990	7,987
Segment total liabilities.	630	1,383
Details of the sale of the division are as follows:		
Cash consideration received or receivable.	5,995	-
Carrying amount of net assets sold.	3,280	-
Gain on sale before income tax expense.	2,715	-

34. SUBSEQUENT EVENTS

Washington H. Soul Pattinson & Co. Limited sold its shares in NBN Enterprises Pty. Limited on 1 August, 2004 to SP Telemedia Limited for a consideration of \$143,673,000, including \$80 million in cash. As this is an internal sale in the Economic Entity no profit will be taken to account. The Company's share of future profits earned by NBN Enterprises Pty. Limited will be determined by its holding in SP Telemedia Limited.

Washington H. Soul Pattinson & Co. Limited exercised its 10 million options in SP Telemedia Limited in September, 2004. On 3 September, 2004 Keith Harris & Co. Ltd. acquired Mills & Wares, a Western Australian bakery business.

WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

A.B.N. 49 000 002 728

DIRECTORS' DECLARATION

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

- (a) the financial statements and notes, set out on pages 14 to 40 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 31st July, 2004 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 Act 2001, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the
Board of Directors, for and on behalf of the
Board by:

R.D. Millner
Director

M.J. Millner
Director

Dated at Sydney this 13th day of October, 2004.

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

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statement of cash flows, 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 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

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.

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. 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.

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
- 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.

Independence

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

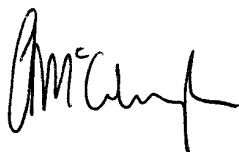
Audit opinion

In our opinion, 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 2004 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.

Inherent Uncertainty Regarding Carrying Amount of Investment in Associated Company

Without qualification to the statement expressed above, attention is drawn to the following matter. As discussed in Note 10 to the financial statements, recoverability of a receivable for VAT input paid by an associated company is the subject of discussions with the Indonesian Government. The outcome of these discussions and any action that may be taken by the Indonesian Government is uncertain. As the ultimate outcome of this matter cannot presently be determined with an acceptable degree of reliability, no adjustment to the carrying amount of investments in associated companies that may result from action by the Indonesian Departments has been made in the financial report.



C. S. McCULLAGH
Partner



MOORE STEPHENS WI
Sydney

Dated this 13th day of October 2004.

WASHINGTON H. SOUL PATTINSON AND COMPANY LIMITED

SHARE REGISTER INFORMATION

As at 1st October, 2004, there were 6,810 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 of a corporation 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 for the share.

DISTRIBUTION OF SHAREHOLDERS AS AT 1st OCTOBER, 2004.

Size of Shareholding	Number of Shareholders	Number of Shares
1 - 1,000	1,602	1,078,663
1,001 - 5,000	3,244	9,039,978
5,001 - 10,000	963	7,629,365
10,001 - 100,000	902	23,932,199
100,001 - and over	99	196,960,375
TOTAL	6,810	238,640,580
Holding less than a marketable parcel	24	453

Substantial shareholders as at 1st October, 2003 as disclosed by notices received by the Company were:

	No. of Shares	%
Brickworks Limited	102,257,830	42.85
Perpetual Trustees Australia Limited	30,152,750	12.64

LIST OF TOP 20 SHAREHOLDERS AS AT 1st OCTOBER, 2004.

	No. of Shares	%
Brickworks Limited	102,257,830	42.85
RBC Global Services Australia Nominees Pty. Ltd. (Pipooled A/c)	20,391,019	8.54
Dixon Trust Pty Limited	8,438,190	3.54
J S Millner Holdings Pty Limited	6,827,790	2.86
Milton Corporation Limited	4,713,150	1.97
Choiseul Investments Limited	4,251,690	1.78
RBC Global Services Australia Nominees Pty. Ltd. (PIIC A/c)	3,730,118	1.56
T G Millner Holdings Pty Limited	3,092,920	1.30
Perpetual Trustee Company Limited	2,915,530	1.22
Hexham Holdings Pty Limited	2,710,090	1.14
J P Morgan Nominees Australia Limited	2,463,173	1.03
Mr James Sinclair Millner	2,282,810	0.96
National Nominees Limited	1,782,938	0.75
AMP Life Limited	1,713,480	0.72
Westpac Custodian Nominees Limited	1,697,605	0.71
Dixon Trust Pty Limited (No 1 A/c)	1,332,200	0.56
Argo Investments Limited	1,147,507	0.48
Mary Millner Holdings Pty Limited	1,086,860	0.46
Farjoy Pty Limited	1,061,854	0.44
Tyneside Pty Limited	820,080	0.34

AUSTRALIAN STOCK EXCHANGE LISTING

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