SOULS PRIVATE EQUITY LIMITED

ABN 71 111 196 420 AND CONTROLLED ENTITIES

Souls Private Equity Limited

Annual Report

For the year ended 31 July 2009

CORPORATE DIRECTORY

Directors
Robert D Millner, Chairman
David J Fairfull, Non-Executive Director
David E Wills, Non-Executive Director
Robert G Westphal, Non-Executive Director

Company Secretary
Richard Pillinger

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160 Pitt Street Mall
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Postal Address:
GPO Box 5015
Sydney NSW 2001

Auditors
Grant Thornton NSW
Level 17
383 Kent Street
Sydney NSW 2000

Investment Manager
Pitt Capital Partners Limited
Level 2
160 Pitt Street Mall
Sydney NSW 2000

Share Registry
Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000

Australian Stock Exchange Code
Ordinary Shares	SOE
Options	SOEO

Website
www.spel.com.au

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CHAIRMAN'S ADDRESS

Dear Shareholders,

I am pleased to enclose the fifth Annual Report of Souls Private Equity Limited (SPEL) for the year ended 31 July 2009.

Souls Private Equity Limited (SPEL) has recorded a net loss after tax of $22.5 million for FY09, compared to a net loss of $29.2 million in FY08.

The major contributors to the loss include the impairment of $9.1 million against the small and medium sized enterprises (SME) portfolio, a $15.4 million market value decrease in the listed SME portfolio and a $4.0 million market value decrease in the listed share portfolio. Net assets as at the end of the FY09 reporting period were $113.8 million.

Further detailed discussion regarding the investment portfolio is contained in the Investment Manager's Report.

The 2009 Annual General Meeting of the Company is scheduled for 10.00am on Monday 23rd November 2009 at The Wesley Centre, 260 Pitt Street, Sydney and my fellow Directors and I look forward to meeting you personally at this time.

Robert D. Millner

Chairman

Sydney

9th October 2009

INVESTMENT MANAGER'S REPORT

SPEL's investment portfolio comprises three main segments, SME investments (unlisted and listed), the listed share portfolio and cash and cash equivalents.

Segmented net assets As at 31 July	2009 $ million	%	2008 $ million	%
SME investments - Unlisted	69.4	61.0%	75.5	54.6%
SME investments - Listed	6.6	5.8%	10.9	7.9%
Listed share portfolio	31.6	27.8%	47.3	34.2%
Cash	3.0	2.6%	6.8	4.9%
Other net assets and eliminations	3.2	2.7%	-2.3	(1.6%)
Net assets	113.8	100.0%	138.2	100.0%

SME Investments (unlisted and listed)

The active SME investment portfolio is currently made up of 12 companies. The three largest investments by carrying value make up 73% of the SME portfolio.

SME Investments As at 31 July 2009	Financial Year Invested	Listed / Unlisted	Investment Cost $ million	Book Value $ million
Ampcontrol Pty Limited	2006	Unlisted	11.5	23.8
Cromford Pty Limited*	2005	Unlisted	33.9	22.7
Pitt Capital Partners Limited	2005	Unlisted	5.9	9.4
CMA Corporation Limited	2007	Listed	12.0	3.7
InterRisk Australia Pty Limited	2005	Unlisted	2.2	2.6
Asian Property Investments Limited	2005	Unlisted	2.0	1.9
Austgrains Pty Limited	2005	Unlisted	2.9	2.5
Supercorp Australia Pty Limited	2007	Unlisted	3.6	2.4
Belaroma Coffee Pty Limited**	2006	Unlisted	3.1	2.3
CBD Energy Limited	2007	Listed	2.9	1.8
Specialist Oncology Property Pty Limited	2005	Unlisted	1.0	1.8
Soda Brands Limited***	2005	Listed	7.0	1.1
Total SME investments (unlisted and listed)			**88.0**	**76.0**

** deemed book value of controlled entities is calculated as the original cost plus / minus the movement in accumulated profits and losses of the subsidiary since the date of original investment*

*** Belaroma is held by the 100% subsidiary of SPEL, Food and Beverage Company Limited.*

**** includes loans of $1.3 million forwarded by SPEL to Incolabs for which Soda has a call option to acquire 100%.*

INVESTMENT MANAGER'S REPORT (continued)

The three largest unlisted SME investments are discussed in detail below.

Ampcontrol

Ampcontrol is 45% owned and equity accounted by SPEL. For FY09 Ampcontrol reported an EBITDA (earnings before interest, taxation, depreciation and amortisation) of $17.4 million (2008: $18.0 million) and revenues of $170.6 million (2008: $150.9 million).

In FY09 Ampcontrol experienced difficult trading conditions, largely due to the market decline in the capital equipment requirements of key customers. This was associated with the significant falls and the general uncertainty of commodity prices during the year.

Market conditions have started to improve, with orders increasing and tendering activity stabilising. The business strategy is focused on the development of a higher skilled workforce and the diversification of products and markets. In addition, over the last two years Ampcontrol has invested in infrastructure to increase its capabilities and capacity in anticipation of an increase in business activity. Ampcontrol is forecasting increasing revenue in FY10 driven by an improvement in capital projects in the second half of the year.

Ampcontrol contributed $3.4 million in equity accounted profits to SPEL for the FY09 (FY08: $3.8 million). SPEL received dividends of $0.8 million from Ampcontrol during the year (FY08: $1.0 million). SPEL's book value of Ampcontrol as at the reporting date was $23.8 million (FY08: $21.1 million).

The table below summarises the results of Ampcontrol over the last three financial years.

Ampcontrol Financial Summary	Actual FY07 $ million	Actual FY08 $ million	Actual FY09 $ million
Revenue	129.6	150.9	170.6
EBITDA	19.1	18.0	17.4

INVESTMENT MANAGER'S REPORT (continued)

Cromford

Cromford is 100% owned and consolidated in SPEL's financial results. The Cromford Group consists of a Polyethylene Film division and an Extruded Pipe division.

The Polyethylene Film division maintained its leading market position under tough trading conditions. The weakness in demand due to low construction activity resulted in excess capacity across the industry, putting pressure on Cromford margins. In addition, Cromford lost volume to importers as a result of cheaper imports due to strengthening of the Australian dollar.

The Extruded Pipe division made significant progress during the year, investing in core infrastructure needed to ramp up production and sales. The Moss Vale production facility was completed by financial year end, resulting in the closure of Smithfield site to form a single dedicated pipe manufacturing centre. The Moss Vale site is able to support pipe sales in excess of $40 million.

The FY09 results were adversely impacted by the overheads associated with the operation of three separate sites. In addition, the cost associated with the establishment of the pipe business has been greater than we had expected, and as a result changes were made to the management team in April 2009 to address the performance issue.

The outlook for the Polyethylene Film division is positive. There has been a pick up in sales volumes in recent months and tendering activity is increasing.

The Extruded Pipe division is well positioned for growth in FY10. Management is focused on expanding the sales channels and product offerings. Gaining a presence in the large diameter projects channel along with the development of additional products are key drivers of growth for the pipe division. Management has identified key growth end-user segments and is actively pursuing opportunities within those segments.

Cromford produced an EBITDA loss of $6.4 million for FY09 (FY08: EBITDA loss of $1.7 million) for the reasons outlined above. Management are reviewing costs and marketing opportunities to develop the potential of this business. The table below summarises the results of Cromford over the last three financial years.

Cromford Financial Summary	Actual FY07 $ million	Actual FY08 $ million	Actual FY09 $ million
Revenue	12.5	18.5	19.4
EBITDA	1.8	(1.7)	(6.4)

INVESTMENT MANAGER'S REPORT (continued)

Pitt Capital Partners

SPEL holds a 25% interest in Pitt Capital Partners ("PCP") and is equity accounted in the results.

During the financial year, PCP produced an exceptional result in light of challenging trading conditions. The major contributor to the FY09 result was the advisory mandate on the successful sale of New Saraji mining assets by New Hope Corporation for $2.45 billion. In addition, PCP also acted as an advisor to Brickworks Investment Company on the $126 million takeover of Huntley Investment Company.

PCP contributed $3.6 million in equity accounted profits to SPEL for the FY09 (FY08: $0.3 million). SPEL received dividends of $0.4 million from PCP during the year (FY08: $0.6 million). SPEL's book value of PCP as at the reporting date was $9.4 million (FY08: $6.2 million).

Pitt Capital Partners Financial Summary	Actual FY07 $ million	Actual FY08 $ million	Actual FY09 $ million
Revenue	16.0	13.6	36.0
EBITDA	7.5	2.2	23.3

Other SME Portfolio Developments

During the financial year an additional $0.7 million was invested in InterRisk to increase SPEL's shareholding from 20% to 40%. InterRisk was a 'seed' investment of the SME portfolio and achieved its maiden profit during the 2009 financial year.

An additional $0.6 million was invested in Specialist Oncology during the year which increased SPEL's shareholding from 21.3% to 31.45% at year end.

Soda Brands completed acquisitions during the year which diluted SPEL's shareholding from 68.2% to 50.3%. In addition, Soda acquired an option to purchase shares in Incolabs (owner of the Innoxa skin care range of products). During the year SPEL provided loans of $1.3 million to Incolabs. The loans are secured against inventory and debtors.

Impairments against the SME portfolio of investments and loans totalled $8.3 million. $5.0 million of this was against the Soda Brands investment. A $1.7 million impairment was booked against the Asian Property Investments due to the decline in Hong Kong properties during the financial year. An impairment of $1.0 million was booked against the Belaroma investment due to the decline in industry valuation multiples during the year. In addition, $1.4 million impairment was taken against the Supercorp investment again due to the decline in industry valuation multiples during the year.

The Listed Share Portfolio

The market value of the listed portfolio (excluding listed SME investments) declined in value by $4.0 million during the period under review. During the year the share portfolio declined in value by 10.5% which by comparison has outperformed the ASX 200 and All Ordinaries Index which declined by 14.7% and 15.9% respectively.

Dividends and distributions received from the listed share portfolio during the year totalled $2.6 million. Interest earned on the income securities totalled $0.3 million during the year. In addition net losses upon disposals during the year totalled $1.5 million. The disposals during the year included Babcock & Brown Infrastructure Group, BBI EPS, National Income Securities, Orica Preference Shares and Woolworths Notes.

INVESTMENT MANAGER'S REPORT (continued)

Listed share portfolio (excluding listed SME investments) as at 31 July 2009	Original Cost $ million	Book Value FY09 $ million	Book Value 18-Sep $ million
Australia & New Zealand Banking Group Ltd	5.3	4.6	5.8
BHP Billiton Ltd	1.1	2.6	2.7
Bravura Solutions Limited	2.9	0.3	0.4
Commonwealth Bank of Australia	6.3	8.2	9.4
Coca Cola Amatil Ltd	1.6	1.9	2.0
Fairfax Media Limited	1.9	0.6	0.7
Suncorp-Metway Limited	1.9	0.7	0.8
Telstra Corporation Ltd	9.6	7.4	6.8
Transurban Group	2.7	2.0	1.9
Wesfarmers Ltd	2.2	1.9	1.7
Westfield Group	2.0	1.4	1.7
Totals	**37.5**	**31.6**	**33.9**

Cash and Cash Equivalents

Cash balances as at the end of FY09 totalled $3.0 million which included cash of $0.2 million held within controlled entities (Cromford and Soda). Interest earned on cash balances (excluding interest earned on income securities) totalled $0.3 million during the year.

Outlook

The completion of the Moss Vale site will provide the Cromford Group with a solid platform to grow pipe sales volume. This, together with efforts underway in addressing costs, should lead to an improvement in Cromford's operational results.

The overall increases in commodity prices together with credit easing by financial institutions in recent months are expected to have positive impact on Ampcontrol and CMA.

The overall market sentiment has improved in the share market, as reflected in the current value of the listed portfolio compared to financial year end. The continued strengthening of the share market should continue to benefit SPEL's listed portfolio.

Andrew Fairfull

General Manager

DIRECTORS' REPORT

The Directors of Souls Private Equity Limited ("the Company") and its controlled entities ("consolidated entity") present the following report for the year ended 31 July 2009.

Directors

The following persons were Directors of the Company from the beginning of the year up to the date of this report unless otherwise stated:

Robert D Millner, F.A.I.C.D – Non-Executive Director and Chairman

Mr Millner has over 21 years experience as a Company Director. Mr Millner is a Director of Pitt Capital Partners Limited, an investee company. During the past three years, Mr Millner has also served as a Director of the following listed companies:

- Australian Pharmaceutical Industries Limited*
- Brickworks Limited*
- Brickworks Investment Company Limited*
- Choiseul Investments Limited*
- Milton Corporations Limited*
- New Hope Corporation Limited*
- SP Telemedia Limited*
- Washington H. Soul Pattinson and Company Limited*

* denotes current directorship

Special Responsibilities:

- Chairman of the Board
- Chairman of the Investment Committee
- Chairman of the Remuneration Committee
- Chairman of the Nomination Committee
- Member of the Audit Committee

Interest in Shares and Options:

- 1,225,193 Ordinary shares in Souls Private Equity Limited
- 87,254 listed options in Souls Private Equity Limited

DIRECTORS' REPORT (continued)

Directors (continued)

David J Fairfull, B.Com. (UNSW), A.C.I.S, C.P.A., Ffin, M.A.I.C.D. – Non-Executive Director

Mr Fairfull is a merchant banker with over 40 years experience in mergers and acquisitions and underwriting projects. Mr Fairfull is the Company's representative Director on the Board of Specialist Oncology Property Pty Limited, an investee company. During the past three years, Mr Fairfull has also served as a Director of the following listed companies:

- Australian Pharmaceutical Industries Limited
- Gazal Corporation Limited
- New Hope Corporation Limited*
- SP Telemedia Limited
- Stockland Trust Group
- Washington H. Soul Pattinson and Company Limited*

* denotes current directorship

Special Responsibilities:

- Member of the Investment Committee
- Member of the Audit Committee
- Member of the Remuneration Committee

Interest in Shares and Options:

- 8,700,001 Ordinary shares in Souls Private Equity Limited
- 1,037,500 listed options in Souls Private Equity Limited

David E Wills, B.Com. (UNSW), F.C.A., M.A.I.C.D. – Non-Executive Director

Mr Wills is a Chartered Accountant and was a partner of Coopers & Lybrand and then PricewaterhouseCoopers for 25 years. Prior to his retirement from the firm in 2004, he was Managing Partner of the Sydney office and Deputy Chairman of the Australian firm. Mr Wills is the Company's representative Director on the following investee companies: Cromford Pty Limited and InterRisk Australia Pty Limited. During the past three years, Mr Wills has also served as a Director of the following listed companies:

- Clover Corporation Limited*
- Washington H. Soul Pattinson and Company Limited*
- Dyno Nobel Limited

* denotes current directorship

Special Responsibilities:

- Member of the Investment Committee
- Member of the Nomination Committee
- Chairman of the Audit Committee
- Member of the Remuneration Committee

Interest in Shares and Options:

- 423,277 Ordinary shares in Souls Private Equity Limited
- 27,909 listed options in Souls Private Equity Limited

DIRECTORS' REPORT (continued)

Directors (continued)

Robert G Westphal, B.Com. (UNSW), F.C.A., Ffin, M.A.I.C.D. – Non-Executive Director

Mr Westphal was a Corporate Finance and Consulting partner with Ernst & Young for 25 years and has extensive experience in the valuation and assessment of business models.

Mr Westphal is also the Company's representative Director on a number of investee companies, including Ampcontrol Pty Limited, Supercorp Pty Limited, InterRisk Pty Limited and Belaroma Pty Limited. He has also held the position of the Chairman of Queenwood School for Girls Limited. Mr Westphal has a Bachelor of Commerce degree and is a Fellow of the Institute for Chartered Accountants in Australia as well as a member of the Financial Services Institute of Australasia. During the past three years, Mr Westphal has also served as a Director of the following listed company:

- Washington H. Soul Pattinson and Company Limited*

* denotes current directorship

Special Responsibilities:

- Member of the Investment Committee
- Member of the Nomination Committee
- Member of the Audit Committee
- Member of the Remuneration Committee

Interest in Shares and Options:

- 370,000 Ordinary shares in Souls Private Equity Limited
- 10,000 listed options in Souls Private Equity Limited

Company Secretary

Richard J Pillinger, BSc, CA

Mr Pillinger is a Chartered Accountant with extensive experience in public practice and commercial financial roles.

Principal Activities

The principal activity of the consolidated entity during the year was investment through the provision of investment capital to Australian and overseas companies.

The consolidated entity is a long term equity investor and invests primarily in private equity investments and listed ASX securities. There have been no significant changes in the nature of those activities during the year.

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

DIRECTORS' REPORT (continued)

Operating Results

The consolidated loss after providing for income tax amounted to $22,508,000 (2008: $29,228,000).

The major contributors to the loss included a decrease in the market value of the listed share portfolio of $19,382,000 (2008: $12,247,000) and an impairment against the unlisted small and medium sized enterprises (SME) portfolio of loans and investments of $9,057,000 (2008: $22,391,000). Loss on the sale of assets was also recorded for the period of $1,581,000 (2008: $1,638,000 gain).

The parent entity loss after providing for income tax amounted to $18,902,000 (2008: $32,904,000 loss). The major contributors to the loss included a decrease in the market value of listed share portfolio of $19,382,000 (2008: $12,247,000) and impairment of $6,725,000 against SME investments.

Financial Position

The net assets of the consolidated entity at balance date were $113,777,000 (2008: $138,168,000). The consolidated entity has good liquidity and a listed share portfolio of major Australian companies that can be disposed of to fund investment opportunities.

The net assets of the parent company at balance date were $115,602,000 (2008: $134,504,000).

Review of Operations

The principal objective of the consolidated entity is to maximise returns to shareholders over the long-term within risk parameters acceptable to the Board of Directors. This is achieved by investing in a combination of unlisted and listed Australian and Asian securities. In essence, the consolidated entity will invest in and support unlisted SME's which offer high prospects for capital growth over the long-term.

Further details regarding the review of operations can be found in the Investment Manager's Report.

Employees

The consolidated entity has 77 employees as at 31 July 2009 (2008: 91). The parent entity has nil employees at 31 July 2009 (2008: nil).

Significant changes in the State of Affairs

Other than as stated above and in the accompanying Financial Report, there were no significant changes in the state of affairs of the Company and consolidated entity during the reporting period.

Likely Developments and Expected Results

The operations of the consolidated entity will continue with planned investments in private equity and listed equity investments and its existing business operations. Our Investment Manager continues to review a large number of investment opportunities, and during the year we rejected 123 proposals. Each month a deal flow of approximately eight to ten opportunities is reviewed. No information is included on the expected results of those operations and the strategy for particular investments, as it is the opinion of the Directors that this information would prejudice the interests of the consolidated entity if included in this report.

DIRECTORS' REPORT (continued)

Significant Events after Balance Date

The listed share portfolio is 'marked to market' in the Company's result and continues to experience large fluctuations in valuation consistent with the volatility currently being experienced with the Australian Securities Exchange. From 31 July 2009 to the date of this report, the listed share portfolio has increased in value by $4.8 million due to increases in the share price of investments in the portfolio.

From 31 July 2009 to the date of this report, additional investments of $2,470,000, by way of loans, were provided by the Company to Cromford Pty Limited.

The Directors are not aware of any other matters or circumstances that have arisen since the end of the year to the date of this report that have significantly affected or may significantly affect:

(a) the operations of the Company and the entities that it controls

(b) the results of those operations; or

(c) the state of affairs of the consolidated entity in subsequent years

Dividends

For the year ended 31 July 2009 no dividend has been recommended or declared (2008: nil cents per share).

Environmental Regulations

The consolidated entity's operations have complied with significant environmental regulations under the law of the Commonwealth or of a state or territory.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and each Board committee held during the year to 31 July 2009, and the numbers of meetings attended by each Director were:

	Board		Investment		Audit	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
RD Millner	12	13	12	13	4	4
DJ Fairfull	13	13	13	13	4	4
DE Wills	13	13	13	13	4	4
RG Westphal	13	13	13	13	4	4

No meetings of the nomination committee or remuneration committee were held during the year ended 31 July 2009 because the Company had no employees during the year.

Remuneration Report

This remuneration report outlines the Director and executive remuneration arrangements of the Company in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly.

There is no link between remuneration paid to Directors and Company performance.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

There are no direct employees of the Company and, therefore, no employment contracts are in place. Key executives are employed by the Investment Manager (Pitt Capital Partners Limited) or the administration services provider (Corporate and Advisory Services Pty Limited). Remuneration of key executives of these companies is determined by the policies of those companies and is not linked to the performance of the company or the level of any management, success fees or administration fees paid by the Company.

(a) Directors' remuneration

The maximum aggregate amount of non – executive Directors' fees is $300,000 until Shareholders, by ordinary resolution, approve some other maximum sum. This amount is to be divided amongst the Directors as they may determine. These fees exclude any additional fee for any service based agreement which may be agreed from time to time, and also excludes statutory superannuation and the reimbursement of out of pocket expenses.

Details of the nature and amount of each Director's remuneration from the Company and controlled entities in connection with the management of the Company and controlled entities for the year to 31July 2009 are set out below. A number of Directors are also Directors of a related company, Washington H. Soul Pattinson and Company Limited and any remuneration from Washington H. Soul Pattinson and Company Limited is not included in the tables below:

2009	Short-term Benefits (1) $	Post-Employment Benefits $	Share based Payments (2) $	Total $	Performance Related (3) %
RD Millner	50,000	4,500	-	54,500	-
DJ Fairfull	37,500	3,375	-	40,875	-
DE Wills (4)	62,500	5,625	-	68,125	-
RG Westphal	37,500	3,375	-	40,875	-
	187,500	16,875	-	204,375	-

2008	Short-term Benefits (1) $	Post-Employment Benefits $	Share based Payments (2) $	Total $	Performance Related (3) %
RD Millner	50,000	4,500	-	54,500	-
DJ Fairfull	37,500	3,375	-	40,875	-
DE Wills	37,500	3,375	-	40,875	-
RG Westphal	37,500	3,375	-	40,875	-
GG Hill (alternate Director for DJ Fairfull) (5)	-	-	6,057	6,057	-
	162,500	14,625	6,057	183,182	-

(1) All payments were in the form of cash and there were no bonus payments to Directors.

(2) These are non-cash payments.

(3) Performance assessment criteria are set out in the Corporate Governance report.

(4) Mr D Wills received $27,250 in his capacity as Director of Cromford Pty Limited, a controlled entity.

(5) Mr G Hill resigned on 29 February 2008.

There were no retirement allowances provided for non-executive Directors.

Remuneration Report (continued)

(a) Directors' remuneration (continued)

Fees for Non-Executive Directors reflect the demands on and responsibilities of our Directors. Non-Executive Directors are remunerated by way of base fees and statutory superannuation contributions and do not participate in schemes designed for the remuneration of executives. Non-Executive Directors do not receive any options, bonus payments nor are provided with retirement benefits other than statutory superannuation.

No other payments are made to Directors for services performed as Directors of the Company. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the Company to the Directors as key management personnel.

Management options

Upon the listing of the Company on the Australian Stock Exchange, the Company issued management options to senior management and executives of Pitt Capital Partners Limited. The options are not issued based on performance criteria but are issued to senior management to increase goal congruence between executives, Directors and shareholders.

2009	Options Granted as part of Remuneration $	Options Exercised $	Options Lapsed $	Total $
RD Millner	-	-	-	-
DJ Fairfull	-	-	-	-
DE Wills	-	-	-	-
RG Westphal	-	-	-	-
	-	-	-	-

2008	Options Granted as part of Remuneration $	Options Exercised $	Options Lapsed $	Total $
RD Millner	-	-	-	-
DJ Fairfull	-	-	-	-
DE Wills	-	-	-	-
RG Westphal	-	-	-	-
GG Hill (alternate Director for DJ Fairfull) [1]	6,057	-	-	6,057
	6,057	-	-	6,057

[1] The values recognised above relate to the 1,250,000 options issued on 16 December 2004 allocated across the term of the options. Mr G Hill resigned on 29 February 2008.

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

(b) Other Key Management Personnel

Names and positions held of other key management personnel in office during the year to 31 July 2009 were:

A Fairfull	General Manager
R Pillinger	Company Secretary

Mr A Fairfull is employed directly by the Investment Manager, Pitt Capital Partners Limited.

Mr R Pillinger is employed directly by Corporate & Administrative Services Pty Limited who provide financial, administrative and company secretarial services to the Company.

Details of the nature and amount of each other key management personnel's remuneration from the Company and controlled entities in respect of the year to 31 July were:

2009	Short-term Benefits [1] $	Post-Employment Benefits $	Total $	Performance Related %
A Fairfull [2]	24,000	2,160	26,160	-
R Pillinger [3]	-	-	-	-
	24,000	2,160	26,160	-

2008	Short-term Benefits [1] $	Post-Employment Benefits $	Total $	Performance Related %
A Fairfull [2]	24,385	1,565	25,950	-
R Pillinger [3]	-	-	-	-
G Bruce [3]	-	-	-	-
J de Gouveia [3]	-	-	-	-
	24,385	1,565	25,950	-

(1) All payments were in the form of cash and there were no bonus payments to other key management personnel.

(2) Mr Fairfull received remuneration in his capacity as Chairman of a controlled entity, Soda Brands Limited.

(3) Mr Pillinger, Mr Bruce and Mr de Gouveia are, or were, employed directly by Corporate and Administrative Services Pty Limited. No remuneration was received directly from the Company or consolidated entity.

DIRECTORS' REPORT (continued)

Beneficial and relevant interest of Directors and other key management personnel in Shares of the Company

As at the date of this report, details of Directors and other key management personnel who held shares in the Company for their own benefit or who have an interest in holdings through a third party and the total number of such shares held are listed as follows:

Directors	Number of Shares	Number of Options [1]	Number of Management Options
RD Millner	1,225,193	87,524	-
DJ Fairfull	8,700,001	1,037,500	-
DE Wills	423,277	27,909	-
RG Westphal	370,000	10,000	-
Other key management personnel:			
A Fairfull	28,000	-	760,000
R Pillinger	-	-	-

[1] These options are listed options in the Company (ASX: SOEO) exercisable at a price of $0.30 each.

Options

At 31 July 2009, the unissued ordinary shares of the Company under option are as follows:

Listed options: (ASX code: SOEO)

Grant Date	Date of Expiry	Exercise Price	Number under Option
10 December 2004	10 December 2009	$0.30	68,175,122
28 February 2005	10 December 2009	$0.30	2,585,893
30 June 2005	10 December 2009	$0.30	1,700,000
06 December 2005	10 December 2009	$0.30	1,264,188
			73,725,203

During the year ended 31 July 2009: 4 (2008: 14,524) ordinary shares of the Company were issued upon the exercise of listed options, each at $0.30.

Option holders do not have the right to participate in any share issues of the company.

Unlisted options:

Grant Date	Date of Expiry	Exercise Price	Number under Option
16 December 2004	16 December 2009	$0.30	1,220,000
16 December 2004	16 December 2009	$0.32	1,220,000
16 December 2004	16 December 2009	$0.35	1,220,000
16 December 2004	16 December 2009	$0.38	1,220,000
			4,880,000

Option holders do not have the right to participate in any share issues of the company.

DIRECTORS' REPORT (continued)

Directors', Officers' and Auditors' Indemnity

The Constitution of the Company provides indemnity against liability and legal costs incurred by Director and Officers to the extent permitted by Corporations Act.

During the year to 31July 2009, the Company has paid premiums in respect of an insurance contract to insure each of the officers against all liabilities and expenses arising as a result of work performed in their respective capacities. The terms of the policy do not permit the value of the premium to be disclosed.

Proceedings on Behalf of the Company

No person has applied for leave of the Court under section 327 of the Corporations Act 2001 to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year ended 31 July 2009.

Non-Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants set by the Accounting Profession and Ethical Standards Board.

The following fees for non-audit services were paid to the external auditor during the year ended 31 July 2009:

Taxation compliance services: $45,788 including GST.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31July 2009 has been received and can be found on page 73 which forms part of this report.

This report is made in accordance with a resolution of the Directors.

Robert D Millner
Director

Sydney
9th October 2009

CORPORATE GOVERNANCE

The Board of Souls Private Equity Limited (the Company) are committed to achieving and demonstrating the highest standards of corporate governance. Unless otherwise stated, the Company has followed the revised best practice recommendations effective from 1 January 2008 set by the ASX Corporate Governance Council during the reporting year.

This report summarises the Company's application of the 8 Corporate Governance Principles and Recommendations.

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to Senior Executives and disclose those functions

The Board of Directors (hereinafter referred to as the Board) are responsible for the corporate governance of the Company and its controlled entities. The Directors of the Company and its controlled entities are required to act honestly, transparently, diligently, independently, and in the best interests of all shareholders in order to increase shareholder value.

The Directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

The Board of Directors

The Board operates in accordance with the broad principles set out in its charter.

Role of the Board

The responsibilities of the board include:

- contributing to the development of and approving the corporate strategy
- reviewing and approving business results, business plans, the annual budget and financial plans
- authorising and monitoring the investment portfolio
- ensuring regulatory compliance
- reviewing internal controls
- ensuring adequate risk management processes
- monitoring the Board composition, Director selection and Board processes and performance
- overseeing and monitoring:
  - organisational performance and the achievement of the Company's strategic goals and objectives
  - compliance with the Company's code of conduct
- monitoring financial performance including approval of the annual report and half-year financial reports and liaison with the Company's auditors
- appointment and contributing to the performance assessment of the portfolio manager and other external service providers
- enhancing and protecting the reputation of the Company
- reporting to shareholders.

CORPORATE GOVERNANCE (continued)

Principle 1 – Lay solid foundations for management and oversight (continued)

Role of the Board (continued)

Recommendation 1.2: Companies should disclose the process for evaluating the performance of Senior Executives

The Company does not have any employees and engages external service providers to fulfil management and administrative roles. Performance of these service providers is measured on an ongoing basis using management reporting tools and by reference to service agreements.

Principle 2 – Structure the Board to add value

The key elements of the Board composition include:

- ensuring, where practicable to do so, that the members of the Board have the appropriate skills to add value to the Company
- the Board of the Company currently comprises four Non-Executive Directors
- Non-Executive Directors bring a fresh perspective to the Board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management
- the Company is to maintain a mix of Directors on the Board from different backgrounds with complementary skills and experience
- the Board seeks to ensure that:
    - at any point in time, its membership represents an appropriate balance between Directors with experience and knowledge of the Company and Directors with an external perspective
    - the size of the Board is conducive to effective discussion and efficient decision making
- in recognition of the importance placed on the investment experience of the Directors and the Board's role in supervising the activities of the investment manager, the Board does not contain any independent Directors.

Recommendation 2.1: A majority of the Board should be Independent Directors

Recommendation 2.2: The Chair should be an Independent Director

When assessing the independence of Directors and the Chairman under recommendation 2.1 and 2.2 of the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council, since the company listed on ASX, no Directors, although meeting other criteria, and bringing independent judgement to bear on their respective roles, are defined as independent Directors, primarily due to the fact that they are officers of Washington H. Soul Pattinson and Company Limited, who is a substantial shareholder of the company.

The Company has not followed recommendation 2.1 and 2.2 as the Board are of the opinion that all Directors exercise and bring to bear an unfettered and independent judgement towards their duties. Souls Private Equity Limited listed on the Australian Stock exchange on 16 December 2004 in response to an ever-increasing demand by small investors to participate in Soul Pattinson's private equity and listed SME portfolio investments and the Board is satisfied that all Directors, as officers of Washington H. Soul Pattinson and Company Limited, bring the appropriate skills to play an important role in the success and performance of the company.

Recommendation 2.3: The roles of Chair and Chief Executive Officer should not be exercised by the same individual

The role of Chair and Chief Executive Officer is not occupied by the same individual.

CORPORATE GOVERNANCE (continued)

Principle 2 – Structure the Board to add value (continued)

Recommendation 2.4: The Board should establish a Nomination Committee

The Company established a Nominations Committee effective from 16 December 2004.

The Nomination Committee consists of Directors who are not up for re-election during the year:

RD Millner (Chairman)

DE Wills

RG Westphal

The main responsibilities of the Committee are to:

- assess the membership of the Board having regard to present and future needs of the Company
- propose candidates for Board vacancies in consideration of qualifications, experience and domicile
- oversee Board succession
- evaluate Board performance.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its Committees and Individual Directors

The Board undertakes an annual self assessment of its collective performance. The self assessment:

- compares the performance of the Board with the requirements of its Charter
- sets forth the goals and objectives of the Board for the upcoming year
- effects any improvements to the Board charter deemed necessary or desirable

The performance evaluation is conducted in such manner as the Board deems appropriate. In addition, each Board committee undertakes an annual self assessment on the performance of the committee and achievement of committee objectives.

The Chairman annually assesses the performance of individual Directors and meets privately with each Director to discuss this assessment.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1: Companies should establish a Code of Conduct

The Company has developed a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all Directors, employees and external service providers. The Code is regularly reviewed to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

In summary, the Code requires that at all times all Group personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies. This includes taking into account:

- their legal obligations and the reasonable expectations of their stakeholders
- their responsibility and accountability for reporting and investigating reports of unethical practices.

Recommendation 3.2: Companies should establish a policy concerning trading in company securities by Directors, Senior Executives and employees, and disclose the policy or a summary of that policy

The Company has developed a Share Trading Policy which has been fully endorsed by the Board and applies to all Directors and employees.

CORPORATE GOVERNANCE (continued)

Principle 3 – Promote ethical and responsible decision-making (continued)

Directors, executives and employees may only deal in company securities in the six weeks following the half-year and full year results announcements or following the AGM; Changes in a Director's interest are required to be advised to the Company within 3 days for notification to the ASX.

The Directors are satisfied that the Company has complied with its policies on ethical standards, including trading in securities. Copies of these policies are held by the Company Secretary.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1: The Board should establish an Audit Committee

The members of the Audit Committee at the date of this annual financial report are:

DE Wills (Chairman)

RD Millner

DJ Fairfull

RG Westphal

Recommendation 4.2: The Audit Committee should be structured so that it:

- consists only of Non-Executive Directors
- consists of a majority of Independent Directors
- is chaired by an independent chair, who is not Chair of the Board
- has at least three members

The Audit Committee consists only of Non-Executive Directors. As outlined under Recommendation 2.1, no Directors are considered independent.

The Chairman of the Audit Committee is a Non-Executive Director who is not Chairman of the Board. The Chairman of the Audit Committee is also required to have accounting or related financial expertise, which includes past employment, professional qualification or other comparable experience. The other members of the Audit Committee are all financially literate and have a strong understanding of the industry in which the Company operates.

Recommendation 4.3: The Audit Committee should have a formal charter

The main responsibilities of the committee are to:

- review, assess and approve the annual report, half-year financial report and all other financial information published by the Company or released to the market
- reviewing the effectiveness of the organisation's internal control environment covering:
    - effectiveness and efficiency of operations
    - reliability of financial reporting
    - compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework

CORPORATE GOVERNANCE (continued)

Principle 4 – Safeguard integrity in financial reporting (continued)

- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance and consider the independence and competence of the external auditor on an ongoing basis. The Audit Committee receives certified independence assurances from the external auditors
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence. The external auditor will not provide services to the Company where the auditor would have a mutual or conflicting interest with the Company; be in a position where they audit their own work; function as management of the Company; or have their independence impaired or perceived to be impaired in any way
- review and monitor related party transactions and assess their priority
- report to the Board on matters relevant to the committee's role and responsibilities

In accordance with the Audit Committee charter and Corporations Act requirements, the Company requires that the external audit engagement partner and review partner be rotated every five years. Under this policy, the audit partner will be changed in the next financial year.

In fulfilling its responsibilities, the Audit Committee requires the investment manager and the administrative and company secretarial service provider, namely Pitt Capital Partners Ltd and Corporate & Administrative Services Pty Ltd to state in writing to the Board that the Company's financial reports presents a true and fair view, in all material respects, of the Company's and its consolidated entities financial condition, operational results and are in accordance with the relevant accounting standards.

The external auditors, the investment manager and the administrative and company secretarial service provider, namely Pitt Capital Partners Ltd and Corporate & Administrative Services Pty Ltd are invited to attend meetings at the discretion of the Audit Committee.

The external auditor will attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies

The Chairman and Company Secretary have been nominated as being the persons responsible for communications with the Australian Stock Exchange (ASX). This role includes the responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to ASX. The Chairman is responsible for disclosure to analysts, brokers and shareholders, the media and the public.

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities.

CORPORATE GOVERNANCE (continued)

Principle 6 – Respect the rights of shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy

The Board aims to ensure that shareholders are informed of all major developments affecting the Company.

Shareholders are updated with the Company's operations via monthly ASX announcements of the net tangible asset (NTA) backing of the portfolio and other disclosure information. All recent ASX announcements and annual reports are available on the ASX website and the Company website, or alternatively, by request via email, facsimile or post. In addition, a copy of the annual report is distributed to all shareholders who elect to receive it.

The Board encourages participation by shareholders at the Annual General Meeting to ensure a high level of accountability and to ensure that shareholders remain informed about the Company's performance and goals.

Principle 7 – Recognise and manage risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies

The Board is committed to the identification and quantification of risk throughout the Company's operations.

Considerable importance is placed on maintaining a strong control environment. There is an organisational structure with clearly drawn lines of accountability. Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks

The Board operates to minimise its exposure to investment risk, in part, by implementing stringent processes and procedures to effectively manage investment risk.

Management of investment risk is fundamental to the business of the Company being an investor in a range of Australian and overseas entities along with Australian listed securities. An Investment Committee has been established to perform, among other roles, investment risk mitigation.

Investment Committee

The Company has established an Investment Committee effective from 16 December 2004.

The Investment Committee consists of the following members:

RD Millner (Chairman)

DJ Fairfull

DE Wills

RG Westphal

The main responsibilities of the committee are to:

- assess the information and recommendation received by the portfolio manager regarding the present and future investment needs of the Company

CORPORATE GOVERNANCE (continued)

Investment Committee (continued)

- assess the performance of the portfolio manager
- evaluating investment performance

Recommendation 7.3: The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks

The investment manager and the administrative and company secretarial service provider, namely Pitt Capital Partners Ltd and Corporate & Administrative Services Pty Ltd have made the following certifications to the Board in accordance with Section 295A of the Corporations Act:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and its consolidated entities in accordance with all mandatory professional reporting requirements
- that the above statement is founded on a sound system of internal control and risk management which implements the policies adopted by the Board and that the Company's risk management and internal control is operating effectively and efficiently in all material respects in relation to financial reporting risks.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1: The Board should establish a Remuneration Committee

The Remuneration Committee consists of the following members:

RD Millner (Chairman)

DJ Fairfull

DE Wills

RG Westphal

The Remuneration Committee oversees and reviews packages and other terms of engagement with external service providers.

The Company does not have any employees and engages external service providers to fulfil management and administrative roles. Fees payable to service providers are approved by the Board as a whole with reference to market rates and service agreements in place.

Recommendation 8.2: Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives

Fees for Non-Executive Directors reflect the demands on and responsibilities of our Directors. Non-Executive Directors are remunerated by way of base fees and statutory superannuation contributions and do not participate in schemes designed for the remuneration of executives. Non-Executive Directors do not receive any options, bonus payments nor are provided with retirement benefits other than statutory superannuation.

The Remuneration Committee's terms of reference include responsibility for reviewing any transactions between the organisation and the Directors, or any interest associated with the Directors, to ensure the structure and terms of the transaction are in compliance with the Corporations Act 2001 and are appropriately disclosed.

INCOME STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009

	Note	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000
Revenue	2 (a)	24,805	25,288	5,730	6,649
Other (losses) / gains	2 (b)	(29,932)	(32,792)	(28,025)	(40,307)
Expenses	2 (c)	(34,966)	(28,548)	(3,117)	(4,159)
Finance costs		(63)	(45)		(37)
Share of net profits of associates accounted for using the equity method	13	7,978	4,459	-	-
Loss before income tax expense		(32,178)	(31,638)	(25,412)	(37,854)
Income tax benefit	3	6,815	2,308	6,510	4,950
Loss after income tax expense		(25,363)	(29,330)	(18,902)	(32,904)
Net loss attributable to minority interest		2,855	102	-	-
Loss for the period attributable to members of the Company		(22,508)	(29,228)	(18,902)	(32,904)
Basic loss per share (cents)	24	(3.79)	(4.92)	(0.03)	(5.54)
Diluted loss per share (cents)	24	(3.79)	(4.92)	(0.03)	(5.54)

These financial statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS

AS AT 31 JULY 2009

	Note	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000
ASSETS					
Cash and cash equivalents	5	2,966	6,795	2,666	6,439
Trade and other receivables	6	4,917	5,332	4,380	1,502
Current tax assets	7	786	190	782	235
Investments in securities	8	38,956	69,746	38,956	69,746
Inventories	9	5,339	6,463	-	-
Prepayments	10	144	195	51	54
Property, plant & equipment	11	18,385	14,170	-	-
Investment in controlled entities	12	-	-	14,124	19,570
Investments accounted for using the equity method	13	44,936	41,350	20,572	20,952
Other long term receivables	14	100	100	26,951	16,691
Deferred tax assets	15	8,396	3,957	8,059	3,579
Intangible assets	16	-	4,437	-	-
TOTAL ASSETS		124,925	152,735	116,541	138,768
LIABILITIES					
Trade and other payables	17	5,311	6,452	135	101
Employee benefits	18	515	408	-	-
Other financial liabilities	19	-	-	-	150
Deferred tax liabilities	20	5,322	7,707	804	4,013
TOTAL LIABILITIES		11,148	14,567	939	4,264
NET ASSETS		113,777	138,168	115,602	134,504
SHAREHOLDERS' EQUITY					
Issued capital	21	144,928	144,928	144,928	144,928
Reserves		54	54	63	63
Retained Earnings		(31,205)	(8,329)	(29,389)	(10,487)
Parent entity interest		113,777	136,653	115,602	134,504
Minority Interests	22	-	1,515	-	-
TOTAL EQUITY		113,777	138,168	115,602	134,504

These financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR TO 31 JULY 2009

CONSOLIDATED ENTITY	Share Capital $'000	Reserves $'000	Retained Earnings $'000	Minority Interests $'000	Total Equity $'000
Total equity at 1 August 2007	144,924	48	26,834	1,617	173,423
Issue of shares, net of cost	4	-	-	-	4
Dividends paid or provided for	-	-	(5,935)	-	(5,935)
Total transactions with equity holders in their capacity as equity holders	4	-	(5,935)	-	(5,931)
Profit/(loss) for the period	-	-	(29,228)	(102)	(29,330)
Total recognised income and expense for the period	-	-	(29,228)	(102)	(29,330)
Share-based payments recognised	-	6	-	-	6
Total equity at 31 July 2008	144,928	54	(8,329)	1,515	138,168
Total equity at 1 August 2008	144,928	54	(8,329)	1,515	138,168
Issue of shares, net of cost	-	-	-	-	-
Change in controlled entities equity	-	-	(368)	1,340	972
Total transactions with equity holders in their capacity as equity holders	-	-	(368)	1,340	972
Loss for the period	-	-	(22,508)	(2,855)	(25,363)
Total recognised income and expense for the period	-	-	(22,508)	(2,855)	(25,363)
Share-based payments recognised	-	-	-	-	-
Total equity at 31 July 2009	144,928	54	(31,205)	-	113,777

These financial statements should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR TO 31 JULY 2009

COMPANY	Share Capital $'000	Reserves $'000	Retained Earnings $'000	Minority Interests $'000	Total Equity $'000
Total equity at 1 August 2007	144,924	57	28,352	-	173,333
Issue of shares, net of cost	4	-	-	-	4
Dividends paid or provided for	-	-	(5,935)	-	(5,935)
Total transactions with equity holders in their capacity as equity holders	4	-	(5,935)	-	(5,931)
Profit/(loss) for the period	-	-	(32,904)	-	(32,904)
Total recognised income and expense for the period	-	-	(32,904)	-	(32,904)
Share-based payments recognised	-	6	-	-	6
Total equity at 31 July 2008	144,928	63	(10,487)	-	134,504
Total equity at 1 August 2008	144,928	63	(10,487)	-	134,504
Issue of shares, net of cost	-	-	-	-	-
Change in controlled entities equity	-	-	-	-	-
Total transactions with equity holders in their capacity as equity holders	-	-	-	-	-
Loss for the period	-	-	(18,902)	-	(18,902)
Total recognised income and expense for the period	-	-	(18,902)	-	(18,902)
Share-based payments recognised	-	-	-	-	-
Total equity at 31 July 2009	144,928	63	(29,389)	-	115,602

These financial statements should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009

	Note	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000
Cash flows from operating activities					
Receipts from customers		25,304	21,669	-	-
Payments to suppliers and employees		(35,409)	(30,392)	(3,338)	(5,597)
Payments for current investments		(527)	(6,457)	(527)	(6,457)
Proceeds from sale of current investments		10,940	4,992	10,940	4,992
Dividends and distributions received		2,580	2,764	3,679	4,281
Income tax paid		(605)	(3,560)	(548)	(3,512)
Finance costs		(63)	(45)	-	(37)
Interest received		624	1,654	598	1,782
Net cash inflow / (outflow) from operating activities	23(a)	2,844	(9,375)	10,804	(4,548)
Cash flows from investing activities					
Payments for associated entities		(1,294)	-	(1,294)	-
Dividends received from associated entities		1,187	1,669	-	-
Payments for the purchase of business operations		(516)	(272)	-	-
Payments for property, plant and equipment		(5,722)	(2,676)	-	-
Proceeds from sale of property, plant and equipment		-	685	-	-
Proceeds from sale of associate entities		-	265	-	265
Loans advanced to associate entities		-	(100)	-	-
Loan repayments from associate entities		-	117	-	-
Loans advanced to controlled entities		-	-	(11,833)	(4,968)
Loans from controlled entities		-	-	-	150
Loan repayment to controlled entities		-	-	(150)	-
Loans advanced to other entities		(1,300)	(950)	(1,300)	(700)
Net cash (outflow) from investing activities		(7,645)	(1,262)	(14,577)	(5,253)
Cash flows from financing activities					
Proceeds from issue of shares		-	4	-	4
Controlled entities issue of shares net of costs		972	-	-	-
Repayment of long term borrowings		-	(135)	-	-
Dividends paid		-	(5,935)	-	(5,935)
Net cash inflow / (outflow) from financing activities		972	(6,066)	-	(5,931)
Net decrease in cash and cash equivalents held		(3,829)	(16,703)	(3,773)	(15,732)
Cash and cash equivalents at the beginning of the period		6,795	23,498	6,439	22,171
Cash and cash equivalents at the end of the period		2,966	6,795	2,666	6,439

These financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated entity of Souls Private Equity Limited and controlled entities, and Souls Private Equity Limited as an individual parent entity. Souls Private Equity Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Souls Private Equity Limited and controlled entities, and Souls Private Equity Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Compliance with AIFRS ensures the financial report also complies with International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

<u>Basis of Preparation</u>

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs (except where stated at (b) below) modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

<u>Accounting Policies</u>

(a) Principles of consolidation

The consolidated financial statements include the financial statements of Souls Private Equity Limited ("the Company"), being the parent entity, and its controlled entities. All inter-company balances and transactions between entities in the consolidated financial statements have been eliminated.

Where controlled entities are acquired or sold during the year, their results are included only from the date control was obtained or lost.

Business combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investments and other financial assets

Listed Shares Held for Sale

Investments comprising a portfolio of ASX listed securities and other securities acquired solely for trading purposes are initially recorded at cost and revalued to market value at each reporting date. The market value of listed equity securities is determined by reference to the bid price of the security, as quoted on its primary stock exchange on the day of valuation. Realised gains and losses on disposal and unrealised market value adjustments are reflected in the income statement. The assets are classified as "fair value through profit or loss" or "held-for-trading".

Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate. After application of the equity method, the Company determines whether it is necessary to recognise any additional impairment loss with respect to the Company's net investment in the associate. The consolidated income statement reflects the Company's share of the results of the operations of the associate.

Investments in Controlled Entities

Investments in controlled entities are initially recognised in the financial statements at cost. Subsequent to initial recognition they are carried at the lower of cost and recoverable amount.

Other Investments

Unlisted investments are classified as "available-for-sale" and carried at fair value. The carrying amount is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments. Fair value is assessed from the underlying net assets or Directors valuations. Changes in fair value are recognised directly in equity. Impairment losses are recognised in the income statement.

The consolidated entity holds no financial assets classified as "held-to-maturity". For information on loans and receivables, refer to Note 1 (k).

(c) Taxes

Income Tax

Current tax for the year is calculated on profit from ordinary activities adjusted for non-assessable and non-deductible items and is based on tax rates and tax laws that have been enacted or substantively enacted, at the reporting date.

Deferred tax is accounted for using the comprehensive balance sheet liability method whereby deferred tax assets and liabilities are recognised on all temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax base. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Taxes (continued)

Income Tax (continued)

Deferred tax relates to the movement in the net deferred tax asset/liability for the year and is recognised as an expense or revenue in profit from ordinary activities, unless the deferred tax relates to an amount that is credited or debited directly to equity, in which case the deferred tax is also recognised in equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset or liability is recovered or settled.

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits only if it is probable that future taxable amounts will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Souls Private Equity Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax asset or liability of each group entity is then subsequently assumed by the parent entity. Total current tax assets and total current tax liabilities of the parent entity and each group entity are offset for presentation purposes. The group has yet to notify the Australian Tax Office that it has formed an income tax consolidated group to apply from 1 August 2007 and will issue notification on submission of the 2008 year tax return. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

(i) where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are measured on the cost basis. Costs include expenditure which is directly attributable to the acquisition of the land and development of the buildings. Land is not subject to depreciation. Buildings are depreciated over their estimated useful lives.

Plant and equipment

Plant and equipment are carried at cost. All assets are depreciated over their useful lives to the consolidated entity.

The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. Recoverable amount is assessed on the basis of the expected net cash flow which will be recovered from the assets employment and subsequent disposal. Where an asset is determined to be impaired, the carrying amount is immediately written down to its recoverable amount.

Depreciation

All assets excluding freehold land are depreciated on a straight line basis over their useful lives to the consolidated entity. The following rates are used for each class of property, plant and equipment:

Buildings	2.5% - 4.0%
Plant, machinery and motor vehicles	5% - 40%
Office equipment, furniture and fittings	5% - 40%

(g) Goodwill

Goodwill on consolidation is initially recorded at the amount by which the purchase price for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition.

Goodwill on consolidation is not amortised under AASB 3 “Business Combinations”. Instead, an impairment test is carried out each year in accordance with AASB 136 “Impairment of Assets”.

(h) Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the assets, being the higher of the assets fair value less costs to sell and value in use; is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which it belongs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Employee benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Discount rates approximate market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

<u>Sale of investments</u>

Control of the right to equity has passed to the buyer.

<u>Sales revenue</u>

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

<u>Interest</u>

Control of the right to receive the interest proceeds. Interest from cash on deposit is recognised in accordance with the terms and conditions that apply to the deposit.

<u>Dividend</u>

Control of the right to receive the dividend proceeds. Dividends from listed entities is recognised as income on the date the shares are traded "ex-dividend". De-merger dividends arising from company de-consolidations are treated as a return of capital and not as a dividend.

(k) Receivables

Receivables are recognised at amounts to be received in the future for goods and services rendered, whether or not billed by the consolidated entity. Assets are commonly settled within 30 days for other debtors. Related party receivables are payable at call. No interest is charged on debtors or related party receivables.

Loans with fixed or determinable payments that are not quoted in an active market are stated at amortised cost using the effective interest rate method. These amounts are unsecured.

Collectability of receivables and loans is assessed on a regular basis by considering the payment history of the debtor or the financial status of related parties. Any impairment to receivables is recognised in profit or loss.

(l) Trade Creditors and accruals

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Liabilities are commonly settled:

(i) Within 3 days (transaction date + 3 days) for equity purchases ; and
(ii) Within 30 days for other creditors and accruals.

These amounts are unsecured.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

(i) Costs of servicing equity (other than dividends);

(ii) The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

(iii) Other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive ordinary shares, adjusted for any bonus element.

(n) Cash and cash equivalents

For purposes of the Cash Flow Statement, cash and cash equivalents includes deposits at call with original maturities of three months or less that are readily convertible into known amounts of cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(o) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising from the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(p) Presentation of Financial Statements

Balance sheet assets and liabilities are presented in order of liquidity. This presentation most accurately reflects the operational cycle of the Company.

(q) Rounding

The amounts contained in this report and in the half-year financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

(r) Critical accounting estimates and judgements

The preparation of financial report requires the use of certain critical estimates based on historical knowledge and best available current information. This requires the Directors and management to exercise their judgement in the process of applying the Company's accounting policies.

Key estimate

(i) Private equity valuation

Private equity investments are regularly valued by the Investment Manager using valuation techniques and guide lines endorsed by the Australian Private Equity & Venture Capital Association Limited (AVCAL) that they deem appropriate to each investment. Valuation techniques may involve methods such as price/earnings analysis or discounted cash flow techniques. All valuation methods require assumptions to be made and the Company is satisfied that those assumptions are realistic and support the carrying value of each investment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) **Critical accounting estimates and judgements (continued)**

(ii) Income tax

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. In accordance of AASB 112: Income Taxes deferred tax liabilities have been recognised for Capital Gains Tax on unrealised gains in the investments in associates at the current tax rate of 30%.

As the Company may not dispose of those private equity investments, this tax liability may not be crystallised at the amount disclosed in Note 20. In addition, the tax liability that arises on disposal of those private equity investments may be impacted by changes in tax legislation relating to treatment of capital gains and the rate of taxation applicable to such gains at the time of disposal.

Deferred tax assets have been recognised on temporary differences and unutilised realised and unrealised tax losses to the amount disclosed in Note 15. The level of Deferred Tax Assets recognised is limited to the amount which the Directors believe it is probable they will be utilised by future taxable profits.

(iii) Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Value-in-use is calculated based on the present value of cash flow projections over a 5-year period plus a terminal value calculation. The cash flows are discounted using a pre tax rate of 12% and annual growth rates of 3% to 5%.

Key Judgments — Impairment

(i) As a result of price/earnings analysis carried out by the Company on the SME portfolio, the Company has partly impaired the carrying value of Belaroma Pty Limited, Asian Property Investments Limited and Supercorp Pty Limited. This has resulted in a $4,104,000 charge to the income statement in the 2009 year.

(ii) During the year the Company assessed that the recoverable amount of goodwill relating to Soda Brands Limited (SODA) was not recoverable. An amount of $4,953,000 was impaired. The recoverable amount of the cash-generating unit, being the assets of the cash-generating unit and goodwill, was assessed by reference to the net asset position and projected trading performance of the company. The net liability position of SODA and continued trading losses indicated that goodwill was fully impaired.

Apart from this, there are no other key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000
2. (LOSS) / PROFIT FOR THE YEAR				
(a) Revenue:				
Sales revenue	21,722	21,065	-	-
Fully franked dividends:				
- other corporations	2,075	2,232	2,075	2,232
- associated entities	-	-	1,187	1,669
Unfranked dividends:				
- other corporations	39	50	39	50
Trust distributions	449	183	449	183
Interest income - notes	242	743	242	743
Interest income - third parties	278	1,015	236	934
Interest income - related parties	-	-	1,502	838
Total revenue	24,805	25,288	5,730	6,649
(b) Other (losses) / gains:				
(Loss) / Gain on disposal of shares	(1,523)	1,242	(1,523)	1,242
(Loss) / Gain on disposal of fixed assets	(58)	396	-	-
Unrealised loss on listed investments held for trading	(19,382)	(12,247)	(19,382)	(12,247)
Impairment loss on goodwill	(4,953)	(3,600)	-	-
Impairment loss on investments	(4,104)	(14,135)	(6,725)	-
Impairment loss on long term advances and receivables	-	(4,656)	(395)	(29,361)
	(30,020)	(33,000)	(28,025)	(40,366)
Other income	88	208	-	59
Total other (losses) / gains	(29,932)	(32,792)	(28,025)	(40,307)
(c) Expenses:				
Cost of sales	22,439	16,692	-	-
Depreciation	1,449	949	-	-
Director Fees	204	183	177	183
Management fees	2,227	3,231	2,227	3,231
Professional fees	469	401	355	314
Administration expenses	5,065	3,607	358	388
Selling and marketing expenses	2,975	2,960	-	-
Bad and doubtful debt expense	138	414	-	-
Other expenses	-	111	-	43
Total expenses	34,966	28,548	3,117	4,159

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

3. INCOME TAX (BENEFIT) / EXPENSE

The aggregated amount of income tax benefit attributable to the loss for the year differs from the amounts prima facie payable on losses from ordinary activities. The difference is reconciled as follows:

	Consolidated Entity		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) The components of tax (benefit) / expense comprise:				
Current tax	9	-	-	-
Deferred tax liability	(2,385)	(2,453)	(3,209)	(3,423)
Deferred tax asset	(4,439)	23	(3,301)	(1,641)
(Over)/Under provision in prior years	-	122	-	114
	(6,815)	(2,308)	(6,510)	(4,950)
(b) Prima facie tax on loss before income tax at 30% (2008: 30%)	(9,653)	(9,491)	(7,624)	(11,356)
Tax effect amounts:				
- Tax benefit not recognised	4,605	8,947	2,137	8,340
- Franked dividends from associated entities	-	-	(356)	(500)
- Franked dividends from other entities	(623)	(670)	(623)	(670)
- Share of profits of associates	(2,393)	(1,338)	-	-
- Tax on investments in associates	1,296	1,017	-	-
- Tax losses realised on entry to tax consolidated group	-	(878)	-	(878)
- Sundry items	(47)	(17)	(44)	-
- Under provision in prior years	-	122	-	114
Income tax benefit attributable to loss	(6,815)	(2,308)	(6,510)	(4,950)
(c) Tax Losses				
Unused tax losses for which no deferred tax asset has been recognised	48,387	33,037	34,923	27,800
Potential tax benefit at 30%	14,516	9,911	10,477	8,340

Refer to Note 1(r)(ii) for more information on recognition of deferred tax assets on unused tax loses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

	Consolidated Entity		Company	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000

4. DIVIDENDS

(a) Dividends paid during the year

No dividends have been paid or declared for the year ended 31 July 2009 (2008: Nil).

Franking Account Balance

Balance of the franking account after allowing for payment of income tax provided for in the financial statements and receipt of dividends recognised as receivables and deducting franking credits used in the payment of dividends recognised as a liability at the reporting date.

30% Class C franking credits	6,278	3,683	6,278	3,683

The consolidated amounts include franking credits that would be available to the parent if distributable amounts of subsidiaries were paid as dividends.

5. CASH AND CASH EQUIVALENTS

Cash at bank	2,964	6,792	2,666	6,439
Cash on hand	2	3	-	-
	2,966	6,795	2,666	6,439

6. TRADE AND OTHER RECEIVABLES

Trade debtors	3,450	4,750	421	180
Interest receivable	-	104	-	104
Short term loan to other entities [(a)]	1,300	-	1,300	-
Receivables from controlled entities	-	-	2,598	1,112
Sundry debtors	167	478	61	106
	4,917	5,332	4,380	1,502

(a) An amount of $1,300,000 was loaned by the Company to Innoxa Group Pty Limited (Innoxa) during the year. This loan is secured against inventory and debtors of Innoxa. Interest is charged on the loan at 10% per annum and the full amount is repayable within 12 months. Refer Note 23 (b) (iii) for further information on Innoxa.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000
7. CURRENT TAX BALANCES				
Current tax asset	786	190	782	235
8. INVESTMENTS IN SECURITIES				
Financial assets at fair value through profit and loss classified as held for trading listed securities at fair value:				
- Shares in corporations	37,075	61,400	37,075	61,400
- Converting and convertible notes and other interest bearing securities	-	6,861	-	6,861
	37,075	68,261	37,075	68,261
Available for sale unlisted investments at fair value:				
- Shares in corporations	1,881	1,485	1,881	1,485
	38,956	69,746	38,956	69,746

Changes in fair value of financial assets at fair value through profit and loss are recorded in other gains / losses in the income statement. Refer to Note 1 (b) for information on how fair value is determined.

9. INVENTORIES

	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000
Finished goods	4,258	5,035	-	-
Raw materials	1,081	1,428	-	-
	5,339	6,463	-	-

10. PREPAYMENTS

	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000
Prepayments	144	195	51	54

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000
11. PROPERTY, PLANT AND EQUIPMENT				
Land at cost	887	887	-	-
Buildings at cost	6,518	6,518	-	
Accumulated depreciation	(291)	(184)	-	-
	6,227	6,334	-	-
Plant, Machinery and Motor Vehicles at cost	17,540	12,001	-	-
Accumulated depreciation	(6,555)	(5,346)	-	-
	10,985	6,655	-	-
Office Equipment, Furniture & Fittings at cost	1,038	1,036	-	-
Accumulated depreciation	(752)	(742)	-	-
	286	294	-	-
Total	18,385	14,170	-	-
Reconciliation of the carrying amounts of each class of asset at the beginning and end of the financial year:				
Land at cost				
Carrying value at 1 August	887	1,170	-	-
Additions	-	-	-	-
Disposals	-	(283)	-	-
Carrying value at 31 July	887	887	-	-
Buildings at cost				
Carrying value at 1 August	6,334	5,454	-	-
Additions	-	964	-	-
Disposals	-	-	-	-
Depreciation expense	(107)	(84)	-	-
Carrying value at 31 July	6,227	6,334	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000
Plant, machinery and motor vehicles at cost				
Carrying value at 1 August	6,655	5,760	-	-
Additions	5,541	1,608	-	-
Disposals	(2)	(6)	-	-
Depreciation expense	(1,209)	(707)	-	-
Carrying value at 31 July	10,985	6,655	-	-
Office equipment, furniture & fittings at cost				
Carrying value at 1 August	294	348	-	-
Additions	181	104	-	-
Disposals	(56)	-	-	-
Depreciation expense	(133)	(158)	-	-
Carrying value at 31 July	286	294	-	-
Total property, plant and equipment				
Carrying value at 1 August	14,170	12,732	-	-
Additions	5,722	2,676	-	-
Disposals	(58)	(289)	-	-
Depreciation expense	(1,449)	(949)	-	-
Carrying value at 31 July	18,385	14,170	-	-

Refer to Note 16 for more information on assessment of impairment of assets owned by cash generating units.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

12. INVESTMENTS IN CONTROLLED ENTITIES

	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000
Carrying value of shares in controlled entities:				
PCP Holdings 1 Pty Limited (PCP 1)	-	-	2,928	2,928
PCP Holdings 2 Pty Limited (PCP 2)*	-	-	2,946	2,946
Cromford Pty Limited **	-	-	8,250	8,250
Soda Brands Limited***	-	-	-	5,446
Food & Beverage Company Limited	-	-	-	-
	-	-	14,124	19,570

These shares are held at cost

* PCP2 was previously named Geoffrey Hill & Associates Pty Limited

** In addition to these shares, loans amounting to $25,610,000 have been made to Cromford Pty Limited by the parent entity.

*** In line with the impairment methodology described in Note 1(r) (iii), the value-in-use calculation of the investment in Soda Brands Limited gave rise to recognition of an impairment charge of $5,446,000 under "Impairment Loss on Investments" in the Income Statement of the Parent entity. Growth rates of 3% were used in this calculation.

Controlled entities at year end:

	Country of incorporation	Date of acquisition	Percentage Owned 2009 %	Percentage Owned 2008 %
PCP Holdings 1 Pty Limited	Australia	10 December 2004	100.00	100.00
PCP Holdings 2 Pty Limited	Australia	10 December 2004	100.00	100.00
Cromford Pty Limited	Australia	28 February 2005	100.00	100.00
Soda Brands Limited	Australia	28 February 2005	50.30	68.24
Food and Beverage Company Limited	Australia	1 December 2006	100.00	100.00

The operating results and cash flows of all controlled entities from the date of acquisition have been included in the Income Statement and Cash Flow Statement. Assets and liabilities of all controlled entities have been included in the Balance Sheet.

The main activity of:

- Both PCP Holdings 1 Pty Limited and PCP Holdings 2 Pty Limited are that of investment companies each holding 12.5% equity interest in Pitt Capital Partners Limited.
- Cromford Pty Limited is involved in the manufacture and distribution of polyethylene film and dampcourse used in the building and agricultural industries. It also manufactures extruded pipes for use in the plumbing, construction, drainage and irrigation industries.
- Soda Brands Limited is the distribution of hair care and skin care products in Australian and overseas markets.
- Food and Beverage Company Limited is a caterer in food and beverage businesses with investments in Krispy Kreme Australia and Belaroma Coffee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

12. INVESTMENTS IN CONTROLLED ENTITIES (continued)

Movement in the carrying value of shares in controlled entities:

	Carrying value at beginning of year $'000	Addition during the year $'000	Impairment of investment during the year $'000	Carrying value at end of year $'000
2009				
PCP Holdings 1 Pty Limited	2,928	-	-	2,928
PCP Holdings 2 Pty Limited	2,946	-	-	2,946
Cromford Pty Limited	8,250	-	-	8,250
Soda Brands Limited***	5,446	-	(5,446)	-
	19,570	-	(5,446)	14,124

*** Refer impairment explanation above

	Carrying value at beginning of year $'000	Addition during the year $'000	Impairment of investment during the year $'000	Carrying value at end of year $'000
2008				
PCP Holdings 1 Pty Limited	2,928	-	-	2,928
PCP Holdings 2 Pty Limited	2,946	-	-	2,946
Cromford Pty Limited	8,250	-	-	8,250
Soda Brands Limited	5,446	-	-	5,446
	19,570	-	-	19,570

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Details of investments in unlisted entities at reporting date was:

					Consolidated Entity		Company	
		Principal Activities	Beneficial Interest %	Beneficial Interest %	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Pitt Capital Partners Ltd		Corporate Advisory	25.00	25.00	9,446	6,243	-	-
Specialist Oncology Property Pty Ltd	(iv)	Specialist medical services	31.45	21.30	1,834	1,112	1,641	1,000
Austgrains Pty Ltd		Agricultural supplies	48.00	48.00	2,532	2,507	2,900	2,900
Asian Property Investment Ltd	(iii)	Property investment	-	18.78	-	3,514	-	2,001
Ampcontrol Pty Ltd		Electrical engineering	45.00	45.00	23,756	21,066	11,468	11,468
Supercorp Pty Ltd		Financial services administration	30.21	30.21	2,426	3,669	2,425	3,583
Source Engine Asia Ltd		Import & Distribution	35.00	35.00	-	-	-	-
Belaroma Coffee Pty Ltd		Beverage	40.00	40.00	2,305	3,239	-	-
Krispy Kreme Holdings Australia Pty Ltd	(i)	Food	-	24.00	-	-	-	-
InterRISK Australia Pty Ltd	(ii)	Insurance Broker	40.00	-	2,637	-	2,138	-
					44,936	41,350	20,572	20,952

All entities that are recognised as associates are incorporated in Australia except for Asian Property Investment Ltd and Source Engine Asia Ltd which are incorporated in Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Movements during the year in equity accounted investment in associated entities:

2009		Carrying value at 31 Jul 08 $'000	Transfers/ Additions/ (Disposal) $'000	Share of profit/ (loss) $'000	Impairment $'000	Dividend received $'000	Carrying value at 31 Jul 09 $'000
Pitt Capital Partners Ltd		6,243	-	3,578	-	(375)	9,446
Specialist Oncology Property Pty Ltd	(iv)	1,112	641	135	-	(54)	1,834
Austgrains Pty Ltd		2,507	-	25	-	-	2,532
Asian Property Investment Ltd	(iii)	3,513	(3,513)	-	-	-	-
Ampcontrol Pty Ltd		21,066	-	3,448	-	(758)	23,756
Supercorp Pty Ltd		3,670	-	184	(1,428)	-	2,426
Source Engine Asia Ltd		-	-	-	-	-	-
Belaroma Coffee Pty Ltd		3,239	-	109	(1,043)	-	2,305
Krispy Kreme Holdings Australia Pty Ltd	(i)	-	-	-	-	-	-
InterRISK Australia Pty Ltd	(ii)	-	2,138	499	-	-	2,637
Total		41,350	(734)	7,978	(2,471)	(1,187)	44,936

2008	Carrying value at 31 Jul 07 $'000	Additions (Disposal) $'000	Share of profit/ (loss) $'000	Impairment $'000	Dividend received $'000	Carrying value at 31 Jul 08 $'000
Pitt Capital Partners Ltd	6,536	-	332	-	(625)	6,243
Specialist Oncology Property Pty Ltd	1,033	-	103	-	(24)	1,112
Austgrains Pty Ltd	2,520	-	(13)	-	-	2,507
Asian Property Investment Ltd	2,515	-	998	-	-	3,513
Ampcontrol Pty Ltd	18,206	-	3,811	-	(951)	21,066
Source Engine Asia Ltd	-	-	-	-	-	-
Supercorp Pty Ltd	3,592	-	146	-	(68)	3,670
Belaroma Coffee Pty Ltd	3,101	-	138	-	-	3,239
Krispy Kreme Holdings Australia Pty Ltd	15,191	-	(1,056)	(14,135)	-	-
Total	52,694	-	4,459	(14,135)	(1,669)	41,350

(i) SPEL's shareholding in Krispy Kreme Holdings Australia Pty Limited has diluted during the period to 7.00% via non-participation in an equity raising and therefore is no longer deemed an associate.

(ii) During the period SPEL increased its shareholding in InterRISK Australia Pty Ltd to 40% (2008: 20%) and SPEL also holds two of seven board positions therefore it is now deemed an associate entity.

(iii) SPEL's shareholding in Asian Property Investment Limited has diluted during the period to 16.90% and therefore is no longer deemed an associate.

(iv) During the period SPEL increased its shareholding in Specialist Oncology Property Pty Ltd to 31.45% via participation in an equity raising.

In line with the impairment methodology described in Note 1(r) (iii), the value-in-use calculation of the investment in Supercorp Pty Limited and Belaroma Coffee Pty Limited gave rise to recognition of an impairment charge of $2,471,000 under "Impairment Loss on Investments" in the Income Statement of the Consolidated Entity. Growth rates of 3% were used in these calculations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

	2009 $'000	2008 $'000
Equity accounted profits of associates are broken down as follows:		
Share of associate's profit before income tax expense	11,144	6,546
Share of associate's profit after income tax	7,978	4,459
Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates		
Share of total assets	86,206	86,742
Share of total liabilities	49,514	54,815
Revenues	108,714	96,819

Except for Pitt Capital Partners Limited which has the same balance date as the Company, the balance dates of the associated entities are:

Specialist Oncology Property Pty Limited	30 June 2009
Austgrains Pty Limited	30 June 2009
Ampcontrol Pty Limited	30 June 2009
Source Engine Asia Limited*	31 March 2009
Supercorp Pty Limited	30 June 2009
Belaroma Coffee Pty Limited	30 June 2009
Krispy Kreme Holdings Australia Pty Limited	30 June 2009

*Source Engine Asia Limited has a 31 March year end balance date. Trading results to 30 June 2009 were accounted for in the consolidated group.

14. OTHER LONG TERM RECEIVABLES

	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000
Loans to controlled entities	-	-	27,346	16,691
Loans to associated entities	2,362	2,362	-	-
Loans to other entities	8,745	8,745	-	-
Impairment loss on long term advances	(11,007)	(11,007)	(395)	-
	100	100	26,951	16,691
Provision for Impairment				
Balance at 1 August	11,007	8,745	-	-
Charged to income statement	-	2,262	395	-
Balance at 31 July	11,007	11,007	395	-

As at balance date all long term receivables past due have been fully impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

15. DEFERRED TAX ASSETS

	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000
The deferred tax asset balance comprises the following timing differences and unused tax losses:				
Share issue costs	4	296	4	296
Accrued expenses	39	408	30	30
Impairment loss on investments	503	-	503	-
Impairment loss on long term advances and receivables	605	503	605	503
Prior years income tax losses	2,145	605	2,145	605
Current year income losses	5,100	2,145	4,772	2,145
	8,396	3,957	8,059	3,579

Movement in deferred tax assets	Opening balance	Charged to income / transferred	Closing balance
Consolidated			
Share issue costs	592	(296)	296
Accrued expenses	125	283	408
Impairment loss on investments	503	-	503
Impairment loss on long term advances and receivables	2,760	(2,155)	605
Current year income losses	-	2,145	2,145
Balance at 30 June 2008	3,980	(23)	3,957
Share issue costs	296	(292)	4
Accrued expenses	408	(369)	39
Impairment loss on investments	503	-	503
Impairment loss on long term advances and receivables	605	-	605
Prior years income tax losses	2,145	-	2,145
Current year income losses	-	5,100	5,100
Balance at 30 June 2009	3,957	4,439	8,396

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

Movement in deferred tax assets	Opening balance	Charged to income / transferred	Closing balance
15. DEFERRED TAX ASSETS (continued)			
Parent			
Share issue costs	592	(296)	296
Accrued expenses	5	25	30
Deductible expenses	7	(7)	-
Impairment loss on investments	503	-	503
Impairment loss on long term advances and receivables	137	468	605
Prior years income tax losses	-	-	-
Current year income losses	-	2,145	2,145
Balance at 30 June 2008	1,244	2,335	3,579
Share issue costs	296	(292)	4
Accrued expenses	30	-	30
Impairment loss on investments	503	-	503
Impairment loss on long term advances and receivables	605	-	605
Prior years income tax losses	2,145	-	2,145
Current year income losses *	-	4,772	4,772
Balance at 30 June 2009	3,579	4,480	8,059

* $1,179,000 of the current year income tax losses were transferred from a controlled entity to the parent company in accordance with the accounting policy at Note 1 (c).

	Note	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000
16. INTANGIBLE ASSETS					
Goodwill at cost		-	4,437	-	-
Additions through business combination:					
Acquisition of distribution business		516	272	-	-
		516	272	-	-
Reconciliation:					
Balance at beginning		4,437	7,765	-	-
Acquisitions through business combination	23(b)	516	272	-	-
Impairment losses		(4,953)	(3,600)	-	-
Balance at end		-	4,437	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

16. INTANGIBLE ASSETS (continued)

Impairment Disclosure

Goodwill is allocated to cash-generating units which are based on the controlled entities' principal activities.

During the 31 July 2009 financial year, the Company assessed that the recoverable amount of goodwill relating to the distribution cash-generating unit was not recoverable. An amount of $4,953,000 was impaired. The recoverable amount of the cash-generating unit, being the assets of the cash-generating unit and goodwill, was assessed by reference to the net asset position and projected trading performance of the company. The net liability position of the distribution cash-generating unit and continued trading losses indicated that goodwill was fully impaired.

In line with the impairment methodology described in Note 1(r) (iii), the value-in-use calculation of the distribution cash-generating unit gave rise to recognition of an impairment charge of $4,953,000 under "Impairment Loss on Goodwill" in the Income Statement of the Consolidated Entity. Growth rates of 5% were used in these calculations.

	Consolidated Entity		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
17. TRADE AND OTHER PAYABLES				
Sundry creditors and accruals	5,311	6,452	135	101
18. EMPLOYEE BENEFITS				
Aggregate employee benefits	515	408	-	-
Analysis of provisions:				
Current	303	222	-	-
Non-current	212	186	-	-
	515	408	-	-
19. OTHER FINANCIAL LIABILITIES				
Payable to controlled entity	-	-	-	150
	-	-	-	150

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

20. DEFERRED TAX LIABILITIES

	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000
The deferred tax liability balance comprises the following temporary differences:				
Depreciation	219	220	-	-
Revaluation of investments held	-	3,405	-	3,405
Tax on investments in associates	4,299	3,457	-	-
Interest receivable & prepayments	804	625	804	608
	5,322	7,707	804	4,013
Reconciliation:				
Opening balance	7,707	10,160	4,013	7,436
Credit to income statement	(2,385)	(2,453)	(3,209)	(3,423)
Closing balance	5,322	7,707	804	4,013

Movement in deferred tax liabilities	Opening balance	Charged to income / transferred	Closing balance
Consolidated			
Depreciation	283	(63)	220
Revaluation of investments held	7,067	(3,662)	3,405
Tax on investments in associates	2,441	1,016	3,457
Interest receivable and prepayments	369	256	625
Balance at 30 June 2008	10,160	(2,453)	7,707
Depreciation	220	(1)	219
Revaluation of investments held	3,405	(3,405)	-
Tax on investments in associates	3,457	842	4,299
Interest receivable and prepayments	625	179	804
Balance at 30 June 2009	7,707	(2,385)	5,322
Parent			
Depreciation	-	-	-
Revaluation of investments held	7,092	(3,687)	3,405
Tax on investments in associates	-	-	-
Interest receivable and prepayments	344	264	608
Balance at 30 June 2008	7,436	(3,423)	4,013
Revaluation of investments held	3,405	(3,405)	-
Interest receivable and prepayments	608	196	804
Balance at 30 June 2009	4,013	(3,209)	804

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000
21. ISSUED CAPITAL				
(a) Issued and paid-up capital 593,528,455 ordinary shares fully paid (2008: 593,525,451)	144,928	144,928	144,928	144,928

	2009 Number of Shares	2009 $'000	2008 Number of Shares	2008 $'000
(b) Movement in ordinary shares				
Balance at the beginning of the year	593,528,451	144,928	593,513,927	144,924
Issued during the year				
- share options exercised ($0.30 per option)	4	-	14,524	4
Balance at the end of the year	593,528,455	144,928	593,528,451	144,928

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	2009 Number	2008 Number
(c) Movement in options		
Balance at the beginning of the year	73,725,207	73,739,731
Issued during the year		
- share options exercised	(4)	(14,524)
Balance at the end of the year	73,725,203	73,725,207
(d) Movement in unlisted options		
Balance at the beginning of the year	8,740,000	10,000,000
Management options granted under employee share	-	-
Option plan during the year:		
- options expired	(3,860,000)	(1,260,000)
Balance at the end of the year	4,880,000	8,740,000

The unlisted options expired on cessation of employment with the Investment Manager by the holders.

Capital Management

The Group's objective in managing capital is to continue to provide shareholders with attractive investment returns and ensure that the group can fund its operations and continue as a going concern.

The Group's capital consists of shareholders equity plus net debt. The movement in equity is shown in the Consolidated Statement of Changes in Equity. At 31 July 2009 net debt was $nil (2008: $nil).

There are no externally imposed capital requirements. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

	Consolidated Entity		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000

22. MINORITY INTEREST

Minority interest comprises:				
Share capital	3,919	2,195	-	-
Retained earnings	(3,914)	(677)	-	-
Reserves	(5)	(3)	-	-
	-	1,515	-	-

23. CASH FLOW RECONCILIATION

(a) Reconciliation of cash flow from operations with losses after income tax				
Net loss after income tax	(25,363)	(29,330)	(18,902)	(32,904)
Non cash items:				
- Share of net profits of associate accounted for using equity method	(7,978)	(4,459)	-	-
- Unrealised losses / (gains) on listed investments held for sale	19,382	12,247	19,382	12,247
- Loss / (Profit) on disposal of shares	1,523	(1,242)	1,523	(1,242
- Depreciation	1,449	949	-	-
- Share based payments	-	6	-	6
- (Profit)/loss on sale of property, plant & equipment	58	(396)	-	-
- Impairment loss on investments	4,104	14,135	6,725	-
- Impairment loss on goodwill	4,953	3,600	-	-
- Bad and doubtful debts	138	414	-	-
- Impairment loss on long term advances	-	4,656	395	29,361
Change in assets and liabilities, net of the effects of purchase of subsidiaries				
Decrease / (Increase) in trade and other receivables	1,514	(1,475)	(1,641)	(612)
Decrease / (Increase) in investments in securities	10,343	(1,498)	10,343	(1,498)
Decrease / (Increase) in inventories	1,124	(3,750)	-	-
Decrease in other assets	51	102	3	4
Decrease / (Increase) in deferred tax assets	(4,439)	24	(3,302)	(1,640)
Increase / (Decrease) in trade and other payables	(1,141)	2,455	34	(1,448)
(Decrease) in current tax liabilities	(596)	(3,440)	(547)	(3,398)
Increase in employee benefits	107	79	-	-
(Decrease) in deferred tax liabilities	(2,385)	(2,452)	(3,209)	(3,424)
Net cash inflow / (outflow) from operating activities	2,844	(9,375)	10,804	(4,548)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

23. CASH FLOW RECONCILIATION (continued)

(b) Acquisition of controlled entities

2009

(i) The Company did not acquire any new controlled entities during the year to 31 July 2009.

(ii) On 10 June 2008, SODA Brands Limited, a controlled entity of the group, entered into an agreement to acquire the business owned by HairFX Australia Pty Limited. Cash consideration of $272,000 was paid in the 2008 financial year and $516,000 in the current year.

(iii) During the year, SODA Brands Limited entered into a put and call option agreement to acquire the entire share capital of Innoxa Group Pty Limited (Innoxa) for an option fee of $1. Should SODA decide to exercise the call option, subject to Innoxa meeting certain conditions, the purchase consideration will be settled by issuance of 570,000 ordinary shares of SODA Brands Limited.

2008

(iv) The Company did not acquire any new controlled entities during the year to 31 July 2008.

24. EARNINGS PER SHARE

The following reflects the income and share data used in the calculation of basic and diluted earnings per share:

	Consolidated Entity		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Reconciliation of earnings to net profit or loss				
Net (loss) / profit	(25,363)	(29,330)	(18,902)	(32,904)
Net loss attributable to outside equity interest	2,855	102	-	-
Earnings used in calculating basic and diluted earnings per share	(22,508)	(29,228)	(18,902)	(32,904)

	2009 No. ('000)	2008 No. ('000)	2009 No. ('000)	2008 No. ('000)
(b) Weighted average number of ordinary shares used in the calculation of basic earnings per share	593,528,455	593,528,451	593,528,455	593,528,451
Weighted average number of options outstanding[1]	-	-	-	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	593,528,455	593,528,451	593,528,455	593,528,451
Basic loss per share (cents)	(3.79)	(4.92)	(0.03)	(5.54)
Diluted loss per share (cents)	(3.79)	(4.92)	(0.03)	(5.54)

[1] *Effect of dilutive securities*

Options on issue at 31 July 2009 and 31 July 2008 are not considered to be potential ordinary shares based on market circumstances during the year and have not been included in the determination of diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000

25. RESERVES

(a) Share Option Reserve

	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000
Opening balance	63	57	63	57
Net movement recognised in income statement	-	6	-	6
Closing balance	63	63	63	63

The share option reserve records items recognised as expenses on valuation of employee share options.

(b) Foreign Currency Translation Reserve

	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000
Opening balance	(9)	(9)	-	-
Net movement recognised in income statement	-	-	-	-
Closing balance	(9)	(9)	-	-

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

26. AUDITOR'S REMUNERATION

	Consolidated Entity 2009 $'000	Consolidated Entity 2008 $'000	Company 2009 $'000	Company 2008 $'000
Remuneration of the auditor of the parent entity for:				
- Auditing and reviewing the financial reports of the company and the controlled entities	132	121	132	121
- Taxation services	46	31	46	31
	178	152	178	152
Remuneration of other auditors of controlled entities for:				
- Auditing and reviewing the financial report of the controlled entities	70	76	-	-
	70	76	-	-

27. SUPERANNUATION COMMITMENTS

The Company contributes superannuation payments on behalf of Directors of the consolidated entity in accordance with relevant legislation. Superannuation funds are nominated by the individual Directors and are independent of the Company. Amounts totalling $16,875 (2008: $14,625) were charged to the income statement during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

28. RELATED PARTY TRANSACTIONS

Related parties of the Company fall into the following categories:

(i) Controlled Entities

Transactions between the Company and its controlled entities consist of loans advanced from the Company to its controlled entities.

Controlled entities during the year to 31 July 2009 were:

- (i) PCP Holdings 1 Pty Limited
- (ii) PCP Holdings 2 Pty Limited
- (iii) Cromford Pty Limited ("CROMFORD")
- (iv) Soda Brands Limited ("SODA")
- (v) Food and Beverage Company Limited ("FBC")

(1) CROMFORD

The Company provides loans to Cromford to fund capital and working capital requirements.

During the year, the Company made several additional loans to Cromford totalling $11,436,741 to fund construction costs of the Moss Vale factory and working capital.

Total loan amount due from Cromford to the Company at the end of the reporting year was $25,609,807 (2008: $14,173,066) with no fixed repayment date. Interest accrued on the loan amount during the year was $1,485,700 (2007: $838,320). No repayments were made in 2009 (2008: $nil).

(2) SODA

During the 2008 year, SODA loaned funds totalling $600,000 to the Company. As at 31 July 2008 a balance of $150,000 was due to SODA. The Company repaid all loans in August 2008.

Since August 2008, the Company has provided loans to SODA to fund working capital requirements. Total loans made were $395,441. Interest of $16,274 has been charged on these loans during the year.

The Company has fully impaired this loan balance at 31 July 2009, resulting in an impairment charge of $395,441 to the parent entity.

(3) FBC

The total loans to FBC at the beginning of the financial year (including accrued interest) were $30,358,737. No interest has been charged on the loan amount since 1 December 2006. At 31 July 2008, the Company considered $27,101,266 of this loan to be non-recoverable and fully impaired this amount. No additional loans have been made to FBC during the 2009 financial year, nor has any additional impairment been recognised on these loans.

Advances made by the Company to FBC in prior years were on-loaned to associates and related entities of FBC. Total amount advanced to those entities through FBC up to 31 July 2008 was $11,357,000 of which $11,257,000 was considered non-recoverable and was impaired at 31 July 2008 The recoverable amount of these loans at 31 July 2009 is considered to be $100,000 (2008: $100,000). No additional loans have been made by FBC during the 2009 financial year, nor has any additional impairment been recognised on existing loans.

No dividends were received from controlled entities during the year (2008: $nil)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

28. RELATED PARTY TRANSACTIONS (continued)

(ii) Directors/Officers Related Entities

Persons who were Directors / Officers of Souls Private Equity Limited during the year to 31 July 2009 were:

Directors:	RD Millner DJ Fairfull DE Wills RG Westphal
General Manager:	A Fairfull
Company Secretary:	RJ Pillinger

Remuneration paid to Directors during the year only includes remuneration paid by the Company in connection with the management of the Company and controlled entities.

Pitt Capital Partners Limited

At the time of the float of the Company in December 2004, Pitt Capital Partners Limited which is 25% owned by the Company and an entity in which Messrs. RD Millner, DJ Fairfull, DE Wills, RG Westphal have an indirect interest, was appointed as investment manager for 10 years. Pitt Capital Partners Limited is responsible for identifying, sourcing, investigating, researching, analysing and evaluating investment opportunities for the Company, including acquisition and disposal of permitted investments, carrying out day-to-day management and reporting functions.

The Company pays Pitt Capital Partners Limited a monthly management fee of 1.75% of the net asset value as at the last business day of each month, excluding any unrealised gains or losses arising from revaluation of any private equity investments. Management fee for the year to 31 July 2009 was $2,450,198 (2008: $3,231,175) including GST, $nil (2008: $nil) was outstanding at 31 July 2009.

Pitt Capital Partners Limited has appointed Souls Funds Management Limited, an entity in which Messrs. RD Millner, DJ Fairfull, DE Wills, RG Westphal have an indirect interest, to provide general investment management services with respect to listed portfolio investments, under the direction of Pitt Capital Partners Limited. The obligation to pay Souls Funds Management Limited rests with Pitt Capital Partners Limited out of the management fees received from the Company.

Mr RG Westphal has been acting as external consultant to Pitt Capital Partners Limited on a monthly retainer. Total fees paid to Mr. Westphal from Pitt Capital Partners Limited to 31 July 2009 were $87,500 (2008: $174,800).

Corporate and Administrative Services Pty Limited

The Company has appointed Corporate & Administrative Services Pty Limited, an entity in which Messrs. RD Millner, DJ Fairfull, DE Wills, RG Westphal have an indirect interest to provide the Company with administration, company secretarial services and preparation of all financial accounts.

Administration and secretarial fees paid for services provided to the company and its controlled entities for the year to 31July 2009 were $109,120 (2008: $109,120) including GST and are at standard market rates.

No administration fees were owed by the Company to Corporate & Administrative Services Pty Limited at 31July 2009 (2008: $nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

29. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Names and positions held of consolidated and parent entity key management personnel in office at any time during the year were:

Key Management Person	Position
RD Millner	Chairman – Non-executive
DJ Fairfull	Director – Non-executive
DE Wills	Director – Non-executive
RG Westphal	Director – Non-executive
A Fairfull	General Manager
R Pillinger	Company Secretary

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

(b) Share and Option Holdings

Aggregate number of listed securities of the Company held by Key Management Personnel or their related entities:

Shares	Balance 1/08/08	Granted as compensation	Net Change Other	Balance at 31/7/09
2009				
RD Millner	1,225,193	-	-	1,225,193
DJ Fairfull	8,700,001	-	-	8,700,001
DE Wills	423,277	-	-	423,277
RG Westphal	370,000	-	-	370,000
A Fairfull	28,000	-	-	28,000
R Pillinger	-	-	-	-
Total	10,746,471	-	-	10,746,471
2008				
RD Millner	1,225,193	-	-	1,225,193
DJ Fairfull	8,700,001	-	-	8,700,001
DE Wills	423,277	-	-	423,277
RG Westphal	370,000	-	-	370,000
GG Hill [1]	8,150,000	-	(8,150,000)	-
A Fairfull	28,000	-	-	28,000
R Pillinger	-	-	-	-
Total	18,896,471	-	(8,150,000)	10,746,471

1 – GG Hill resigned from the Company on 29 February 2008

Key Management Personnel, or their associated entities, being shareholders of the Company are entitled to receive dividends from the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

29. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

(b) Share and Option Holdings (continued)

Aggregate number of listed options of the Company held by Key Management Personnel or their related entities:

Options	Balance 1/8/08	Granted as compensation	Options Exercised	Net Change 31/7/09	Balance at 31/7/09
2009					
RD Millner	87,524	-	-	-	87,524
DJ Fairfull	1,037,500	-	-	-	1,037,500
DE Wills	27,909	-	-	-	27,909
RG Westphal	10,000	-	-	-	10,000
A Fairfull	-	-	-	-	-
R Pillinger	-	-	-	-	-
Total	1,162,933	-	-	-	1,162,933
2008					
RD Millner	87,524	-	-	-	87,524
DJ Fairfull	1,037,500	-	-	-	1,037,500
DE Wills	27,909	-	-	-	27,909
RG Westphal	10,000	-	-	-	10,000
GG Hill [1]	1,290,314	-	-	(1,290,314)	-
A Fairfull	-	-	-	-	-
R Pillinger	-	-	-	-	-
Total	2,453,247	-	-	(1,290,314)	1,162,933

1 – GG Hill resigned from the Company on 29 February 2008

All options are listed securities and can be traded or exercised at any time.

(c) Employee Share Option Plan

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

At balance date, a total of 4,880,000 management options were granted under four classes, which have identical terms, except for the exercise prices which is as follows:

Class	Number granted	Exercise price
1	1,220,000	30 cents
2	1,220,000	32 cents
3	1,220,000	35 cents
4	1,220,000	38 cents
Total	4,880,000	

Management options were granted on 16 December 2004 and expire on 10 December 2009.

The Company's closing share price at 31 July 2009 is $0.08 per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

29. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

(c) Employee Share Option Plan (continued)

	Consolidated Entity		Company	
	2009 Number	2008 Number	2009 Number	2008 Number
Movement in the number of management options held by eligible employees are as follows:				
Opening balance	8,740,000	10,000,000	8,740,000	10,000,000
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	(3,860,000)	(1,260,000)	(3,860,000)	(1,260,000)
Closing balance	4,880,000	8,740,000	4,880,000	8,740,000

Details of management options outstanding as at the end of the reporting year:

Class	Expiry and exercise date	Price	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
1	16 December 2009	$0.30	1,220,000	2,185,000	1,220,000	2,185,000
2	16 December 2009	$0.32	1,220,000	2,185,000	1,220,000	2,185,000
3	16 December 2009	$0.35	1,220,000	2,185,000	1,220,000	2,185,000
4	16 December 2009	$0.38	1,220,000	2,185,000	1,220,000	2,185,000
			4,880,000	8,740,000	4,880,000	8,740,000

3,860,000 management options lapsed during the 2009 financial year (2008: 1,260,000 – 315,000 of each class) on cessation of employment of the holder by the Company or a controlled or associated entity.

Aggregate number of Management Options of the Company held by Key Management Personnel or their related entities:

Management Options	Balance 1/8/08	Granted as compensation	Net change other	Balance at 31/7/09
RD Millner	-	-	-	-
DJ Fairfull	-	-	-	-
DE Wills	-	-	-	-
RG Westphal	-	-	-	-
GG Hill [1]	1,250,000	-	(1,250,000)	-
A Fairfull	760,000	-	-	760,000
R Pillinger	-	-	-	-
Total	2,010,000	-	(1,250,000)	760,000

1 – Management options held by GG Hill lapsed on his resignation from an associated entity.

Management options held by Key Management Personnel are evenly allocated between Classes 1 – 4.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

30. FINANCIAL REPORTING BY SEGMENTS

The consolidated entity's operating companies are organised and managed separately according to the nature of the produces and services they provide, with each segment offering different products and serving different markets.

(1) Business segment:

The following table presents the revenue and (loss) / profit information regarding business segments for the year ended 31 July 2009 and 31 July 2008:

2009	SME Investments $'000	Other Investments[a] $'000	Eliminations $'000	Consolidated $'000
Revenue				
Revenue	21,763	4,544	(1,502)	24,805
Results				
Results before non cash items	(10,113)	1,426	-	(8,687)
Equity accounted net profits	7,978	-	-	7,978
Unrealised asset revaluation	(15,409)	(3,973)	-	(19,382)
Impairment loss on goodwill	(4,953)	-	-	(4,953)
Impairment loss on investments	(4,104)	-	-	(4,104)
Depreciation	(1,449)	-	-	(1,449)
Loss on sale of plant and equipment	(58)	-	-	(58)
(Loss) / Gain on disposal of shares	-	(1,523)	-	(1,523)
Income tax expenses	5,770	1,045	-	6,815
Loss after tax	(22,338)	(3,025)	-	(25,363)
Assets				
Segment assets	39,604	40,386	-	79,990
Equity accounted investments	44,936	-	-	44,936
Total assets	84,540	40,386	-	124,926
Liabilities				
Segment liabilities	10,210	939	-	11,149
Total Liabilities	10,210	939	-	11,149
Net assets	74,330	39,447	-	113,777
Acquisition of non current segment assets	7,532	-	-	7,532

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

30. FINANCIAL REPORTING BY SEGMENTS (continued)

(1) Business segment (continued):

2008	SME Investments $'000	Other Investments[a] $'000	Eliminations $'000	Consolidated $'000
Revenue				
Revenue	21,178	4,982	(872)	25,288
Results				
Results before non cash items	(2,606)	838	28	(1,740)
Equity accounted net profits	4,459	-	-	4,459
Gain on disposal of assets	562	1,076	-	1,638
Unrealised asset revaluation	(46)	(12,201)	-	(12,247)
Impairment loss on goodwill	(3,600)	-	-	(3,600)
Impairment loss on investments	(14,135)	-	-	(14,135)
Impairment loss on receivables	(2,810)	(2,260)	-	(5,070)
Depreciation	(949)	-	-	(949)
Share based payment	-	6	-	6
Income tax expenses	(1,624)	3,932	-	2,308
Loss after tax	(20,749)	(8,609)	28	(29,330)
Assets				
Segment assets	52,243	59,142	-	111,385
Equity accounted investments	41,350	-	-	41,350
Total assets	93,593	59,142	-	152,735
Liabilities				
Segment liabilities	10,301	4,266	-	14,567
Total Liabilities	10,301	4,266	-	14,567
Net assets	83,292	54,876	-	138,168
Acquisition of non current segment assets	2,948	-	-	2,948

Note (a) - other investments is made up of cash and the Listed Share Portfolio (excluding CMA Corporations Ltd and CBD Energy Ltd which are treated as an SME investment)

Segment Accounting Policy

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. All assets and liabilities of the consolidated entity are included in segment assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

30. FINANCIAL REPORTING BY SEGMENTS (continued)

(2) Geographical segments:

	Secondary reporting - Geographic segments				
	Australia	New Zealand	Hong Kong	Elimination	Consolidated
2009	$'000	$'000	$'000	$'000	$'000
Segment revenue	24,769	36	-	-	24,805
Segment assets	123,175	(131)	1,881	-	124,925
Other segment information:					
Acquisition of non current segment assets	7,532	-	-	-	7,532
2008					
Segment revenue	25,218	70	-	-	25,288
Segment assets	149,222	-	3,513	-	152,735
Other segment information:					
Acquisition of non current segment assets	2,948	-	-	-	2,948

31. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments consist of: private equity investments; investments in listed securities; cash; and loans to and from subsidiary and associated companies.

The Group has other financial instruments of accounts receivable and accounts payable which arise directly from its operations.

The risks associated with the holding of these financial instruments include investment risk, market risk, interest rate risk, foreign currency risk, credit risk and liquidity risk.

(a) Investment Risk

The Company has established a set of Investment Criteria against which all new private equity investments are measured. The Investment Committee reviews all proposals against these criteria before they are presented to the Board.

The final decision on whether to enter into a new private equity investment rests with the Board subject to, among other considerations, meeting investment criteria and extensive due diligence.

Under the Investment Criteria, no single investment is permitted to dominate the portfolio.

Private equity investments considered to be impaired have been written down to fair value.

(b) Market Risk

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

The Company is a short to medium term investor in listed shares and is therefore exposed to market risk through the movement of the share prices of the companies in which it is invested.

As the market value of individual companies fluctuates throughout the day, the fair value of the portfolio changes continuously. The change in the fair value of the portfolio is recognised through the income statement. Listed investments represent 30% (2008: 46%) of total assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

31. MANAGEMENT OF FINANCIAL RISK (continued)

(b) Market Risk (continued)

Given the recent fluctuations in listed share prices, a sensitivity level of 25% movement from market prices at 31 July has been applied in the following calculations. The prior year comparatives shown have been recalculated using this rate.

A 25% movement in the market value of each of the companies within the listed investment portfolio would result in a 41% movement (2008: 12% - based on a 5% movement) in the net profit of the Company at 31 July.

The net asset backing before provision for tax on unrealised capital gains would move by 1.6 cents per share at 31 July 2009 (2008: 2.9 cents per share).

The performance of the companies within the listed investment portfolio is monitored by the Investment Committee and the Board as a whole.

The Group seeks to reduce market risk at the investment portfolio level by ensuring that it is not, in the opinion of the Investment Committee, overly exposed to one Group or one particular sector of the market.

At 31 July, the spread of listed investments is in the following sectors:

	Amount		% of Total Investment	
	2009 $'000	2008 $'000	2009 %	2008 %
Sector				
Banks	12,841	11,686	34.63%	17.13%
Telecommunications Services	7,452	9,478	20.10%	13.89%
Private Equity Investment	5,475	20,884	14.77%	30.59%
Materials	2,649	5,113	7.14%	7.49%
Transportation	1,952	2,330	5.26%	3.41%
Food & Staples Retailing	1,890	2,979	5.10%	4.36%
Food, Beverages & Tobacco	1,864	1,542	5.03%	2.26%
Retailing	1,403	2,001	3.78%	2.93%
Insurance	705	1,332	1.90%	1.95%
Media	584	1,087	1.58%	1.59%
Diversified Financials	260	5,428	0.71%	7.95%
Utilities	-	4,401	0.00%	6.45%
	37,075	68,261	100.00%	100.00%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

31. MANAGEMENT OF FINANCIAL RISK (continued)

(b) Market Risk (continued)

Securities representing over 5% of the listed investment portfolio at 31 July were:

	Amount		% of Total Investment	
	2009 $'000	2008 $'000	2009 %	2008 %
Company				
Commonwealth Bank of Australia	8,216	7,622	22.16%	11.17%
Telstra Corporation Ltd	7,452	9,478	20.10%	13.88%
Australia & New Zealand Banking Group Ltd	4,625	4,063	12.47%	5.95%
CMA Corporation Limited	3,675	18,000	9.91%	26.37%
BHP Billiton Ltd	2,649	2,782	7.14%	4.08%
Transurban Group Triple Stapled Sec	1,952	2,330	5.26%	3.41%
Wesfarmers Ltd	1,890	2,490	5.10%	3.65%
Coca Cola Amatil Ltd	1,864	1,542	5.03%	2.26%
National Income Securities Stapled Floating Rate	-	4,040	0.00%	5.92%
AGL Limited	-	3,724	0.00%	5.46%
	32,323	56,071	87.17%	82.15%

The relative weightings of the individual securities and relevant market sectors are reviewed at each meeting of the Investment Committee and the Board, and risk can be managed by reducing exposure where necessary. There are no set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

The Group trades investment transactions through a number of major broking firms with trades evenly placed amongst those firms.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

31. MANAGEMENT OF FINANCIAL RISK (continued)

(c) Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

			Variable Interest Rates Maturing			
Consolidated	Weighted Average Interest Rate %	Variable Interest Rate $'000	Within 1 Year $'000	Within 1-5 Years $'000	Non-Interest Bearing $'000	Total $'000
2009						
Financial Assets						
Cash	3.30	2,966	-	-	-	2,966
Investments in securities	-	-	-	-	38,956	38,956
Current tax asset	-	-	-	-	786	786
Receivables and prepayments	10.00	-	1,300	-	3,761	5,061
Long term advances	5.30	-	-	100	-	100
		2,966	1,300	100	43,503	47,869
Financial Liabilities						
Payables	-	-	-	-	5,311	5,311
		-	-	-	5,311	5,311
2008						
Financial Assets						
Cash	7.15	6,795	-	-	-	6,795
Notes	8.31	4,530	-	-	2,331	6,861
Investments in securities	-	-	-	-	62,885	62,885
Current tax asset	-	-	-	-	190	190
Receivables and prepayments	-	-	-	-	5,527	5,527
Long term advances	7.54	-	-	100	-	100
		11,325	-	100	70,933	82,358
Financial Liabilities						
Payables	-	-	-	-	6,452	6,452
		-	-	-	6,452	6,452

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

31. MANAGEMENT OF FINANCIAL RISK (continued)

			Variable Interest Rates Maturing			
Company	Weighted Average Interest Rate %	Variable Interest Rate $'000	Within 1 Year $'000	Within 1-5 Years $'000	Non-Interest Bearing $'000	Total $'000
2008						
Financial Assets						
Cash	3.30	2,666	-	-	-	2,666
Investments in securities	-	-	-	-	38,956	38,956
Current tax asset	-	-	-	-	782	782
Receivable and prepayments	10.00	-	1,300	-	3,131	4,431
Long term advances	7.21	-	-	23,692	3,259	26,951
		2,666	1,300	23,692	46,128	73,786
Financial Liabilities						
Payables	-	-	-	-	101	101
		-	-	-	101	101
2008						
Financial Assets						
Cash	7.15	6,439	-	-	-	6,439
Notes	8.31	4,530	-	-	2,331	6,861
Investments in securities	-	-	-	-	62,885	62,885
Current tax asset	-	-	-	-	235	235
Receivable and prepayments	-	-	-	-	1,556	1,556
Long term advances	7.22	-	-	13,434	3,257	16,691
		10,969	-	13,434	70,264	94,667
Financial Liabilities						
Payables	-	-	-	-	101	101
Other financial liabilities	7.28		150	-	-	150
		-	150	-	101	251

Interest rate risk arises only on liquid assets of cash and notes. The variable interest rates earned on these are reviewed regularly and due to their liquid nature, assets can be transferred if they are considered to be exposed to excessive interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

31. MANAGEMENT OF FINANCIAL RISK (continued)

Interest Rate Sensitivity Analysis:

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity demonstrates the effect on current year results and equity which could result from a change in this risk.

	Consolidated Entity		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Change in profit:				
Increase in interest rate by 2%	5	17	39	36
Decrease in interest rate by 2%	(5)	(17)	(39)	(36)
Change in equity:				
Increase in interest rate by 2%	5	17	39	36
Decrease in interest rate by 2%	(5)	(17)	(39)	(36)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

(d) Foreign Currency Risk

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods in its controlled entities. These entities regularly review the requirement for foreign currency hedging. At present no foreign currency hedging is in place as foreign currency risk exposure is not considered material.

(e) Credit Risk

The risk that a financial loss will occur because counterparty to a financial instrument fails to discharge an obligation is known as credit risk.

The credit risk on the Company's financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements. The Company's principal credit risk exposures arise from cash and outstanding receivables.

Cash is only placed with banks with a minimum rating of 'AA'.

Credit risk from outstanding amounts due from customers is mitigated by policies applied across the Group stating that:

- All potential customers are rated for credit worthiness taking into account their size, market position and third party credit ratings where available
- Purchase limits are set for all customers based on credit worthiness and outstanding balances are regularly checked against these limits
- Customers that do not meet the Company's strict credit policies are limited to paying on or prior to delivery of products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

31. MANAGEMENT OF FINANCIAL RISK (continued)

(e) Credit Risk (continued)

At 31 July 2008, trade and other receivables (net of provisions) are categorised as follows:

	Consolidated		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current	4,443	4,745	4,380	1,502
Overdue - not provided	474	587	-	-
Total	4,917	5,332	4,380	1,502

Trade terms vary between controlled entity and customer. The majority of trade terms are between 30 and 60 days.

In respect of the parent entity, credit risk also incorporates loan accounts with subsidiary and associated companies. In order to achieve stated corporate objectives, the parent entity provides financial support to subsidiary and associated companies, but only to the level which the Board considers necessary to achieve these objectives. Any loans to subsidiary and associated companies considered to be unrecoverable have been provided for. In the 2009 financial year, an amount of $395,000 (2008: $nil) has been charged to "Impairment loss on long term advances and receivables" in the income statement of the parent entity for an amount considered unrecoverable from a controlled entity.

The maximum exposure to credit risk is the carrying value of balances in the balance sheet.

(f) Liquidity Risk

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

The Company has a zero level of gearing and manages liquidity risk by closely monitoring forecast and actual cash flows and matching the maturity profiles of financial assets.

Furthermore, 30% of the assets of the Group are in the form of readily tradable listed investments which can be sold on-market if necessary.

(g) Net Fair Values

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

32. LEASE COMMITMENTS

Operating Lease Commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable - minimum lease payments				
- not later than 12 months	74	82	-	-
- between 12 months and 5 years	264	148	-	-
- greater than 5 years	-	13	-	-
	338	243	-	-

Lease commitments relate to property leases. These leases are non-cancellable with rent payable monthly in advance. Contingent rental provisions within the lease arrangements require the minimum lease payment shall be increased by the CPI. An option exists to renew the leases for up to an additional 5 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

	Consolidated Entity		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
32. LEASE COMMITMENTS (continued)				
Capital Commitments				
Capital expenditure commitments contracted for:				
Plant and equipment purchases payable:				
- not later than 12 months	56	120	-	-
	56	120	-	-

33. EVENTS SUBSEQUENT TO BALANCE DATE

Listed Share Portfolio

The listed share portfolio that is 'marked to market' in the Company's result continues to experience large fluctuations in valuation consistent with the volatility currently being experienced with the Australian Securities Exchange. From 31 July 2009 to the date of this report the listed share portfolio has increased in value by $4.8 million due to increases in the share price of investments in the portfolio.

Loans to Controlled Entities

From 31 July 2009 to the date of this report additional investments of $2,470,000, by way of loans, were provided by the Company to Cromford Pty Limited.

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

34. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities

There were no contingent liabilities for the 2009 financial year end.

Contingent Assets

An amount of $1,560,000 is receivable following the disposal of an associate company in the 2007 financial year. The recoverability of this is dependent on the outcome of a legal dispute with the acquirers of the associate entity. The full amount of this receivable was provided for in the 2008 financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2009 (continued)

35. AUSTRALIAN ACCOUNTING STANDARDS NOT YET EFFECTIVE

The consolidated entity has not yet applied any Australian Accounting Standards or Australian Accounting Interpretations that have been issued as at balance date but are not yet operative for the year ended 31 July 2009 and are not expected to have any material impact in the future periods. The impact of these new standards and interpretations has been assessed and is set out below:

1. Revised AASB 101 Presentation of Financial Statements, AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101

   A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

2. AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards

   The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Segment Reporting in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report.

4. AASB 2008-1 Amendments to Australian Accounting Standard – Share based payments: Vesting Conditions and cancellations

   Applicable for annual reporting periods beginning 1 after January 2009. This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share based payment transaction should therefore be considered for the purpose of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

5. AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) and AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

   These amendments detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the group.

No other non-mandatory standards are considered applicable to the Group. The group does not anticipate early adoption of any of the above reporting requirements and does not expect them to have any material effect on the Group's financial statements.

36. AUTHORISATION

The financial report was authorised for issue on 9 October 2009 by the Board of Directors.

Directors' Declaration

The Directors of the Company declare that:

1. the financial statements and notes as set out on pages 26 to 71, are in accordance with the Corporations Act 2001 and:
   (a) give a true and fair view of the financial position as at 31 July 2009 and the performance for the year ended on that date of the Company and consolidated entity; and
   (b) comply with Accounting Standards and the Corporations Regulations 2001;

2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. this declaration has been made after receiving the declaration required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ending 31 July 2009.

This declaration is made in accordance with a resolution of the Board of Directors.

Robert D Millner

Director

Sydney

9th October 2009

Auditor's Independence Declaration

Grant Thornton

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Auditor's Independence Declaration
To the Directors of Souls Private Equity Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Souls Private Equity Limited and its controlled entities for the year ended 31 July 2009, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton NSW

GRANT THORNTON NSW
Chartered Accountants

A J Archer

A J Archer
Partner

Sydney, 9 October 2009

Independent Audit Report

GrantThornton

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Independent Auditor's Report
To the Members of Souls Private Equity Limited

Report on the Financial Report

We have audited the accompanying financial report of Souls Private Equity Limited and its controlled entities which comprises the balance sheet as at 31 July 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Independent Audit Report

Grant Thornton

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we complied with applicable independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of Souls Private Equity Limited is in accordance with the Corporations Act 2001, including:

i giving a true and fair view of the company's and consolidated entity's financial position as at 31 July 2009 and of their performance for the year ended on that date; and

ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 17 of the directors' report for the year ended 31 July 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Independent Audit Report

Grant Thornton

Auditor's opinion

In our opinion the Remuneration Report of Souls Private Equity Limited for the year ended 31 July 2009, complies with section 300A of the Corporations Act 2001.

Grant Thornton NSW

GRANT THORNTON NSW
Chartered Accountants

A J Archer

A J Archer
Partner

Sydney, 9 October 2009

ASX Additional Information

Equity Holders

At 30 September 2009, there were 6,703 holders of ordinary shares and 4,946 holders of options in the capital of the company. These holders were distributed as follow:

No. held	No. of Shareholders	No. of Option holders
1 – 1,000	61	11
1,001 – 5,000	425	3,606
5,001 – 10,000	1,262	743
10,001 – 100,000	4,328	500
100,001 and over	627	86
Holding less than a marketable parcel of 5,377 shares / 500,000 options	490	4,946

Votes of Members

Article 17.6 of the Company's Constitution provides:

Subject to this Constitution, the Listing Rules and the rights or restrictions on voting which may attach to or be imposed on any class of Shares:

a) on a show of hands every Member present will have one vote; and

b) on a poll every Member present will have one vote for each fully paid Share held by that member and a fraction of a vote for each partly paid Share, equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) for the Share, ignoring any amounts paid in advance of a call.

ASX Additional Information (continued)

The 20 largest holdings of the Company's shares as at 30 September 2009 are listed below:

Name	Shares Held	%
Washington H. Soul Pattinson & Company Limited	79,339,419	13.37%
Cogent Nominees Pty Limited	46,635,435	7.86%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/C>	42,200,160	7.11%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	30,283,396	5.10%
Citicorp Nominees Pty Limited	10,594,977	1.79%
Luton Pty Ltd	8,780,246	1.48%
Richvale Pty Limited	8,300,000	1.40%
Lets Retire Pty Ltd <Neville Super Fund A/C>	5,347,605	0.90%
Nimpod Pty Ltd	4,864,500	0.82%
UBS Wealth Management Australia Nominees Pty Ltd	4,327,222	0.73%
Gowing Bros Limited	4,235,000	0.71%
Di Iulio Homes Pty Limited <Di Iulio Super Fund A/C>	3,166,576	0.53%
Mr Peter Alexander Brown	2,800,000	0.47%
Mr Anthony Charles Patrick Cotterell <Ancott A/C>	2,500,000	0.42%
RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	2,300,977	0.39%
Mt Vincent Paul Godfrey Cotterell <Vincot A/C>	2,300,000	0.39%
Caratel Pty Ltd	2,028,374	0.34%
Farjoy Pty Ltd	1,804,132	0.30%
ANZ Nominees Limited <Cash Income A/C>	1,611,783	0.27%
Firchester Pty Ltd <The Lyndon Family A/C>	1,550,000	0.26%
Total top 20 security holders	264,969,802	44.64%
Total number of shares on issue	593,531,091	

ASX Additional Information (continued)

The 20 largest holdings of the Company's options as at 30 September 2009 are listed below:

Name	Options Held	%
Washington H. Soul Pattinson & Company Limited	8,666,205	11.76%
Mr Milan Herceg	2,000,000	2.71%
Dr Grant Vincent Stendal	2,000,000	2.71%
Vahedin Pty Ltd	1,607,543	2.18%
Brix Group Pty Ltd	1,500,000	2.03%
E D M Transport Pty Ltd <E D M Super Fund A/C>	1,307,761	1.77%
Lets Retire Pty Ltd <Neville Super Fund A/C>	1,278,712	1.73%
Mr Matthew Hill	1,183,080	1.60%
MR Peter Morris Gissing + Mrs Judith Kathleen Gissing <MH Gissing P/L Superfund AC>	1,081,807	1.47%
Richvale Pty Limited	1,037,500	1.41%
Mark Mitchell Services Pty Ltd <Mitchell Super Fund A/C>	1,000,000	1.36%
Republic Australia Pty Limited	1,000,000	1.36%
Trust Company Fiduciary Services Limited <PTC0020 A/C>	1,000,000	1.36%
Mr Stephen Daly	860,528	1.17%
Mr Dan Qing Bao	783,135	1.06%
Mr Christopher James Piggott + Mrs Shirley Janice Piggott	747,249	1.01%
Desmic Investments Pty Limited	600,000	0.81%
Brailey & Fenton Pty Ltd <Super Fund EFB A/C>	569,877	0.77%
Mr Kenneth Ellis Jeeves + Mrs Beryl Linda Jeeves <BLJ Retirement Fund A/C>	500,000	0.68%
L&C Strickland Investments Pty Limited <Strickland Family S/F A/C>	500,000	0.68%
Total top 20 option holders	29,223,397	39.63%
Total number of options on issue	73,722,567	

ASX Additional Information (continued)

Substantial Shareholders

As at 30 September 2009 the names and holdings of substantial shareholders as disclosed in notices received by the company are:

Substantial Shareholders	No. of Shares	% of Total
Washington H. Soul Pattinson & Company Limited	79,339,419	13.37
Perpetual Limited	68,477,951	11.54
Select Asset Management Limited	55,445,309	9.34

Other Information:

- There is no current on-market buy-back in place.
- There were 23 transactions in listed securities undertaken by the Company and the total brokerage paid or accrued during the year was $42,653.

Souls Private Equity Limited