

SOULS PRIVATE EQUITY LIMITED

ABN 71 111 196 420 AND CONTROLLED ENTITIES



Annual Report

For the year ended 31 July 2010

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 J Pillinger

Registered Office

Level 2
160 Pitt Street Mall
Sydney NSW 2000
Telephone: (02) 9210 7000
Facsimile: (02) 9210 7099

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

Advanced Share Registry Services Limited
150 Stirling Highway
Nedlands, WA 6009
Telephone: 08 9389 8033

Australian Securities Exchange Code

Ordinary Shares	SOE
Options	SOEOA

Website

www.spel.com.au

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CHAIRMAN'S ADDRESS

Dear Shareholders,

I am pleased to enclose the sixth Annual Report of Souls Private Equity Limited (SPEL) for the year ended 31 July 2010.

SPEL has recorded a net profit after tax of \$0.5 million for FY10, compared to a net loss of \$22.5 million in FY09.

The major contributor to the 2010 profit was an increase in the market value of listed investments of \$3.7 million compared to a loss of \$19.4 million in the prior year. Revenue for the consolidated entity increased 17% to \$29.1 million.

Liquid assets at 31 July 2010 were \$34.1 million which equates to 5.75 cents per share. Net assets as at the end of the FY10 reporting period were \$114.3 million.

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

The 2010 Annual General Meeting of the Company is scheduled for 11.00am on Thursday 25th November 2010 at The Lyceum Room, Wesley Centre, 220 Pitt Street, Sydney and my fellow Directors and I look forward to meeting you personally at this time.



Robert D. Millner

Chairman

Sydney

13th October 2010

INVESTMENT MANAGER'S REPORT

SPEL's portfolio, like many small to medium enterprises, has had a challenging year. The lack of business confidence along with the re-rating of risk resulted in many companies curtailing their spending and focusing inwardly on their core business. Many businesses cut costs and were not actively seeking growth options. This risk aversion has flowed through to the performance of many of the investee companies in the SPEL portfolio as they operate in growth areas of the economy.

During the year, SPEL worked actively with many of its investee companies to maintain profitability through the tough trading conditions and position themselves to take advantage of future growth opportunities as they arise.

SPEL's investment portfolio is divided into three main segments:

- SME investments – unlisted and listed
- Listed share portfolio
- Cash and cash equivalents

Segmented net assets As at 31 July	2010		2009	
	\$ m	%	\$ m	%
SME investments - Unlisted	68.0	60%	69.5	61%
SME investments - Listed	7.0	6%	6.6	6%
Listed share portfolio	33.3	29%	31.6	28%
Cash	0.9	1%	3.0	3%
Other assets and eliminations	5.1	4%	3.1	3%
Net assets	114.3	100%	113.8	100%

SME Investments (unlisted and listed)

The active SME investment portfolio is currently made up of 11 companies. The three largest investments by carrying value make up 76% of the SME portfolio.

SME Investments As at 31 July 2010	Investment	Book
	Cost \$m	Value \$m
Ampcontrol Pty Limited	11.5	26.2
Cromford Pty Limited*	44.9	24.0
Pitt Capital Partners Limited	5.9	6.6
CMA Corporation Limited	12.0	3.3
InterRisk Australia Pty Limited	2.1	3.0
CBD Energy Limited	2.9	2.7
Supercorp Australia Pty Limited	3.7	2.5
Belaroma Coffee Company Pty Limited	3.0	2.5
Specialist Oncology Property Pty Limited	1.6	2.1
Austgrains Pty Limited	2.9	1.1
Soda Brands Limited	7.4	1.0
Total SME investments (unlisted and listed)	97.9	75.0

* 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

The three largest unlisted SME investments are discussed in the following section.

INVESTMENT MANAGER'S REPORT (continued)

Key Facts

Investment Date: December 2005

SPEL Ownership: 45%

Investment Cost: \$11.5m

Book Value: \$26.2m

Employees: 850

Website: www.ampcontrolgroup.com



Ampcontrol is seeking to expand its current operations in Hong Kong by utilising their underground expertise in tunnelling projects throughout South East Asia.

While there is uncertainty associated with the proposed mining tax, the view of SPEL and Ampcontrol is that the Australian operations will remain buoyant due to the strength of the Australian coal mining industry.

Year in Review

In March Ampcontrol acquired Magnalec, a business based in Johannesburg, South Africa. Magnalec is focused on supplying products to the metalliferous mining sector. Magnalec also designs and manufactures a range of products for the industrial, coal mining and power utility sectors. Magnalec is being rebranded Ampcontrol Africa.

The transformers team moved into a new custom built facility located at Tomago, NSW, which expanded Ampcontrol's transformer manufacturing capabilities.

Financial Results

Ampcontrol delivered pleasing financial results despite the tough economic operating environment. EBITDA grew by 20% on a reduction in revenues reflecting a strong focus on cost control within the business.

\$'000	Jun-2010	Jun-2009
Revenue	158,074	170,572
EBITDA	20,915	17,366
EBIT	12,039	12,162

Outlook

The 2011 Financial Year will include the full year earnings resulting from the Magnalec acquisition (2010 result included 3 months earnings from Magnalec). The United Kingdom has been experiencing difficult trading conditions due to depressed economic environment. Ampcontrol management is focused on improving the performance in this region.

Business Description

Founded in 1968 Ampcontrol began distributing industrial electrical products to the Hunter region. Through organic growth and selective acquisitions the Ampcontrol Group has become a leading international supplier of electrical and electronic products to the power, energy and mining sectors.

Ampcontrol has a strong presence in providing products and service to the mining sector, with a particular focus on underground longwall coal mining. It has been expanding its capabilities to include a range of mining, defence, energy and industrial applications.

Ampcontrol operates sites across Australia with international operations in China, Hong Kong, New Zealand, Russia, South Africa and the United Kingdom.

Investment Rationale

SPEL identified mining services as a growth sector of the economy and made a number of investments in the industry in 2005.

SPEL recognised the strength of Ampcontrol's dominant market position and superior product technology and the opportunity for Ampcontrol to expand geographically and use its expertise for new applications.

INVESTMENT MANAGER'S REPORT (continued)

Key Facts

Investment Date: December 2004
 SPEL Ownership: 100%
 Investment Cost: \$44.9m
 Book Value: \$24.0m
 Employees: 100
 Website: www.cromford.com.au



Year in Review

Market conditions were very challenging for the year. The pipe market experienced a significant decrease in volumes, resulting in low capacity utilisation across the industry. The film market saw the appreciation of the AUD which reduced the competitiveness of local producers when compared to foreign importers. The uncertainty in the building sector and infrastructure development has resulted in a continued slowdown in major projects. The major industry participants have responded to this trend by moth balling capacity and awaiting the inevitable upturn. Cromford unified its brand strategy by discontinuing the AFP brand during the year. This is expected to raise brand awareness and facilitate greater cross-selling opportunities.

Financial Results

Despite difficult market conditions, Cromford managed to grow revenue in both the pipe and the film businesses. Cromford reported total revenue of \$26.6m, representing a 38% increase over FY09.

SPEL converted \$28.2m in shareholder loans into ordinary equity during the year, ensuring the business has the financial flexibility to capitalise on growth opportunities as they arise.

\$'000	Jun-2010	Jun-2009
Revenue	26,516	19,359
EBITDA	(3,524)	(6,420)
EBIT	(4,908)	(7,868)

Outlook

Leading economic indicators are pointing to the stabilisation of the domestic economy, with improvements expected across housing, mining investment and civil construction.

Additional capacity is being added to the film business which should improve overall margins by replacing imported product with locally produced product.

Longer term industry dynamics remain favourable with the replacement of aging water infrastructure, China's need for resources and the emergence of new sectors such as coal seam gas driving future demand. Cromford is well positioned to capitalise on increasing demand across each of its markets.

Business Description

Cromford is a manufacturer and distributor of polyethylene pipes and industrial plastics.

Founded in 1978 as a manufacturer of building film and dampcourse, the company diversified under SPEL ownership via the acquisition of Australian Film and Pipe, to incorporate pipe production.

With manufacturing operations in Moss Vale and Western Sydney, Cromford is well positioned to capture growing demand in the eastern states.

Investment Rationale

SPEL acquired Cromford in December 2004. Cromford was the dominant market leader in the niche segment of plastic film and dampcourse supply. To reduce dependence on the cyclical nature of the residential building and agricultural industries, Cromford entered the plastic extruded pipe market in February 2007.

Plastic pipe has attractive industry thematic due to the growing demand being driven by increasing spending in water, infrastructure and mining development. The opportunity exists for a flexible player to differentiate from the industry majors through speed to market and service quality.

INVESTMENT MANAGER'S REPORT (continued)

Key Facts

Investment Date: December 2004
 SPEL Ownership: 25%
 Investment Cost: \$5.9m
 Book Value: \$6.6m
 Employees: 11
 Website: www.pittcapitalpartners.com.au



has resulted in a reduced appetite for mergers and acquisitions in Australia.

As concerns over the global economy subside and there is more clarity over the mining tax in Australia, Pitt Capital believes that the environment for mergers and acquisitions will improve.

The past two years have seen significant capital being raised to repair stretched balance sheets as risk was reassessed. As asset prices have improved, companies will look to divest non-core assets and others will look for growth via acquisition to meet earnings expectations.

Year in Review

Demand for corporate advisory services slowed significantly as companies focussed on their core businesses in favour of growth by acquisition. Consequently, Pitt Capital undertook a significant restructure during the year to realign its cost base with the market conditions. Pitt Capital closed its offices in Hong Kong, Adelaide and Melbourne. Pitt Capital advised on a number of transactions during the year and acquired new clients in exciting growth markets.

Financial Results

Pitt Capital had an underlying profit (before one-off costs) of \$0.6m, however significant restructuring costs throughout the year resulted in a minor loss. The 2009 result included a significant one off advisory fee from New Hope Corporation.

During the year, Pitt Capital paid a dividend to SPEL of \$2.5m and paid a further dividend of \$0.9m to SPEL in August 2010.

\$'000	Jun-2010	Jun-2009
Revenue	5,839	36,027
EBITDA	(86)	24,763
EBIT	(168)	24,615

Business Description

Pitt Capital Partners is an independent corporate advisory firm specialising in financial advice to clients. Pitt Capital Partners provides a range of corporate advisory services including mergers and acquisitions, strategic advice, equity capital markets, private equity, restructuring and debt advisory.

Investment Rationale

Pitt Capital is the investment manager of SPEL. SPEL invested in Pitt Capital as one means to align the interest of the manager with the company. Pitt Capital gives SPEL crucial insight into what is happening in equity markets which enables them to maximise value for SPEL shareholders in terms of acquiring and exiting businesses. Pitt Capital's expertise in transaction execution and private equity investment management are essential services to the operation of SPEL.

Outlook

The Australian economy is currently the envy of the global economy, although many businesses are still concerned that the issues occurring in the major global economies could affect Australia. This uncertainty, combined with the proposed mining tax

INVESTMENT MANAGER'S REPORT (continued)

Other SME Portfolio Developments

Refer to Note 12 of the accompanying financial statements for details of amounts invested and beneficial interest in associate entities. CBD Energy Limited and CMA Corporation Limited form part of the listed investments in securities shown in Note 8 of the accompanying financial statements.

CBD Energy Limited

In January 2010, CBD Energy Limited acquired the eco-Kinetics solar energy business. The increased revenue from this acquisition combined with the completion of key projects, including the Chatham Islands wind project in June 2010, led to significantly improved financial results. Revenue grew by 163% to \$44.4 million and EBITDA increased significantly to \$6.2m compared with a loss of \$3.3 million in the prior corresponding period.

Belaroma Coffee Company Pty Limited

In FY10 Belaroma revenue grew by 15% to \$12.6m whilst EBITDA grew 38% to \$1.45m. This positive result was achieved through growth from sales to cafes and restaurants. Belaroma continues to reinvest profits back in the business and is achieving market share growth at the expense of its competitors.

Soda Brands Limited

In August 2010, Soda Brands Limited merged with Creative Brands Pty Ltd to form Heritage Brands Limited, which is listed on the National Stock Exchange. As a result of this merger SPEL's shareholding in Heritage Brands was diluted to 25.1%. The merged business now has a number of brands which include; Innoxia, Australis and Mode Cosmetics. On a pro-forma basis the revenue of the business is forecast to increase from approximately \$10m to greater than \$20m.

Supercorp Pty Limited

Supercorp achieved a significant milestone throughout the year with the commercial release of its superMate software. superMate differs from earlier software packages in that it is a web deployed application and thus increases accessibility to new markets.

Specialist Oncology Property Pty Limited

Specialist Oncology Property took advantage of the opening of Norwest Hospital with the acquisition of suites within the hospital precinct. This new facility includes a chemotherapy suite and a pharmacy that are both externally operated. This new facility is expected to underpin revenue growth in FY11.

Austgrains Pty Limited

The Future Food Ingredients business, in which Austgrains has a 50% shareholding, continued to sustain losses through the year. Consequently, Austgrains and its joint venture partner have decided to exit the business. Austgrains is currently seeking buyers for this business. This has had a significant flow on effect to the carrying value of Austgrains in SPEL's accounts with the take up of equity accounted losses of \$1.6m. Austgrains' core business will benefit from improved seasonal conditions and the growth in a number of promising grain varieties.

CMA Corporation Limited

CMA is currently in voluntary suspension as the company undertakes a capital structure review. The company made new appointments at the Chairman and CEO levels to lead it through the important restructure program. CMA announced in August this year that it has reached an agreement to sell the CMA contracting division and has entered into a supply contract with the purchaser.

InterRisk Australia Pty Limited

InterRisk is well positioned to capture growth through new initiatives in life insurance and workers compensation segments through the launch of InterRisk Life and WCMS joint ventures. The Queensland operation should see improvements in operational results with the appointment of new management.

Asian Property Investments Limited

SPEL exited its investment in Asian Property Investments Limited in January 2010. The investment delivered a positive result in local currency terms, however due to adverse currency movements the net result to SPEL was a loss of approximately \$0.3 million over the life of the investment.

INVESTMENT MANAGER'S REPORT (continued)

Listed Share Portfolio

The market value of the listed portfolio (excluding listed SME investments) increased in value by \$3.3 million during the year.

Dividends and distributions received from the listed share portfolio during the year totalled \$1.8 million. In addition the net gain upon disposals during the year totalled \$0.2 million. The disposals during the year included ANZ Banking Group, BHP Billiton and Coca-Cola Amatil.

Listed share portfolio (excluding listed SME investments) as at 31 July 2010	Book Value Jul-09 \$m	Book Value Jul-10 \$m
Australia & New Zealand Banking Group Limited	4.6	5.2
BHP Billiton Limited	2.6	2.0
Bravura Solutions Limited	0.3	0.2
Commonwealth Bank of Australia	8.2	10.1
Coca Cola Amatil Limited	1.9	1.7
Fairfax Media Limited	0.6	0.6
Suncorp-Metway Limited	0.7	0.8
Telstra Corporation Limited	7.4	6.8
Transurban Group	2.0	2.1
Wesfarmers Limited	1.9	2.3
Westfield Group	1.4	1.5
Totals	31.6	33.3

Note: During FY2010 listed shares to the value of \$1.6m were disposed of.

Cash and Cash Equivalents

Cash balances as at the end of FY10 totalled \$0.9 million which included cash of \$0.6 million held within Cromford. Interest earned on cash balances totalled \$0.1 million during the year.

Outlook

While there remain uncertainties surrounding the outlook for economic conditions and equity markets, we believe our portfolio companies have undertaken significant preparations for the eventual upturn. We are confident that the hard work undertaken by our investment team and investee management will better position the portfolio for FY11.

DIRECTORS' REPORT

The Directors of Souls Private Equity Limited ("the Company") and its controlled entities ("the consolidated entity") present the following report for the year ended 31 July 2010.

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 25 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:

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

* denotes current directorship

Special Responsibilities:

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

Interest in Shares and Options:

- 1,725,193 Ordinary shares in Souls Private Equity Limited
- 153,151 listed options in Souls Private Equity Limited

DIRECTORS' REPORT

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 following investee companies: Specialist Oncology Property Pty Limited and SODA Brands Limited. During the past three years, Mr Fairfull has also served as a Director of the following listed companies:

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

* denotes current directorship

Special Responsibilities:

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

Interest in Shares and Options:

- 8,700,001 Ordinary shares in Souls Private Equity Limited
- 1,087,501 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 Group 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:

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

* denotes current directorship

Special Responsibilities:

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

Interest in Shares and Options:

- 423,277 Ordinary shares in Souls Private Equity Limited
- 59,910 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
- 46,250 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

Souls Private Equity Limited recorded a net profit after tax attributable to the owners of the parent of \$492,000 for the year ended 31 July 2010 (2009: \$22,508,000 loss). The key components of this result were:

- Total revenue for the year ended 31 July 2010 increased to \$29,108,000 (2009: \$24,805,000).
- Unrealised gains on listed investments held for sale were recognised of \$3,704,000 (2009: \$19,382,000 loss).
- No impairment losses were recognised in the year ended 31 July 2010 (2009: \$9,057,000 loss).

Financial Position

The net assets of the consolidated entity at reporting date were \$114,258,000 (2009: \$113,777,000). The consolidated entity has good liquidity and a listed share portfolio of major Australian companies that can be disposed of to fund investment opportunities.

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 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 90 employees as at 31 July 2010 (2009: 77).

Significant changes in the State of Affairs

Other than as stated 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. 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

From 31 July 2010 to the date of this report additional investments of \$1,629,000, by way of loans, were provided by the Company to Cromford Group 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 2010 no dividend has been recommended or declared (2009: 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 2010, 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	12	12	12	3	3
DJ Fairfull	12	12	12	12	3	3
DE Wills	12	12	12	12	3	3
RG Westphal	12	12	12	12	2	3

No meetings of the nomination committee or remuneration committee were held during the year ended 31 July 2010 because the Company had no employees during the year.

Remuneration Report (Audited)

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 31 July 2010 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:

2010	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	-

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	-

(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 Group Pty Limited, a controlled entity.

DIRECTORS' REPORT (continued)

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.

All management options expired on 16 December 2009 and no new options were issued.

No management options were granted to, or held by Directors during the 2009 or 2010 financial years.

(b) Other Key Management Personnel

Names and positions held of other key management personnel in office during the year to 31 July 2010 were:

T Barlow	General Manager – appointed 21 July 2010
R Pillinger	Company Secretary
A Fairfull	General Manager – resigned 16 July 2010

Mr T Barlow is employed directly by the Investment Manager, Pitt Capital Partners Limited.

Mr A Fairfull was employed directly by the Investment Manager, Pitt Capital Partners Limited until the date of his resignation.

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:

2010	Short-term Benefits ⁽¹⁾ \$	Post-Employment Benefits \$	Total \$	Performance Related %
T Barlow ⁽²⁾	-	-	-	-
R Pillinger ⁽³⁾	-	-	-	-
A Fairfull ⁽⁴⁾	24,000	2,160	26,160	-
	<u>24,000</u>	<u>2,160</u>	<u>26,160</u>	<u>-</u>

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

(b) Other Key Management Personnel (continued)

2009	Short-term Benefits ⁽¹⁾ \$	Post-Employment Benefits \$	Total \$	Performance Related %
A Fairfull ⁽⁴⁾	24,000	2,160	26,160	-
R Pillinger ⁽³⁾	-	-	-	-
	24,000	2,160	26,160	-

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

(2) Mr Barlow is employed directly by Pitt Capital Partners Limited. No remuneration was received directly from the Company or consolidated entity. Refer to Note 26 (ii) for details of the management agreement between the Company and Pitt Capital Partners Limited.

(3) Mr Pillinger is employed directly by Corporate and Administrative Services Pty Limited. No remuneration was received directly from the Company or consolidated entity. The service agreement between the Company and Corporate and Administrative Services Pty Limited is open ended and has a notice period of one month for either party to terminate. There are no penalties associated with termination of the agreement. Refer to Note 26 (ii) for details of amounts paid to Corporate and Administrative Services Pty Limited.

(4) Mr Fairfull received remuneration in his capacity as Chairman of an investee entity, Soda Brands Limited. Mr Fairfull has resigned his position with SODA Brands Limited following his resignation from Pitt Capital Partners Limited on 16 July 2010.

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⁾
RD Millner	1,725,193	153,151
DJ Fairfull	8,700,001	1,087,501
DE Wills	423,277	52,910
RG Westphal	370,000	46,250
Other key management personnel:		
T Barlow	20,000	2,500
R Pillinger	-	-

(1) These options are listed options in the Company (ASX: SOEOA) expiring on 2 February 2015 exercisable at a price of \$0.20 each.

DIRECTORS' REPORT (continued)

Options

All listed options (ASX code: SOEO) expired on 16 December 2009, and 74,194,755 bonus options (ASX code: SOEOA) were issued in their place on 1 March 2010.

At 31 July 2010, the unissued ordinary shares of the Company under option are as follows:

Listed options: (ASX code: SOEOA)

Grant Date	Date of Expiry	Exercise Price	Number under Option
1 March 2010	2 February 2015	\$0.20	74,031,284

During the year ended 31 July 2010: 20,710 (2009: 3,004) ordinary shares of the Company were issued upon the exercise of listed options (SOEO), each at \$0.30 and 163,471 (2009: nil) ordinary shares of the Company were issued upon the exercise of listed options (SOEOA), each at \$0.20.

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

Unlisted options:

All unlisted management options expired on 16 December 2009 and no new options were issued.

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 31 July 2010, 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 2010.

DIRECTORS' REPORT (continued)

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 2010:

Taxation compliance services: \$15,700 including GST.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 July 2010 has been received and can be found on page 79 which forms part of this report.

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



Robert D Millner
Director

Sydney
13th October 2010

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.

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 Securities 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:

DE Wills (Chairman)

DJ Fairfull

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 requires them to:

- Act in accordance with ethical and professional standards
- Act with honesty and integrity in dealings with shareholders, customers, suppliers and competitors
- Ensure compliance with all laws and regulations
- Act in accordance with standards of workplace behaviour and equal opportunity
- Avoid actual or potential conflicts of interest between private and company matters
- Not engage in insider trading

CORPORATE GOVERNANCE (continued)

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

- Not accept unauthorised benefits as a result of their position in the company
- Ensure company assets and confidential information are not used improperly
- Maintain and further enhance the company's reputation and not act in a manner which may harm that reputation
- Report all breaches of the code

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, employees and external service providers.

The main principles are as follows:

- The policy relates to trading in shares of the company and controlled and associated entities of the company that are publicly listed.
- Trading is prohibited when Directors and employees are in possession of price sensitive information which is not available to the public.
- In respect of Directors and senior executives trading its shares, the company has established the following share trading windows each for a period of 6 weeks commencing from-
 - The release of the company's annual result to the ASX;
 - The release of the company's half yearly result to the ASX;
 - The date of the Annual General Meeting; and
 - The release of a prospectus.

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 four 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

CORPORATE GOVERNANCE (continued)

Principle 4 – Safeguard integrity in financial reporting (continued)

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 as defined in the Audit Committee Charter 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
- 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.

CORPORATE GOVERNANCE (continued)

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.

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

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 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.

Investment risk is the main risk faced by the Company. 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.

CORPORATE GOVERNANCE (continued)

Principle 7 – Recognise and manage risk (continued)

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
- assess risks identified within the investment portfolio
- assess the performance of the portfolio manager
- evaluating investment performance

The Investment Manager is responsible for monitoring this risk and reporting to the Board of Directors on a monthly basis on all companies within the investment portfolio. In the event of a significant risk being identified, the Investment Manager reports immediately to the Board. The close working relationship between the Board and the Investment Manager ensures that this reporting process works effectively in addressing identified risks as soon as possible.

This reporting includes the most up to date available financial information relating to all investee companies incorporating financial results, cash flow information, compliance with banking covenants (where applicable) and any significant events within each company.

Controlled entities which undertake manufacturing or other industrial activities are required to provide a report to the Company on Occupational Health and Safety each month. These reports are considered by the Board on a monthly basis and any concerns or deficiencies identified are immediately addressed with management of the controlled entity.

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.

CORPORATE GOVERNANCE (continued)

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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 JULY 2010

	Note	2010 \$'000	2009 \$'000
Revenue	2 (a)	29,108	24,805
Other gains / (losses)	2 (b)	5,153	(29,932)
Expenses	2 (c)	(35,114)	(34,966)
Finance costs		(14)	(63)
Share of net profits of associates accounted for using the equity method	12	1,258	7,978
Profit / (loss) before income tax benefit		391	(32,178)
Income tax benefit	3	101	6,815
Profit / (loss) after income tax benefit		492	(25,363)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the period		492	(25,363)
Total comprehensive income / (loss) attributable to:			
Owners of the parent		492	(22,508)
Non-controlling interests		-	(2,855)
		492	(25,363)
Basic earnings / (loss) per share (cents)	22	0.08	(3.79)
Diluted earnings / (loss) per share (cents)	22	0.08	(3.79)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2010

	Note	2010 \$'000	2009 \$'000
ASSETS			
Cash and cash equivalents	5	883	2,966
Trade and other receivables	6	6,504	4,917
Current tax assets	7	436	786
Investments in securities	8	39,179	38,956
Inventories	9	6,773	5,339
Prepayments	10	312	144
Property, plant & equipment	11	17,864	18,385
Investments accounted for using the equity method	12	44,974	44,936
Other long term receivables	13	635	100
Deferred tax assets	14	7,057	8,396
TOTAL ASSETS		124,617	124,925
LIABILITIES			
Trade and other payables	16	5,918	5,311
Employee benefits	17	496	515
Deferred tax liabilities	18	3,945	5,322
TOTAL LIABILITIES		10,359	11,148
NET ASSETS		114,258	113,777
SHAREHOLDERS' EQUITY			
Issued capital	19	144,908	144,928
Reserves	23	63	54
Accumulated losses		(30,713)	(31,205)
TOTAL EQUITY		114,258	113,777

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JULY 2010

	Share Capital \$'000	Reserves \$'000	Accumulated Losses \$'000	Non- Controlling Interests \$'000	Total Equity \$'000
Total equity at 1 August 2008	144,928	54	(8,329)	1,515	138,168
Change in controlled entities equity	-	-	(368)	1,340	972
Total comprehensive loss for the year	-	-	(22,508)	(2,855)	(25,363)
Total equity at 31 July 2009	144,928	54	(31,205)	-	113,777
Total equity at 1 August 2009	144,928	54	(31,205)	-	113,777
Issue of shares, net of cost	(20)	-	-	-	(20)
Change on loss of control of controlled entity	-	9	-	-	9
Total comprehensive income for the year	-	-	492	-	492
Total equity at 31 July 2010	144,908	63	(30,713)	-	114,258

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 JULY 2010

	Note	2010 \$'000	2009 \$'000
Cash flows from operating activities			
Receipts from customers		26,813	25,304
Payments to suppliers and employees		(36,478)	(35,411)
Proceeds from sale of listed investments		1,912	10,940
Purchase of listed investments		(82)	(527)
Dividends and distributions received		1,761	2,580
Income tax refunded / (paid)		308	(603)
Finance costs		(14)	(63)
Interest received		168	624
Net cash (outflow) / inflow from operating activities	21(a)	(5,612)	2,844
Cash flows from investing activities			
Payments for associated entities		(2,023)	(1,294)
Dividends received from associated entities		3,241	1,187
Payments for the purchase of business operations		-	(516)
Payments for property, plant and equipment		(1,022)	(5,722)
Proceeds from sale of associate entities		935	-
Proceeds from sale of unlisted investments		1,653	-
Loans to other entities		(535)	(1,300)
Loans repaid from other entities		1,300	-
Net cash inflow / (outflow) from investing activities		3,549	(7,645)
Cash flows from financing activities			
Bonus options issue costs		(20)	-
Controlled entities issue of shares net of costs		-	972
Net cash (outflow) / inflow from financing activities		(20)	972
Net decrease in cash and cash equivalents held		(2,083)	(3,829)
Cash and cash equivalents at the beginning of the year		2,966	6,795
Cash and cash equivalents at the end of the year		883	2,966

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

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. 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 complies 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.

Change in accounting policy

Apart from the changes in accounting policies below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

From 1 July 2009 the Company has adopted the following Standards for annual reporting periods beginning on or after 1 January 2009. Adoption of these standards does not have any effect on the financial performance or position of the Company.

AASB 8: Operating Segments

Disclosure impact

AASB 8 replaces AASB 114 Segment Reporting upon its effective date. The accounting policy for identifying segments is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker (the Board of Directors). This change has resulted in Cromford Group Pty Limited being identified as a separate operating segment instead of being reported as part of the SME Investments segment. AASB 8 disclosures are shown in Note 28, including the revised comparative information.

AASB 101: Presentation of Financial Statements

In September 2007, the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the consolidated entity's financial statements.

Disclosure impact

Terminology changes - The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements. These changes are not expected to impact the financial performance or financial position of the consolidated entity.

Reporting changes in equity - The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that non-owner changes in equity be presented in the statement of changes in equity.

The impact of this change is that dividends recognised as distributions to owners and dividends per share are to be disclosed in the notes to the financial statements. As no dividends have been issued/declared in the current year or prior year these changes have not impacted the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement of comprehensive income - The revised AASB 101 requires all income and expenses to be presented in either one statement - the statement of comprehensive income, or two statements - a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The company's financial statements now contain a statement of comprehensive income.

Other comprehensive income - The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are also required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

As there has been no other comprehensive income in either the current year or prior year this change has not impacted the financial statements.

AASB 7 / AASB 2009-2 Amendments to AASB 7 Financial Instruments Disclosure: Improving Disclosures about Financial Instruments

The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

These disclosures are shown in Note 29(g).

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

Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs (except where stated at (c) 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.

Accounting Policies

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Principles of consolidation (continued)

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(b) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial Instruments (continued)

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- d. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The consolidated entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a consolidated entity of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the consolidated entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets.)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial Instruments (continued)

If during the period the consolidated entity sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets.)

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(c) 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".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments and other financial assets (continued)

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 (l).

(d) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Taxes (continued)

Income Tax (continued)

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 consolidated entity 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 notified the Australian Tax Office that it has formed an income tax consolidated group to apply from 1 August 2007. 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.

(e) 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 Statement of financial position.

Cash flows are included in the Statement of cash flows 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.

(f) 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.

(g) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, Plant and Equipment (continued)

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%	-	30%
Office equipment, furniture and fittings	10%	-	25%

(h) 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".

(i) Impairment of non-financial assets

At each reporting date, the consolidated entity 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 statement of comprehensive income.

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

(j) Employee benefits

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to reporting 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.

(k) 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:

Sale of Investments

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

Sales Revenue

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Revenue recognition (continued)

Interest

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.

Dividend

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.

(l) 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.

(m) 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.

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Cash and cash equivalents

For purposes of the Statement of cash flows, 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.

(p) 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.

(q) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of Directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The consolidated entity aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the products and services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(r) Presentation of Financial Statements

Statement of Financial Position assets and liabilities are presented in order of liquidity. This presentation most accurately reflects the operational cycle of the consolidated entity.

(s) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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.

(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 18. 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 14. 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 consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity 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 10% and annual growth rates of 3%.

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 2010 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The consolidated entity has decided against early adoption of these standards. A discussion of those future requirements and their impact on the consolidated entity follows:

AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The consolidated entity has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows.

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the consolidated entity.

AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

This standard details 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 consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) New Accounting Standards for Application in Future Periods (continued)

AASB 2009-8: Amendments to Australian Accounting Standards — Group Cash-settled Share based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the consolidated entity.

AASB 2009-9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the consolidated entity.

AASB 2009-10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the consolidated entity.

AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the consolidated entity.

AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the consolidated entity.

AASB 2009-14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This standard is not expected to impact the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) New Accounting Standards for Application in Future Periods (continued)

AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the consolidated entity.

AASB 2010-01 Limited exemption from comparative AASB 7 disclosures for first time adopters (Amendments to AASB 1 and AASB 7) (applicable to annual reporting periods commencing on or after 30 June 2011)

These amendments principally give effect to extending the transition provisions of AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments to first-time adopters of Australian Accounting Standards. This Interpretation is not expected to impact the consolidated entity.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] (applicable to annual reporting periods commencing on or after 30 June 2011)

These amendments limit the scope of the measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. This Interpretation is not expected to impact the consolidated entity.

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13] (applicable to annual reporting periods commencing on or after 31 December 2011)

These amendments emphasise the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments and clarify that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This Interpretation is not expected to impact the consolidated entity.

The consolidated entity does not anticipate the early adoption of any of the above Australian Accounting Standards.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

	Note	2010 \$'000	2009 \$'000
2. PROFIT / (LOSS) FOR THE PERIOD			
(a) Revenue:			
Sales revenue		27,124	21,722
Fully franked dividends - other corporations		1,586	2,075
Unfranked dividends - other corporations		4	39
Trust distributions		226	449
Interest income - notes		-	242
Interest income - third parties		168	278
Total revenue		29,108	24,805
(b) Other gains / (losses):			
Gain / (loss) on disposal of listed investments		229	(1,523)
Gain on loss of control of subsidiary	(b)(i)	513	-
Loss on disposal of fixed assets		-	(58)
Loss on disposal of private equity investment	(b)(i)	(228)	-
Unrealised gain / (loss) on listed investments held for trading		3,704	(19,382)
Impairment loss on goodwill		-	(4,953)
Impairment loss on investments		-	(4,104)
Reversal of impairment loss on long term advances and receivables	(b)(ii)	935	-
		5,153	(30,020)
Other income		-	88
Total other gains / (losses)		5,153	(29,932)

(b) (i) Gain / (loss) on disposal of private equity / loss of control of subsidiary

As a result of capital raisings by SODA Brands Limited (SODA) during the period, Souls Private Equity Limited's shareholding in SODA was reduced from 50.3% to 47.9% on 1 December 2009 and further reduced to 25.1% from 1 July 2010. From the date of change in shareholding to below 50%, SODA ceased to be accounted for as a subsidiary of SPEL. Under AASB 3 – Business Combinations, a loss of control is accounted for as a disposal of the subsidiary entity with any gain or loss on disposal recognised in the Statement of Comprehensive Income.

During the period, SPEL disposed of its 16.9% shareholding in Asian Property Investment Limited.

Reconciliation of gain on loss of control of subsidiary and loss on disposal of private equity during the period (2009: Nil):

	Gain on Loss of control of subsidiary \$'000	Loss on disposal of private equity \$'000
Sales consideration, net of costs of disposal	-	1,653
Reverse Net Liabilities / Carrying value of investments	513	(1,881)
Profit or (loss) recognised	513	(228)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

2. PROFIT / (LOSS) FOR THE PERIOD (continued)

(b) (ii) Reversal of impairment loss on long term advances and receivables

\$935,000 (net of costs) was recovered following settlement of a legal dispute relating to a receivable from the disposal of an associate company in the 2007 financial year. The full amount of this receivable had been provided for in the 2008 financial year.

	2010 \$'000	2009 \$'000
(c) Expenses:		
Cost of sales	25,680	22,439
Depreciation	1,495	1,449
Directors fees	204	204
Management fees	2,143	2,227
Professional fees	350	469
Administration expenses	3,075	5,065
Selling and marketing expenses	2,167	2,975
Bad and doubtful debt expense	-	138
Total expenses	35,114	34,966

3. INCOME TAX BENEFIT

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

(a) The components of tax benefit comprise:

Current tax	189	9
Deferred tax liability	(1,377)	(2,385)
Deferred tax asset	1,339	(4,439)
(Over)/Under provision in prior years	(252)	-
	(101)	(6,815)
(b) Prima facie tax on profit / (loss) before income tax at 30% (2009: 30%)	117	(9,653)
Tax effect amounts:		
- Tax benefit not recognised	1,487	4,605
- Franked dividends from other entities	(476)	(623)
- Share of profits of associates	(377)	(2,393)
- Tax on investments in associates	(596)	1,296
- Sundry items	(4)	(47)
- (Over)/Under provision in prior years	(252)	-
Income tax benefit attributable to profit / (loss)	(101)	(6,815)
The applicable weighted average effective tax rates are as follows:	(26%)	21%

The decrease in the weighted average effective consolidated tax rate for 2010 is due to the reversal of an over provision in the prior year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

	2010 \$'000	2009 \$'000
3. INCOME TAX BENEFIT (continued)		
(c) Tax Losses		
Unused tax losses for which no deferred tax asset has been recognised	53,344	48,387
Potential tax benefit at 30%	16,003	14,516

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

4. DIVIDENDS

Dividends paid during the year

No dividends have been paid or declared for the year ended 31 July 2010 (2009: Nil).

Franking Account Balance

Balance of the franking account after allowing for repayment of the income tax asset shown in the financial statements and receipt of dividends recognised as receivables.

30 % Class C franking credits	7,548	6,278
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The consolidated amounts include franking credits that would be available to the Company if distributable amounts of subsidiaries were paid as dividends.

5. CASH AND CASH EQUIVALENTS

Cash at bank	879	2,964
Cash on hand	4	2
	883	2,966

6. TRADE AND OTHER RECEIVABLES

Trade debtors	6,442	3,450
Short term loan to other entities (a)	-	1,300
Sundry debtors	62	167
	6,504	4,917

(a) An amount of \$1,300,000 was loaned by the Company to Innoxia Group Pty Limited (Innoxia) during the 2009 year. This loan was repaid in full during 2010.

Refer to Note 29 (e) for ageing analysis of trade debtors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

	2010 \$'000	2009 \$'000
7. CURRENT TAX BALANCES		
Current tax asset	436	786
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	39,179	37,075
Available for sale unlisted investments at fair value:		
- Shares in corporations	-	1,881
	39,179	38,956
Changes in fair value of financial assets at fair value through profit and loss are recorded in other gains / losses in the statement of comprehensive income. Refer to Note 1 (b) for information on how fair value is determined.		
9. INVENTORIES		
Finished goods – at cost	4,634	4,258
Raw materials – at cost	2,139	1,081
	6,773	5,339
10. PREPAYMENTS		
Prepayments	312	144
11. PROPERTY, PLANT AND EQUIPMENT		
Land at cost	3,867	887
Buildings at cost	8,609	6,518
Accumulated depreciation	(621)	(291)
	7,988	6,227
Plant, machinery and motor vehicles at cost	13,415	17,540
Accumulated depreciation	(7,634)	(6,555)
	5,781	10,985
Office equipment, furniture & fittings at cost	672	1,038
Accumulated depreciation	(444)	(752)
	228	286
Total	17,864	18,385

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of the carrying amounts of each class of asset at the beginning and end of the financial year:

	Land \$'000	Buildings \$'000	Plant, Machinery & Motor Vehicles \$'000	Office Equipment, Furniture & Fittings \$'000	Total \$'000
Balance at 1 August 2008	887	6,334	6,655	294	14,170
Additions	-	-	5,541	181	5,722
Disposals	-	-	(2)	(56)	(58)
Transfers in / (out)	-	-	-	-	-
Depreciation expense	-	(107)	(1,209)	(133)	(1,449)
Balance at 31 July 2009	887	6,227	10,985	286	18,385
Additions	-	7	939	76	1,022
Disposals	-	-	-	(48)	(48)
Transfers in / (out)	2,980	2,084	(5,064)	-	-
Depreciation expense	-	(330)	(1,079)	(86)	(1,495)
Balance at 31 July 2010	3,867	7,988	5,781	228	17,864

Transfers were made between classes of assets during the 2010 financial year to more accurately reflect the allocation of assets following the development of Cromford Group Pty Limited's Moss Vale facility.

The disposals during 2010 were assets held by SODA Brands Limited at the date it ceased to be accounted for as a subsidiary.

Refer to Note 1(t) (iii) 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 2010 (continued)

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

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

2010	Carrying value at 31 Jul 09 \$'000	Transfers/ Additions/ (Disposal) \$'000	Share of profit/ (loss) \$'000	Impairment \$'000	Dividend received \$'000	Carrying value at 31 Jul 10 \$'000
Pitt Capital Partners Limited	9,446	-	(297)	-	(2,500)	6,649
Specialist Oncology Property Pty Ltd	1,834	-	329	-	(54)	2,109
Austgrains Pty Limited	2,532	-	(1,611)	-	-	921
Ampcontrol Pty Ltd	23,756	-	3,166	-	(687)	26,235
Supercorp Pty Ltd	2,426	181	(22)	-	-	2,585
Belaroma Coffee Company Pty Ltd	2,305	-	197	-	-	2,502
InterRISK Australia Pty Ltd	2,637	5	333	-	-	2,975
SODA Brands Limited ⁽ⁱ⁾	-	1,835	(837)	-	-	998
Total	44,936	2,021	1,258	-	(3,241)	44,974

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 Limited	6,243	-	3,578	-	(375)	9,446
Specialist Oncology Property Pty Ltd	1,112	641	135	-	(54)	1,834
Austgrains Pty Limited	2,507	-	25	-	-	2,532
Asian Property Investment Ltd	3,513	(3,513)	-	-	-	-
Ampcontrol Pty Ltd	21,066	-	3,448	-	(758)	23,756
Supercorp Pty Ltd	3,670	-	184	(1,428)	-	2,426
Belaroma Coffee Company Pty Ltd	3,239	-	109	(1,043)	-	2,305
InterRISK Australia Pty Ltd	-	2,138	499	-	-	2,637
Total	41,350	(734)	7,978	(2,471)	(1,187)	44,936

i) As a result of capital raisings by SODA Brands Limited (SODA) during the period, Souls Private Equity Limited's shareholding in SODA was reduced from 50.3% to 47.9% on 1 December 2009 and further reduced to 25.1% from 1 July 2010. From the date of change in shareholding to below 50%, SODA ceased to be accounted for as a subsidiary of SPEL. Under AASB 3 – Business Combinations, a loss of control is accounted for as a disposal of the subsidiary entity with any gain or loss on disposal recognised in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Details of investments in unlisted entities at reporting date was:

		Beneficial Interest %	
		2010	2009
Pitt Capital Partners Limited	Corporate Advisory	25.00	25.00
Specialist Oncology Property Pty Ltd	Specialist medical services	31.45	31.45
Austgrains Pty Limited	Agricultural supplies	48.00	48.00
Ampcontrol Pty Ltd	Electrical engineering	45.00	45.00
Supercorp Pty Ltd	Financial services administration	30.21	30.21
Belaroma Coffee Company Pty Ltd	Beverage	40.00	40.00
InterRISK Australia Pty Ltd	Insurance Broker	40.00	40.00
SODA Brands Limited	Hair care and cosmetics distributor	25.10	-

All entities that are recognised as associates are incorporated in Australia.

	2010	2009
	\$'000	\$'000
Equity accounted profits of associates are broken down as follows:		
Share of associate's profit before income tax expense	2,736	11,144
Share of associate's profit after income tax	1,258	7,978
Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates		
Share of total assets	92,354	86,206
Share of total liabilities	54,950	49,514
Revenues	95,916	108,714

Pitt Capital Partners Limited and SODA Brands Limited have the same balance date as the Company. The balance dates of the other associated entities are:

Specialist Oncology Property Pty Limited	30 June 2010
Austgrains Pty Limited	30 June 2010
Ampcontrol Pty Limited	30 June 2010
Supercorp Pty Limited	30 June 2010
Belaroma Coffee Company Pty Limited	30 June 2010
InterRISK Australia Pty Ltd	30 June 2010

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

	2010 \$'000	2009 \$'000
13. OTHER LONG TERM RECEIVABLES		
Loans to associated entities ⁽ⁱ⁾	2,897	2,362
Loans to other entities	8,745	8,745
Impairment loss on long term advances	(11,007)	(11,007)
	635	100
Provision for Impairment:		
Balance at 1 August	11,007	8,745
Charged to statement of comprehensive income	-	2,262
Balance at 31 July	11,007	11,007

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

(i) For details of the additional loans to associated entities refer to Note 26 (i) and Note 26 (iii).

14. DEFERRED TAX ASSET

The deferred tax asset balance comprises the following timing differences and unused tax losses:

Share issue costs	7	4
Accrued expenses	509	39
Impairment loss on investments	503	503
Impairment loss on long term advances and receivables	317	605
Prior years income tax losses	5,721	2,145
Current year income losses	-	5,100
	7,057	8,396

Movements in deferred tax assets	Opening balance	Charged to income / transferred	Closing balance
Consolidated			
Share issue costs	296	(292)	4
Timing differences	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 31 July 2009	3,957	4,439	8,396
Share issue costs	4	3	7
Timing differences	39	470	509
Impairment loss on investments	503	-	503
Impairment loss on long term advances and receivables	605	(288)	317
Prior years income tax losses	7,245	(1,524)	5,721
Balance at 31 July 2010	8,396	(1,339)	7,057

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

	2010 \$'000	2009 \$'000
15. INTANGIBLE ASSETS		
Additions through business combination:		
Acquisition of distribution business	-	516
	-	516
Reconciliation:		
Balance at beginning	-	4,437
Acquisitions through business combination	-	516
Impairment losses	-	(4,953)
Balance at end	-	-

Impairment Disclosure

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

No impairment was recognised in 2010 as all goodwill had been fully impaired previously.

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 Statement of comprehensive income of the consolidated entity. Growth rates of 5% were used in these calculations.

16. TRADE AND OTHER PAYABLES

Sundry creditors and accruals	5,918	5,311
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17. EMPLOYEE BENEFITS

Aggregate employee benefits	496	515
Analysis of provisions:		
Current	281	303
Non current	215	212
	496	515

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

	2010 \$'000	2009 \$'000
18. DEFERRED TAX LIABILITIES		
The deferred tax liability balance comprises the following temporary differences:		
Depreciation	159	219
Tax on investments in associates	3,704	4,299
Interest receivable & prepayments	82	804
	3,945	5,322
Reconciliation:		
Opening balance	5,322	7,707
Credit to statement of comprehensive income	(1,377)	(2,385)
Closing balance	3,945	5,322

Movements in deferred tax liabilities	Opening balance	Charged to income	Closing balance
Consolidated			
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 31 July 2009	7,707	(2,385)	5,322
Consolidated			
Depreciation	219	(60)	159
Tax on investments in associates	4,299	(595)	3,704
Interest receivable and prepayments	804	(722)	82
Balance at 31 July 2010	5,322	(1,377)	3,945

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

	2010 \$'000	2009 \$'000
19. ISSUED CAPITAL		
(a) Issued and paid-up capital:		
593,712,636 ordinary shares fully paid (2009: 593,528,455)	144,908	144,928

	2010		2009	
	Number of Shares	\$'000	Number of Shares	\$'000
(b) Movement in ordinary shares:				
Balance at the beginning of the year	593,528,455	144,928	593,528,451	144,928
Issued during the year				
- share options exercised (\$0.30 per option and \$0.20 per option)	184,181	39	4	-
- cost of issue of bonus options	-	(59)	-	-
Balance at the end of the year	593,712,636	144,908	593,528,455	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.

	2010 Number	2009 Number
(c) Movement in options		
Balance at the beginning of the year	73,725,203	73,725,207
Share options exercised	(184,181)	(4)
Share options expired	(73,704,493)	-
Bonus share options issued	74,194,755	-
Balance at the end of the year	74,031,284	73,725,203

All listed options (ASX code: SOEO) expired on 16 December 2009, and 74,194,755 bonus options (ASX code: SOEOA) were issued in their place on 1 March 2010.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

19. ISSUED CAPITAL (continued)

At 31 July 2010, the unissued ordinary shares of the Company under option are as follows:

Listed options: (ASX code: SOEOA)

Grant Date	Date of Expiry	Exercise Price	Number under Option
1 March 2010	2 February 2015	\$0.20	74,031,284

During the year ended 31 July 2010: 20,710 (2009: 3,004) ordinary shares of the Company were issued upon the exercise of listed options (SOEO), each at \$0.30 and 163,471 (2009: nil) ordinary shares of the Company were issued upon the exercise of listed options (SOEOA), each at \$0.20.

	2010 \$'000	2009 \$'000
(d) Movement in unlisted options		
Balance at the beginning of the year	4,880,000	8,740,000
Share options expired	(4,880,000)	(3,860,000)
Balance at the end of the year	-	4,880,000

The unlisted options expired on 16 December 2009 and were not reissued.

Capital Management

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

The consolidated entity'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 2010 net debt was \$nil (2009: \$nil).

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

20. NON-CONTROLLING INTEREST

Non-controlling interest comprises:

Share capital	-	3,919
Retained earnings	-	(3,914)
Reserves	-	(5)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

21. CASH FLOW RECONCILIATION

(a) Reconciliation of cash flow from operations with profits / (losses) after income tax

	2010 \$'000	2009 \$'000
Net profit / (loss) after income tax	492	(25,363)
Non cash items:		
- Share of net profits of associate accounted for using equity method	(1,258)	(7,978)
- Unrealised (gains) / losses on listed investments held for sale	(3,704)	19,382
- (Profit) / Loss on disposal of shares	(229)	1,523
- Depreciation	1,495	1,449
- Loss on sale of property, plant & equipment	-	58
- Gain on loss of control of subsidiary	(513)	-
- Loss on disposal of private equity investment	228	-
- Impairment loss on investments	-	4,104
- Impairment loss on goodwill	-	4,953
- Bad and doubtful debts	-	138
- Impairment recovery on long term advances	(935)	-
Change in assets and liabilities, net of the effects of purchase of subsidiaries		
(Increase) / decrease in trade and other receivables	(3,078)	1,514
Decrease in investments in securities	1,830	10,343
(Increase) / decrease in inventories	(2,187)	1,124
(Increase) / decrease in other assets	(210)	51
Decrease / (increase) in deferred tax assets	1,339	(4,439)
Increase / (decrease) in trade and other payables	2,153	(1,141)
Increase / (decrease) in current tax liabilities	350	(596)
(Decrease) / increase in employee benefits	(8)	107
Decrease in deferred tax liabilities	(1,377)	(2,385)
Net cash (outflow)/inflow from operating activities	<u>(5,612)</u>	<u>2,844</u>

(b) Acquisition of controlled entities

2010

i. The Company did not acquire any new controlled entities during the year to 31 July 2010.

2009

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

21. CASH FLOW RECONCILIATION (continued)

(c) Disposal of controlled entities

2010

- i. As a result of capital raisings by SODA Brands Limited (SODA) during the period, Souls Private Equity Limited's shareholding in SODA was reduced from 50.3% to 47.9% on 1 December 2009 and further reduced to 25.1% from 1 July 2010. From the date of change in shareholding to below 50%, SODA ceased to be accounted for as a subsidiary of SPEL. Under AASB 3 – Business Combinations, a loss of control is accounted for as a disposal of the subsidiary entity with any gain or loss on disposal recognised in the Statement of Comprehensive Income.

2009

- i. The Company did not dispose of any controlled entities during the year to 31 July 2009.

2010	2009
\$'000	\$'000

22. EARNINGS PER SHARE

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

(a) Reconciliation of earnings to net profit or loss

Net profit / (loss)	492	(25,363)
Net loss attributable to non-controlling interest	-	2,855
Earnings used in calculating basic and diluted earnings per share	492	(22,508)

2010	2009
No.	No.

(b) Weighted average number of ordinary shares used in the calculation of basic earnings per share

593,595,892 593,528,455

Weighted average number of options outstanding ⁽¹⁾

- -

Weighted average number of ordinary shares used in the calculation of diluted earnings per share

593,595,892 593,528,455

Basic earnings / (loss) per share (cents)

0.08 (3.79)

Diluted earnings / (loss) per share (cents)

0.08 (3.79)

(1) Effect of dilutive securities

Options on issue at 31 July 2010 and 31 July 2009 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 2010 (continued)

	2010 \$'000	2009 \$'000
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23. RESERVES

(a) Share Option Reserve

Share Option Reserve	<u>63</u>	<u>63</u>
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The share option reserve records items recognised as expenses on valuation of employee share options.

(b) Foreign Currency Translation Reserve

Foreign Currency Translation Reserve:		
Opening balance	(9)	(9)
Change on loss of control of controlled entity	9	-
Closing balance	<u>-</u>	<u>(9)</u>

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

24. AUDITOR'S REMUNERATION

Remuneration of the auditor of the parent entity for:

- Auditing and reviewing the financial reports of the parent entity	93	132
- Auditing and reviewing the financial reports of controlled entities	85	-
- Taxation services	16	46
	<u>194</u>	<u>178</u>

Remuneration of other auditors of controlled entities for:

- Auditing and reviewing the financial report of the controlled entities	-	70
	<u>-</u>	<u>70</u>

25. 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 (2009:\$16,875) were charged to the statement of comprehensive income during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

26. 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 2010 were:

- (i.) PCP Holdings 1 Pty Limited
- (ii.) PCP Holdings 2 Pty Limited
- (iii.) Cromford Group Pty Limited ("CROMFORD")
- (iv.) Soda Brands Limited ("SODA") – control lost on dilution from December 2009. Accounted for as an Associate thereafter.
- (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, \$28,212,227 of loans to Cromford and interest receivable from Cromford were converted to equity by the Company. The Company also made several additional loans to Cromford totalling \$8,939,000 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 \$8,934,117 (2009: \$25,609,807) with no fixed repayment date. Interest accrued on the loan amount during the year was \$1,383,166 (2009: \$1,485,700). The total interest payable at the end of the year was \$1,383,196 (2009: \$2,597,507). No repayments were made in 2010 (2009: \$nil).

(2) SODA

The Company converted \$395,441 of loans to SODA to equity during the year. This amount represented the full loan balance due from SODA at the time SODA ceased to be accounted for as a subsidiary of the Company.

Since then, the Company loaned a further \$385,000 to SODA. Interest is payable on this loan at 10% per annum and the loan is secured over the assets of SODA. Interest of \$3,271 was charged to SODA during the year on this loan and is due to the Company at 31 July 2010.

(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 2009, 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 2010 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 2009 was \$11,357,000 of which \$11,257,000 was considered non-recoverable and was impaired at 31 July 2009. The recoverable amount of these loans at 31 July 2010 is considered to be \$100,000 (2009: \$100,000). No additional loans have been made by FBC during the 2010 financial year, nor has any additional impairment been recognised on existing loans.

No dividends were received from controlled entities during the year (2009: \$nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

26. 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 2010 were:

Directors:	RD Millner DJ Fairfull DE Wills RG Westphal
General Manager:	T Barlow – appointed 21 July 2010 A Fairfull – resigned 16 July 2010
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 2010 was \$2,143,423 (2009: \$2,227,453) excluding GST, \$nil (2009: \$nil) was outstanding at 31 July 2010.

The agreement between Pitt Capital Partners Limited and Souls Funds Management Limited for the provision of general investment management services with respect to listed portfolio investments was terminated in November 2009 following the disposal of Pitt Capital Partners' holding in Souls Funds Management. The indirect interest in Souls Funds Management of Messrs. RD Millner, DJ Fairfull, DE Wills, and RG Westphal ceased from November 2009.

The obligation to pay Souls Funds Management Limited rested with Pitt Capital Partners Limited out of the management fees received from the Company. Following the termination of the agreement with Souls Funds Management, Pitt Capital Partners has assumed responsibility for management of the listed portfolio investments. The management fee charged by Pitt Capital Partners to the Company has been reduced by an amount equal to the fee previously payable to Souls Funds Management for these services.

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 2010 were \$50,000 (2009: \$87,500). This consulting agreement ceased effective 1 August 2010.

Dividends of \$2,500,000 were received by the Company from Pitt Capital Partners Limited during the year (2009: \$375,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

26. RELATED PARTY TRANSACTIONS (continued)

(ii) Directors/Officers Related Entities (continued)

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 31 July 2010 were \$114,840 (2009: \$109,120) excluding GST and are at standard market rates.

No administration fees were owed by the Company to Corporate & Administrative Services Pty Limited at 31 July 2010 (2009: \$nil).

(iii) Associate Entities

Associate entities are defined as those entities over which the Company is considered to have significant influence. A list of associate entities is shown in Note 12.

Austgrains Limited

In July 2010 the Company loaned \$146,619 to Austgrains Limited. The interest rate on this loan is 5% per annum and the loan is repayable within 6 months.

27. INTERESTS OF KEY MANAGEMENT PERSONNEL

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

The totals of remuneration paid to key management personnel during the year are as follows:

	2010 \$'000	2009 \$'000
Short-term employment benefits	211,500	211,500
Post-employment benefits	19,035	19,035
Share-based payments	-	-
	230,535	230,535

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

27. INTERESTS OF KEY MANAGEMENT PERSONNEL (continued)

(b) Share and Option Holdings

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

Shares	Balance at 1/08/09	Granted as compensation	Net Change Other	Balance at 31/7/10
2010				
RD Millner	1,225,193	-	500,000	1,725,193
DJ Fairfull	8,700,001	-	-	8,700,001
DE Wills	423,277	-	-	423,277
RG Westphal	370,000	-	-	370,000
T Barlow ¹	-	-	20,000	20,000
R Pillinger	-	-	-	-
A Fairfull ¹	28,000	-	(28,000)	-
Total	10,746,471	-	492,000	11,238,471
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

1 - Holdings included in, or excluded from totals on appointment or resignation.

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

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

Listed Options	Balance at 1/8/09	Granted as compensation	Options Expired ⁽¹⁾	Bonus Options Issued ⁽¹⁾	Balance at 31/7/10
2010					
RD Millner	87,524	-	(87,524)	153,151	153,151
DJ Fairfull	1,037,500	-	(1,037,500)	1,087,501	1,087,501
DE Wills	27,909	-	(27,909)	52,910	52,910
RG Westphal	10,000	-	(10,000)	46,250	46,250
T Barlow	-	-	-	2,500	2,500
R Pillinger	-	-	-	-	-
A Fairfull	-	-	-	3,500	-
Total	1,162,933	-	(1,162,933)	1,345,812	1,342,312

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

27. INTERESTS OF KEY MANAGEMENT PERSONNEL (continued)

(b) Share and Option Holdings (continued)

(1) All listed options (ASX code: SOEO) expired on 16 December 2009, bonus options (ASX code: SOEOA) were issued in their place on 1 March 2010. All Key management Personnel were entitled to receive bonus options based on their shareholdings at the time of issue on the same terms as all other shareholders.

Listed Options	Balance at 1/8/08	Granted as compensation	Options Expired	Bonus Options Issued	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

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

The Company's closing share price at 30 July 2010 was \$0.085 per share.

(c) Employee Share Option Plan

The Company previously 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.

All unlisted management options expired on 16 December 2009 and no new options were issued. No shares were issued following exercise of any management options in 2010 (2009: nil).

	2010 Number	2009 Number
Movement in the number of management options held by eligible employees are as follows:		
Opening balance	4,880,000	8,740,000
Granted during the year	-	-
Exercised during the year	-	-
Expired during the year	(4,880,000)	(3,860,000)
Closing balance	-	4,880,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

28. FINANCIAL REPORTING BY SEGMENTS

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Investment Manager and the Board of Directors (the Chief Operating Decision Makers) in assessing performance of the investment portfolio.

The principal activity of the consolidated entity is investment through the provision of investment capital to Australian companies. The operating segments are identified based on the external revenues generated by each investment and also by the level of control exercised by the company over the investments.

The reportable segments are split between Cromford Group Pty Limited (Cromford), other SME investments and Other Investments.

Cromford is involved in the manufacture and distribution of polyethylene film and dampcourse used in building and agricultural industries. It also manufactures extruded pipes for use in the plumbing, construction, drainage and irrigation industries.

Other SME investments include all associate companies, listed investments in CMA Corporation and CBD Energy Limited and subsidiaries which do not form reportable segments. Other investments consist of cash and the remainder of the Listed Share Portfolio.

Financial information about each of these segments is reported to the Investment Manager and Board of Directors on a monthly basis.

All revenue of the consolidated entity is generated in Australia and all assets of the group are held within Australia.

The consolidated entity does not have any single customer which accounts for over 10% of the revenue of the group.

Accounting policies and inter-segment transactions

The accounting policies used by the Company in reporting segments are the same as those contained in Note 1 to the accounts.

The following items are not allocated to operating segments as they are not considered part of the core operations of any segment and form part of the reconciliation to net profit or loss:

- Portfolio management fees
- Corporate administration costs
- Taxation expense or deferred tax balances

The following represents profit and loss and asset information for reportable segments for the years ended 31 July 2010 and 31 July 2009.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

28. FINANCIAL REPORTING BY SEGMENTS (continued)

31 July 2010	Segment			Total \$'000
	Cromford \$'000	SME Investments \$'000	Other Investments \$'000	
Segment Revenue				
Revenue	26,516	629	1,963	29,108
Segment Results				
Results before non cash items	(3,521)	(37)	1,964	(1,594)
Equity accounted net profits	-	1,258	-	1,258
Unrealised asset revaluation	-	(118)	3,822	3,704
Gain on disposal of private equity	-	285	-	285
Reversal of impairment loss on long term receivables	-	935	-	935
Depreciation	(1,485)	(10)	-	(1,495)
Gain on disposal of shares	-	-	229	229
Segment operating profit / (loss)	(5,006)	2,313	6,015	3,322
Reconciliation of segment operating profit / (loss) to operating profit before tax				
Management fees				(2,143)
Corporate administration costs				(788)
Operating profit before tax				391
Assets				
Segment assets	31,855	6,018	34,277	72,150
Equity accounted investments	-	44,974	-	44,974
Total segment assets	31,855	50,992	34,277	117,124
Reconciliation of segment assets to total assets				
Current tax assets				436
Deferred tax assets				7,057
Total assets				124,617
Liabilities				
Segment liabilities	6,187	145	82	6,414
Reconciliation of segment liabilities to total liabilities				
Deferred tax liabilities				3,945
Total liabilities				10,359

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

28. FINANCIAL REPORTING BY SEGMENTS (continued)

31 July 2009	Segment			Total \$'000
	Cromford \$'000	SME Investments \$'000	Other Investments \$'000	
Segment Revenue				
Revenue	19,387	2,376	3,042	24,805
Segment Results				
Results before non cash items	(6,370)	(2,300)	3,042	(5,628)
Equity accounted net profits	-	7,978	-	7,978
Unrealised asset revaluation	-	(15,230)	(4,152)	(19,382)
Depreciation	(1,372)	(77)	-	(1,449)
Impairment loss on investments	-	(4,104)	-	(4,104)
Loss on disposal of shares	-	-	(1,523)	(1,523)
Impairment loss on goodwill	-	(4,953)	-	(4,953)
Segment operating loss	(7,742)	(18,686)	(2,633)	(29,061)
Reconciliation of segment operating profit / (loss) to operating profit before tax				
Management fees				(2,227)
Corporate administration costs				(890)
Operating profit before tax				(32,178)
Assets				
Segment assets	26,023	8,634	36,150	70,807
Equity accounted investments	-	44,936	-	44,936
Total segment assets	26,023	53,570	36,150	115,743
Reconciliation of segment assets to total assets				
Current tax assets				786
Deferred tax assets				8,396
Total assets				124,925
Liabilities				
Segment liabilities	4,389	1,301	134	5,824
Reconciliation of segment liabilities to total liabilities				
Deferred tax liabilities				5,324
Total liabilities				11,148

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

29. 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 consolidated entity 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 statement of comprehensive income. Listed investments represent 31% (2009: 30%) of total assets.

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.

A 25% movement in the market value of each of the companies within the listed investment portfolio would result in a \$9.8 million movement (2009: \$9.3 million - based on a 25% 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 2010 (2009: 1.6 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 consolidated entity 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 consolidated entity or one particular sector of the market.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

29. MANAGEMENT OF FINANCIAL RISK (continued)

(b) Market Risk (continued)

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

Sector	Amount		% of Total Investment	
	2010 \$'000	2009 \$'000	2010 %	2009 %
Banks	15,274	12,841	38.99%	34.64%
Telecommunications Services	6,797	7,452	17.35%	20.10%
Private Equity Investment	5,916	5,475	15.10%	14.77%
Materials	2,006	2,649	5.12%	7.14%
Transportation	2,034	1,952	5.19%	5.27%
Food & Staples Retailing	2,273	1,890	5.80%	5.10%
Food, Beverages & Tobacco	1,719	1,864	4.39%	5.03%
Retailing	1,513	1,403	3.86%	3.78%
Insurance	830	705	2.12%	1.90%
Media	590	584	1.51%	1.58%
Diversified Financials	227	260	0.57%	0.69%
	39,179	37,075	100.00%	100.00%

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

Company	2010	2009	2010	2009
Commonwealth Bank of Australia	10,080	8,216	25.73%	22.16%
Telstra Corporation Ltd	6,797	7,452	17.35%	20.10%
Australia & New Zealand Banking Group Ltd	5,194	4,625	13.26%	12.47%
CMA Corporation Limited	3,263	3,675	8.33%	9.91%
CBD Energy Limited	2,653	1,780	6.77%	4.80%
Wesfarmers Ltd	2,273	1,890	5.80%	5.10%
Transurban Group Triple Stapled Sec	2,034	1,952	5.19%	5.27%
BHP Billiton Ltd	2,006	2,649	5.12%	7.14%
Coca Cola Amatil Ltd	1,719	1,864	4.39%	5.03%
	36,019	34,103	91.94%	91.98%

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 consolidated entity 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 2010 (continued)

29. MANAGEMENT OF FINANCIAL RISK (continued)

(c) Interest Rate Risk

The consolidated entity'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:

	Weighted Average Interest Rate %	Variable Interest Rate \$'000	Variable Interest Rates Maturing			Total \$'000
			Within 1 Year \$'000	Within 1-5 Years \$'000	Non-Interest Bearing \$'000	
2010						
Financial Assets						
Cash	4.40	883	-	-	-	883
Investments in securities	-	-	-	-	39,179	39,179
Current tax asset	-	-	-	-	436	436
Receivables	-	-	-	-	6,504	6,504
Long term advances	10.61	-	147	488	-	635
		883	147	488	46,119	47,637
Financial Liabilities						
Payables	-	-	-	-	5,918	5,918
		-	-	-	5,918	5,918
2009						
Financial Assets						
Cash	3.30	2,966	-	-	-	2,966
Investments in securities	-	-	-	-	38,956	38,956
Current tax asset	-	-	-	-	786	786
Receivables	10.00	-	1,156	-	3,761	4,917
Long term advances	5.30	-	-	100	-	100
		2,966	1,156	100	43,503	47,725
Financial Liabilities						
Payables	-	-	-	-	5,311	5,311
		-	-	-	5,311	5,311

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 2010 (continued)

29. MANAGEMENT OF FINANCIAL RISK (continued)

(c) Interest Rate Risk (continued)

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

	2010 \$'000	2009 \$'000
Change in profit:		
Increase in interest rate by 2%	2	5
Decrease in interest rate by 2%	(2)	(5)
Change in equity:		
Increase in interest rate by 2%	2	5
Decrease in interest rate by 2%	(2)	(5)

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

(d) Foreign Currency Risk

The consolidated entity 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 consolidated entity's financial assets is the carrying amount of those assets as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity'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 consolidated entity 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 consolidated entity'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 2010 (continued)

29. MANAGEMENT OF FINANCIAL RISK (continued)

(e) Credit Risk (continued)

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

	2010 \$'000	2009 \$'000
Current	6,504	4,443
Overdue – not provided	-	474
Total	6,504	4,917

Trade terms vary between controlled entity and customer.

The majority of trade terms are between 30 and 60 days. The maximum exposure to credit risk is the carrying value of balances in the statement of financial position.

(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, 31% of the assets of the consolidated entity are in the form of readily tradable listed investments which can be sold on-market if necessary.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities and cash flows realisable from financial assets. Actual timing may therefore differ from that disclosed.

Financial Liability and Financial Asset Maturity Analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Financial liabilities due for payment								
Trade and other payables	5,918	5,311	-	-	-	-	5,918	5,311
Total expected outflows	5,918	5,311	-	-	-	-	5,918	5,311
Financial assets — cash flows realisable								
Cash and cash equivalents	883	2,966	-	-	-	-	883	2,966
Trade, term and loans receivables	6,504	4,917	-	-	-	-	6,504	4,917
Held for trading investments	39,179	38,956	-	-	-	-	39,179	38,956
Other long term receivables	-	-	635	100	-	-	635	100
Total anticipated inflows	46,566	46,839	635	100	-	-	47,201	46,939
Net inflow on financial instruments	40,648	41,528	635	100	-	-	41,283	41,628

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

29. MANAGEMENT OF FINANCIAL RISK (continued)

(g) Net Fair Values

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

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

At 31 July 2010, Financial Instruments Measured at Fair Value are categorised as follows:

2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 4 \$'000
Financial assets:				
<i>Financial assets at fair value through profit or loss:</i>				
Investments - held for trading	39,179	-	-	39,179
2009				
Financial assets:				
<i>Financial assets at fair value through profit or loss:</i>				
Investments - held for trading	37,075	1,881	-	38,956

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on the closing quoted bid prices at reporting date, excluding transaction costs. In valuing unlisted investments, included in Level 2 of the hierarchy, valuation techniques such as those using comparisons to similar investments for which market observable prices are available have been adopted to determine the fair values of these investments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

2010	2009
\$'000	\$'000

30. 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	280	74
- between 12 months and 5 years	262	264
	542	338

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.

Capital Commitments

Capital expenditure commitments contracted for:

Plant and equipment purchases payable:

- not later than 12 months	-	56
	-	56

31. PARENT COMPANY INFORMATION

Information relating to the parent entity of the Group, Souls Private Equity Limited:

Total assets	123,271	116,541
Total liabilities	141	939
Net assets	123,130	115,602
Issued capital	144,908	144,928
Reserves	(21,778)	(29,326)
Total shareholders' equity	123,130	115,602
Profit or loss for the year	7,548	(18,902)
Other comprehensive income	-	-
Total comprehensive income / (loss)	7,548	(18,902)

Contingent Liabilities

The Company acts as guarantor (on a Joint and Several basis with one other party) over the Trade Finance Facility of Austgrains Pty Limited. The amount of the guarantee is limited to \$6,000,000. Austgrains Pty Limited uses the funds from the facility to purchase grain. At 31 July 2010 this facility has been drawn down in excess of \$6,000,000, however, all covenants had been complied with at that time.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

31. PARENT COMPANY INFORMATION (continued)

Contingent Assets

There are no contingent assets at 31 July 2010.

Contractual Commitments

There are no contractual commitments at 31 July 2010.

Controlled entities at year end:

	County of incorporation	Date of acquisition	Percentage Owned	
			2010 %	2009 %
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 Group Pty Limited	Australia	28 February 2005	100.00	100.00
Food and Beverage Company Limited	Australia	1 December 2006	100.00	100.00
SODA Brands Limited ¹	Australia	28 February 2005	25.10	50.30

1- Refer to Note 2(b) (i) for information regarding the change in ownership of SODA Brands Limited.

The operating results and cash flows of all controlled entities from the date of acquisition have been included in the Statement of comprehensive income and Statement of cash flows. Assets and liabilities of all controlled entities have been included in the Statement of financial position.

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 Group 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.
- Food and Beverage Company Limited is a caterer in food and beverage businesses with investments in Krispy Kreme Australia and Belaroma Coffee.

32. EVENTS SUBSEQUENT TO REPORTING DATE

Loans to Controlled Entities

From 31 July 2010 to the date of this report additional investments of \$1,629,000, by way of loans, were provided by the Company to Cromford Group 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010 (continued)

33. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities

The Company acts as guarantor (on a Joint and Several basis with one other party) over the Trade Finance Facility of Austgrains Pty Limited. The amount of the guarantee is limited to \$6,000,000. Austgrains Pty Limited uses the funds from the facility to purchase grain. At 31 July 2010 this facility has been drawn down in excess of \$6,000,000, however, all covenants had been complied with at that time.

Contingent Assets

There are no contingent assets at 31 July 2010.

34. AUTHORISATION

The financial report was authorised for issue on 13 October 2010 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 28 to 77, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards and the Corporations Regulations; and
 - (b) comply with International Financial Reporting Standards, as stated in note 1 to the financial statements
 - (c) give a true and fair view of the financial position as at 31 July 2010 and of the performance for the year ended on that date of the consolidated entity;
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 2010.

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



Robert D Millner
Director
Sydney
13th October 2010

Auditor's Independence Declaration



Grant Thornton NSW
ABN 25 034 787 757

Level 17, 383 Kent Street
Sydney NSW 2000
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

**Auditor's Independence Declaration
To the Directors of Souls Private Equity Limited and its controlled entities**

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 2010, I declare that, to the best of my knowledge and belief, there have been:

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

GRANT THORNTON NSW
Chartered Accountants

A handwritten signature in black ink, appearing to read "A G Rigele".

A G Rigele
Partner

Sydney, 13 October 2010

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Liability limited by a scheme approved under Professional Standards legislation.

Independent Audit Report



Grant Thornton NSW
ABN 25 034 787 757

Level 17, 383 Kent Street
Sydney NSW 2000
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.granthornton.com.au

Independent Auditor's Report

To the Members of Souls Private Equity Limited and its controlled entities

Report on the financial report

We have audited the accompanying financial report of Souls Private Equity Limited and its controlled entities (the "Group"), which comprises the statement of financial position as at 31 July 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report 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 are 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. The directors also state, in the notes to the financial report, 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 which require us to 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.

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Independent Audit Report



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion,:

- a the financial report of Souls Private Equity Limited and its controlled entities is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the Consolidated entity's financial position as at 31 July 2010 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements..

Report on the remuneration report

We have audited the Remuneration Report included in pages 14 to 17 of the directors' report for the year ended 31 July 2010. 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



Auditor's opinion on the remuneration report

In our opinion, the Remuneration Report of Souls Private Equity Limited and its controlled entities for the year ended 31 July 2010, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON NSW
Chartered Accountants

A handwritten signature in black ink, appearing to read "A G Rigele".

A G Rigele
Partner

Sydney, 13 October 2010

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ASX Additional Information

Equity Holders

At 30 September 2010, there were 6,001 holders of ordinary shares (SOE) and 6,151 holders of options (SOEOA) in the capital of the company. These holders were distributed as follow:

No. held	No. of Shareholders	No. of Option holders
1 – 1,000	65	1,034
1,001 – 5,000	389	3,398
5,001 – 10,000	1,157	862
10,001 – 100,000	3,787	799
100,001 and over	603	58
Holding less than a marketable parcel of 5,882 shares / 33,333 options	475	5,966

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 2010 are listed below:

Name	Shares Held	%
Washington H Soul Pattinson & Company Limited	79,339,419	13.36%
RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	66,346,875	11.17%
Cogent Nominees Pty Limited	58,070,989	9.78%
Luton Pty Ltd	9,280,246	1.56%
HSBC Custody Nominees (Australia) Limited	9,109,977	1.53%
Richvale Pty Limited	8,300,000	1.40%
Lets Retire Pty Ltd <Neville Super Fund A/C>	5,347,605	0.90%
Gowing Bros Limited	4,235,000	0.71%
Di Iulio Homes Pty Limited <Di Iulio Super Fund A/C>	4,166,576	0.70%
UBS Wealth Management Australia Nominees Pty Ltd	3,717,740	0.63%
J P Morgan Nominees Australia Limited	3,711,783	0.63%
Nimpod Pty Ltd	3,500,000	0.59%
Mr Peter Alexander Brown	2,800,000	0.47%
Mr Anthony Charles Patrick Cotterell <Ancott A/C>	2,500,000	0.42%
Mt Vincent Paul Godfrey Cotterell <Vincot A/C>	2,300,000	0.39%
Poseidon Nominees Pty Ltd <Charles Cropper S/F A/C>	2,250,000	0.38%
Caratel Pty Ltd	2,028,374	0.34%
Mr Victor John Plummer	2,000,000	0.34%
EDM Transport Pty Ltd <EDM Super A/C>	2,000,000	0.34%
Mr Simon Robert Evans	2,000,000	0.34%
Total top 20 security holders	273,004,584	45.98%
Total number of shares on issue	593,712,636	

ASX Additional Information (continued)

The 20 largest holdings of the Company's options as at 30 September 2010 are listed below:

Name	Options Held	%
Farjoy Pty Ltd	11,029,144	14.90%
Washington H Soul Pattinson & Company Limited	9,917,428	13.40%
Mr David Russell Gordon & Mrs Laurentia Maria Gordon <Gordon Super Fund A/C>	2,032,604	2.75%
Mr Timothy Frank Robertson	1,203,970	1.63%
Luton Pty Ltd	1,097,531	1.48%
Richvale Pty Limited	1,037,500	1.40%
Mr Peter Maxwell May <Goong Goong Family A/C>	701,142	0.95%
Lets Retire Pty Ltd <Neville Super Fund A/C>	668,451	0.90%
Mr Christopher James Piggott + Mrs Shirley Janice Piggott	651,250	0.88%
Nimpod Pty Ltd	564,313	0.76%
Mr Milton Yannis	549,999	0.74%
Gowing Bros Limited	529,375	0.72%
Mr Andrew Sven Vallner	503,438	0.68%
Di Iulio Homes Pty Limited <Di Iulio Super Fund A/C>	458,322	0.62%
Mr Mark Anthony Gusman	383,305	0.52%
O R Dolgoshein Pty Ltd <FS1345 A/C>	375,000	0.51%
Mr Peter Alexander Brown	350,000	0.47%
UBS Wealth Management Australia Nominees Pty Ltd	335,392	0.45%
Mr Anthony Charles Patrick Cotterell <Ancott A/C>	312,500	0.42%
Mr William Harrison <Superannuation Fund A/C>	306,875	0.41%
Total top 20 option holders	33,007,539	44.59%
Total number of options on issue	74,031,284	

ASX Additional Information (continued)

Substantial Shareholders

As at 30 September 2010 the name and holding of substantial shareholder as disclosed in a notice received by the company is:

Substantial Shareholders	No. of Shares	% of Total
Washington H. Soul Pattinson & Company Limited	79,339,419	13.36
Perpetual Limited	75,033,032	12.64
Select Asset Management Limited	55,445,309	9.34

Other Information:

- There is no current on-market buy-back in place.
- There were 4 transactions in listed securities undertaken by the Company and the total brokerage paid or accrued during the year was \$8,645.

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