

SOULS PRIVATE EQUITY LIMITED

ABN 71 111 196 420 AND CONTROLLED ENTITIES



Annual Report

For the year ended 31 July 2007

CORPORATE DIRECTORY

Directors

Robert D Millner, Chairman
David J Fairfull, Non-Executive Director
David E Wills, Independent Non Executive Director
Robert G Westphal, Independent Non Executive Director
Geoffrey G Hill, Alternate Director for David J Fairfull

Secretaries

John de Gouveia
Andrew Fairfull

Registered Office

Level 2
160 Pitt Street Mall
Sydney 2000 NSW
Telephone: (02) 9210 7000
Facsimile: (02) 9210 7099
Postal Address:
GPO Box 5015
Sydney 2001 NSW

Auditors

Grant Thornton NSW
Level 17
383 Kent Street
Sydney 2000 NSW

Investment Manager

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

Share Registry

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

Australian Stock Exchange Code

Ordinary Shares	SOE
Options	SOEO

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CHAIRMAN'S ADDRESS

Dear Shareholders,

I am pleased to enclose the third Annual Report of Souls Private Equity (SPEL) for the year ended 31 July 2007.

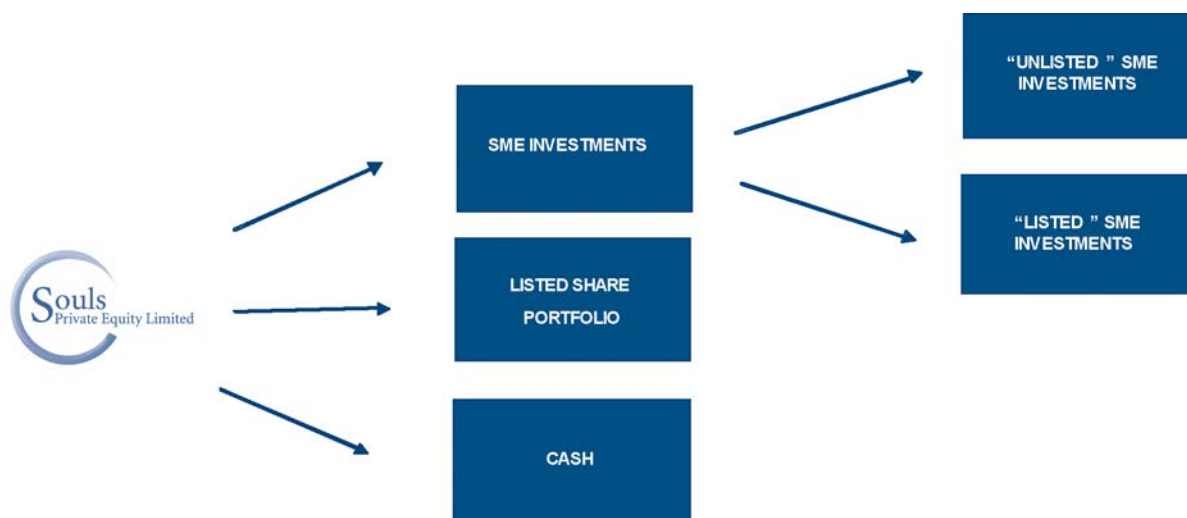
The profit for the consolidated entity after providing for income tax increased 57.7% to \$16,406,000 (2006: \$10,402,000).

The net assets of the consolidated entity increased to \$173,423,000 (2006: \$158,411,000).

Your directors have declared the payment of a final fully franked dividend of 1.0 cent per share (0.75 cents per share ordinary dividend and 0.25 cents per share special dividend) which represents a 100% increase over last year (2006: 0.5 cents per share).

Segmented Investment Portfolio*

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



The table below provides the breakdown of SPEL's investment portfolio by the abovementioned segments.

* The amount shown under the SME investment portfolio differs from the amount shown in the segment note due to the effect of consolidation eliminations and other adjustments.

Segmented net assets				
As at 31 July	2007 \$'000	%	2006 \$'000	%
SME investments (unlisted and listed)*	97,384	56%	81,685	52%
Listed share portfolio	57,606	33%	50,077	32%
Cash and cash equivalents**	22,171	13%	27,786	17%
Other net assets and eliminations	(3,738)	(2%)	(1,137)	(1%)
Net assets	173,423	100%	158,411	100%

* includes the listed SME investments CMA Corporation Limited and CBD Energy Limited

** parent entity cash only and excludes \$1,327,000 (2006: \$1,706,000) of cash from the controlled SME investments Cromford Pty Limited and Soda Brands Limited

CHAIRMAN'S ADDRESS (continued)

The SME Investment Portfolio[^]

At 31 July 2007, 56% of SPEL's net assets were allocated to the SME investment segment (unlisted and listed).

The table below provides a breakdown of the SME investment portfolio by the investment manager's classification of "earlier" or "later" stage investment.

SME investments As at 31 July 2007	Listed / Unlisted	Investment Type	Investment Cost \$'000	Book Value \$'000
"Later" stage SME investments				
Cromford Pty Limited*	Unlisted	Equity & Loans	17,896	18,395
Krispy Kreme Holdings Australia Pty Limited**	Unlisted	Equity & Loans	14,733	15,191
Ampcontrol Pty Limited	Unlisted	Equity	11,793	18,206
CMA Corporation Limited	Listed	Equity	12,000	17,625
Pitt Capital Partners Limited	Unlisted	Equity	6,019	6,536
Sub-total "later" stage SME investments			62,441	75,953
"Earlier" stage SME investments				
Soda Brands Limited*	Listed	Equity	5,446	4,651
Supercorp Australia Pty Limited	Unlisted	Equity	3,583	3,592
Belaroma Coffee Pty Limited**	Unlisted	Equity	3,083	3,101
Austgrains Pty Limited	Unlisted	Equity	2,900	2,520
Asian Property Investments Limited	Unlisted	Equity	2,001	2,515
InterRisk Australia Pty Limited	Unlisted	Equity	1,385	1,385
Specialist Oncology Property Pty Limited	Unlisted	Equity	1,000	1,033
CBD Energy Limited	Listed	Equity & Loans	1,345	2,634
Sub-total "earlier" stage SME investments			20,743	21,431
Total SME investments			83,184	97,384

* deemed book value of the controlled SME investments Cromford Pty Limited and Soda brands Limited is calculated as the original cost of the equity investment plus the face value of any bans provided plus the movement in net assets of the subsidiary since the date of original investment

** these SME investments are held by the 100% subsidiary of SPEL, Food and Beverage Company Limited

[^] The amount shown under the SME investment portfolio differs from the amount shown in the segment note due to the effect of consolidation eliminations and other adjustments.

During the year, \$16.9 million was invested in 3 "new" SME investments. The largest of these was the \$12.0 million investment in the ASX listed CMA Corporation Limited (ASX Code: CMV) which is Australia's third largest metal recycling company. At the reporting date, the book value of the CMA Corporation investment had increased to \$17.6 million.

"New" SME investments For the year ended 31 July 2007	Listed / Unlisted	Investment Type	Investment Cost \$'000
CMA Corporation Limited	Listed	Equity	12,000
Supercorp Australia Pty Limited	Unlisted	Equity	3,583
CBD Energy Limited	Listed	Equity & Loans	1,345
Total "new" SME investments during the year			16,928

CHAIRMAN'S ADDRESS (continued)

During the year, \$14.7 million was invested in 3 "follow on" SME investments. The largest of these being the \$7.6 million additional investment in Cromford Pty Limited enabling it to acquire the 'Australian Film and Pipe' business.

"Follow on" SME investments For the year ended 31 July 2007	Listed / Unlisted	Additional Investment Type	Additional Investment \$'000
Cromford Pty Limited	Unlisted	Loans	7,646
Food and Beverage Company Limited*	Unlisted	Equity and Loans	3,779
Soda Brands Limited	Listed	Equity	3,278
Total "follow on" SME investments			14,703

During the year, 4 SME investments were exited. These included Imdex Limited, Marine Produce Australia Limited, Hydramatic Engineering Pty Limited as well as the full repayment of the convertible note investment and accrued interest in Lloyd Energy Systems Limited.

Since the inception of SPEL (December 2004) a total of \$12.9 million has been impaired against 4 "earlier" stage SME investments. \$11.4 million of this has been incurred during the 2007 financial year. \$2.1 million relates to the costs associated with the aborted Food and Beverage Company Limited initial public offering (IPO) and \$8.7 million relates to the SME investment Jesters Holdings Pty Limited.

Impaired SME investments Since inception of SPEL (December 2004)	Listed / Unlisted	Financial Year Impaired	Impairment \$'000
Milvella Limited	Unlisted	2006	1,000
Source Engine Asia Limited	Unlisted	2006	536
Sub-total of 2006 financial year impairments			1,536
Jesters Holdings Pty Limited	Unlisted	2007	8,745
Food and Beverage Company Limited*	Unlisted	2007	2,066
Source Engine Asia Limited	Unlisted	2007	141
Unallocated Other	Unlisted	2007	456
Sub-total of 2007 financial year impairments			11,408
Total impaired SME investments since SPEL inception			12,944

* majority of this impairment is related to the costs associated with the aborted FBC IPO

CHAIRMAN'S ADDRESS (continued)

The Listed Share Portfolio*

At 31 July 2007, 33% of SPEL's net assets were allocated to the listed share portfolio segment (excluding the listed SME investments CMA Corporation Limited and CBD Energy Limited). The listed portfolio had a market value excluding the listed SME investments of \$57.6 million at the 2007 financial year end.

Further information on our larger SME investments is provided later in this report.

Listed share portfolio (excluding listed SME investments)	Original Cost	Book Value	
As at 31 July 2007	\$'000	\$'000	%
Australian Gas Light Co.	2,696	4,326	8%
Alinta Limited	1,047	2,379	4%
Australia & New Zealand Banking Group Ltd	5,274	7,075	12%
BHP Billiton Ltd	1,463	3,326	6%
Commonwealth Bank of Australia	6,318	10,416	18%
Coca Cola Amatil Ltd	1,620	1,830	3%
National Income Securities Stapled Floating Rate	4,578	4,614	8%
Orica Limited Step up Preference Securities	2,500	2,545	5%
Suncorp-Metway Limited	2,188	1,935	3%
Rio Tinto Ltd	800	1,862	3%
Telstra Corporation Ltd	8,505	8,636	15%
Transurban Group	2,821	3,262	6%
Wesfarmers Ltd	2,450	2,534	4%
Westfield Group	1,995	2,352	4%
Woolworths Notes	500	514	1%
Totals	44,755	57,606	100%

* The listed share portfolio is available for sale if required for private equity investment.

Earnings per Investment Segment*

The accounting policies of SPEL involve the consolidation of controlled entities, the equity accounting of associates, the "marking to market" of listed investments as well as the fair valuing of other investments. In order to simplify the analysis of SPEL's earnings we provide an 'earnings per segment' summary below.

Segmented earnings	2007	2006	2005
Year ended 31 July	\$'000	\$'000	\$'000
Earnings from SME investments	12,778	6,093	1,089
Earnings from the listed share portfolio	11,005	8,343	916
Earnings from cash and cash equivalents	2,632	2,602	3,023
Central administration items	(3,746)	(3,633)	(2,041)
Net profit before tax	22,669	13,405	2,987
Income tax expense	(6,473)	(3,092)	(789)
Net profit after tax	16,196	10,313	2,198
Net loss attributable to minority interests	210	89	36
Net profit after tax attributable to members	16,406	10,402	2,234

* The amount shown under the SME investment earnings differs from the amount shown in the segment note due to the effect of consolidation eliminations and other adjustments

CHAIRMAN'S ADDRESS (continued)

The significant items included in the earnings of the SME investments segment include:

- increased earnings from the equity accounted Ampcontrol;
- increased earnings from the equity accounted Pitt Capital Partners;
- realised profit on sale of Hydramatic Engineering;
- unrealised gains re "marking to market" CMA Corporation;
- unrealised gains re "marking to market" CBD Energy; and
- impairments of \$11.4 million against 3 "earlier" stage investments.

The significant items included in the earnings of the listed share portfolio segment include:

- dividends and distributions received of \$2.5 million; and
- unrealised and realised gains of \$8.5 million.

Additional Detail on "Later" Stage SME Investments

Cromford Pty Limited (Cromford)

SPEL invested in Cromford on 10 December 2004. The investment cost was \$8.3 million for a controlling 100% equity shareholding. In addition, SPEL has provided shareholder loans of \$9.6 million. The investment is consolidated in SPEL's financial results.

Cromford has historically been involved in the manufacture and distribution of plastic film to the building and agricultural industries. The plastic film industry is cyclical as it is affected by the following factors:

- **Australian exchange rate** – the higher the Australian dollar the greater the level of imports of plastic film;
- **Input price of resin raw material** – high oil and petrol prices translate into higher priced resin which is the major raw material utilised in the manufacture of film;
- **Level of activity in both the residential building sector and agricultural grain and crop storage** – if there are downturns in these activities the demand for plastic film is reduced as well.

In order to provide diversification away from the cyclical plastic film market as well as the desire to enter the fast growing plastic pipe manufacturing market, Cromford acquired the 'Australian Film and Pipe' business during February 2007. This acquisition along with significant capital expenditure for the import of the latest pipe manufacturing plant and equipment from Italy provide the cornerstone for the entry of Cromford into the plastic pipe market.

In addition, during the year Cromford acquired land holdings in Moss Vale, NSW. The intention is to construct a new pipe and film manufacturing plant and therefore consolidate the aging Pendle Hill and Smithfield manufacturing sites into one location. The builder has been contracted and it is expected that construction will be completed during September 2008.

CHAIRMAN'S ADDRESS (continued)

The table below provides a summary of the results for the last three financial years.

Cromford Financial Summary	Actual FY07 \$'000	Actual FY06 \$'000	Actual FY05 \$'000
Sales	12,288	8,367	8,056
EBITDA	1,678	1,361	1,380

Krispy Kreme Holdings Australia Pty Limited (KKA)

SPEL invested in KKA on 10 November 2005. The investment cost was \$14.7 million for an equity shareholding of 24%. The investment is equity accounted in SPEL's financial accounts.

During the 2007 financial year a further 10 stores were rolled out in NSW and VIC. The expanding number of stores was the major contributor to the 53.5% increase in sales during the year. By the end of the 2007 financial year KKA had 30 stores in operation in the NSW and VIC markets.

Further store roll outs have been planned and budgeted for the 2008 and 2009 financial years including entry into the QLD, WA and New Zealand markets.

The table below provides a summary of the results for the last two financial years

Krispy Kreme Financial Summary	Actual FY07 \$'000	Actual FY06 \$'000
Sales	48,915	31,866
EBITDA	1,652	(2,782)

CHAIRMAN'S ADDRESS (continued)

Ampcontrol Pty Limited (Ampcontrol)

SPEL invested in Ampcontrol on 5 December 2005. The investment cost was \$11.8 million for an equity shareholding of 45%. The investment is equity accounted in SPEL's financial results.

Ampcontrol is one of Australia's leading electrical and electronic manufacturing, design and service companies. Ampcontrol supplies products and services to heavy industry, mining, mineral processing and refining, petrochemical, power generation and distribution, defence and oil and gas markets. Ampcontrol was established in 1968 and employs over 700 people and has over 15 sites Australia wide. In addition, Ampcontrol has international offices in New Zealand, China and the United Kingdom.

The table below provides a summary of the results of the last three financial years.

AMPcontrol Financial Summary	Actual FY07 \$'000	Actual FY06 \$'000	Actual FY05 \$'000
Sales	129,637	106,518	79,057
EBITDA	19,143	15,461	7,115

CMA Corporation Limited (CMA)

SPEL invested in CMA on 5 July 2007. The investment cost was \$12.0 million for an equity shareholding of 11%. The investment is "marked to market" (ASX Code: CMV) in SPEL's financial results.

CMA is Australia's third largest metal recycling company. The funds provided by SPEL enabled CMA to acquire the Southern Recycling Group during the 2007 financial year. The acquisition delivers expansion of CMA's metal recycling presence and enhances its footprint throughout Australia. CMA now has operations in every Australian state and territory as well as New Zealand.

The table below provides a summary of the results for the last three financial years.

CMA Corporation Financial Summary	Actual FY07 \$'000	Actual FY06 \$'000	Actual FY05 \$'000
Sales	237,095	117,081	21,121
EBITDA	17,906	7,437	5,392

CHAIRMAN'S ADDRESS (continued)

Pitt Capital Partners Limited (PCP)

SPEL invested in PCP on 10 December 2004. The investment cost was \$6.0 million for an equity shareholding of 25%. The investment is equity accounted in SPEL's financial results.

PCP is a boutique merchant bank providing corporate advisory services. PCP has offices in Sydney, Melbourne, Adelaide and Hong Kong. PCP is also the mandated Investment Manager (Manager) of SPEL. The investment provides alignment of interests between SPEL and the Manager.

The nature of merchant banking services is that corporate advisory fees can be "lumpy" between financial years dependent upon IPO, merger, acquisition and takeover activity. The table below provides a summary of the results of the last four financial years.

Pitt Capital Partners Financial Summary	Actual FY07 \$'000	Actual FY06 \$'000	Actual FY05 \$'000	Actual FY04 \$'000
Revenue	16,021	7,618	18,957	6,849
EBITDA	7,547	1,945	12,029	2,151

CHAIRMAN'S ADDRESS (continued)

Investment Managers' Strategy

The investment managers' strategy remains consistent and focused on four key areas. These are: -

- Invest in unlisted and listed SMEs that have organic growth potential as well as "bolt on" acquisition potential;
- Enhance the performance of existing investments within the SME portfolio;
- Expand existing SME investments through capital expenditure and value enhancing acquisitions; and
- Invest in listed shares and cash equivalents while the necessary time is taken to become "fully invested" in unlisted and listed SME investment opportunities.

The "pipeline" of investment proposals is strong with the investment manager reviewing on average 3 proposals per week.

The 2007 Annual General Meeting of the Company is scheduled for 11.00am on Friday 23rd November 2007 at the Westin Sydney Hotel, 1 Martin Place, Sydney and my fellow directors and I look forward to meeting you personally at this time.



Robert D. Millner
Chairman

Sydney
19th October 2007

DIRECTORS' REPORT

The directors of Souls Private Equity Limited ("Company") present the following report for the year ended 31 July 2007.

Directors

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

Robert D Millner – Non-Executive Director and Chairman

Mr Millner has over 20 years experience as a Company Director. During the past three years, Mr Millner has also served as a director of the following listed companies:

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

* denotes current directorship

David J Fairfull – Non-Executive Director

Mr. Fairfull is a merchant banker with extensive experience in mergers and acquisitions and underwriting projects. During the past three years, Mr Fairfull has also served as a director of the following listed companies:

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

* denotes current directorship

DIRECTORS' REPORT (continued)

Directors (continued)

David E Wills – Independent Non-Executive Director

Mr Wills is a Chartered Accountant and was a partner of Coopers & Lybrand and then PricewaterhouseCoopers for 25 years. He is an experienced auditor of publicly listed and multinational companies with a focus in the consumer and industrial products sectors. During the past three years, Mr Wills has also served as a director of the following listed company:

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

* denotes current directorship

Robert G Westphal – Independent Non-Executive Director

Mr Westphal was appointed to the Board in April 2005 and has extensive experience in the corporate finance field.

Mr Westphal is also the Company's representative director on a number of investee companies, including Hydramatic Engineering Pty Limited and AmpControl Pty Limited. He is also 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

Geoffrey G Hill – Alternate Director for David J Fairfull

A merchant banker, Mr Hill has identified and implemented mergers and takeovers and has acted for a wide range of corporate clients in Australia and overseas.

During the past three years, Mr Hill has also served as a director of the following listed companies:

- Biron Capital Limited
- Brickworks Investment Company Limited*
- Enterprise Energy NL
- Heritage Gold NZ Limited*
- Hills Industries Limited*
- Huntley Investment Company Limited*
- Undercoverwear Limited*

* denotes current directorship

DIRECTORS' REPORT (continued)

Company Secretary

John P de Gouveia, B. Bus, M Com, CA

Mr. de Gouveia was appointed company secretary of Souls Private Equity Limited since incorporation on 30 September 2004. Mr de Gouveia is a Chartered Accountant with extensive experience in public practice.

Andrew D Fairfull, B.Com, MAICD, SA Fin

Mr Fairfull is employed by Pitt Capital Partners as the General Manager for Souls Private Equity Limited. Mr Fairfull was appointed joint company secretary of Souls Private Equity Limited on 22 October 2004. Mr Fairfull was company secretary of Clover Corporation Limited from July 1999 to May 2005.

Principal Activities

The principal activity of the consolidated entity during the year was investment through the provision of investment capital to companies with substantial profit growth prospects.

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.

Operating Results

The profit of the consolidated entity after providing for income tax amounted to \$16,406,000.
(2006: \$10,402,000).

Financial Position

The net assets of the consolidated entity increased during the financial year by \$15.0 million to \$173.4 million
(2006: \$158.4 million).

Review of Operations

The principal objective of the consolidated entity is to maximise returns to shareholders over the long-term within risk parameters acceptable to the board of directors. This is achieved by investing in a combination of unlisted and listed Australian and Asian securities. In essence, the consolidated entity will invest in and support unlisted SMEs which offer high prospects for capital growth over the long-term. Investment in listed and interest bearing securities will be an ongoing strategy, but particularly important in the formative years to generate income whilst the unlisted portfolio is developed and matures.

Further details regarding the review of operations can be found in the Chairman's address.

Employees

The consolidated entity has 75 (2006: 38) employees as at 31 July 2007.

Significant changes in the state of affairs

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

DIRECTORS' REPORT (continued)

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. 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.

Significant Events after Balance Date

Other than the announcement of a final ordinary dividend of \$0.0075 (0.75 cents) per share and a special dividend of \$0.0025 (0.25 cents) per share, both fully franked payable on 30 October 2007, the directors are not aware of any matter or circumstance that has arisen since the end of the year to the date of this report that has 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

The directors have declared a final ordinary dividend of \$4,451,372 (0.75 cents per share fully franked) (2006: \$2,967,442, \$0.005 cents per share fully franked) and a special dividend of \$1,483,790 (0.25 cents per share fully franked) out of retained earnings at 31 July 2007 and payable on 30 October 2007.

Environmental Regulations

The consolidated entity's operations have complied with any 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 2007, 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	10	11	10	11	2	2
DJ Fairfull	11	11	11	11	2	2
DE Wills	10	11	10	11	2	2
RG Westphal	9	11	9	11	2	2
GG Hill (alternate director for DJ Fairfull)	-	-	-	-	-	-

No meetings of the nomination committee or remuneration committee were held during the year ended 31 July 2007.

DIRECTORS' REPORT (continued)

Remuneration Report

(a) Directors' remuneration

The maximum aggregate amount of non – executive Directors' fee 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 2007 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 table below:

	Primary \$	Superannuation \$	Options \$	Other Benefits \$	Total \$	Performance Related %
RD Millner	50,000	4,500	-	-	54,500	-
DJ Fairfull	37,500	3,375	-	-	40,875	-
DE Wills	37,500	3,375	-	-	40,875	-
RG Westphal	37,500	3,375	-	-	40,875	-
GG Hill (alternate director for DJ Fairfull)	-	-	21,088	-	21,088	-
	162,500	14,625	21,088	-	198,213	-

There were no retirement allowances provided for the retirement of non-executive directors.

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.

Directors	Number Granted	Options Granted as part of Remuneration \$	Options Exercised \$	Options Lapsed \$	Total \$
RD Millner	-	-	-	-	-
DJ Fairfull	-	-	-	-	-
DE Wills	-	-	-	-	-
RG Westphal	-	-	-	-	-
GG Hill (alternate director for DJ Fairfull)	1,250,000	21,088	-	-	21,088
	1,250,000	21,088	-	-	21,088

DIRECTORS' REPORT (continued)

Remuneration Report (continued)

(b) Other Key Management Personnel

Names and positions held of key management personnel in office for the year to 31 July 2007 were:

Mr A Fairfull Joint Company Secretary

Mr J de Gouveia Joint Company Secretary

Details of the nature and amount of each other key management personnel's remuneration from the controlled entities in respect of the year to 31 July 2007 were:

	Primary \$	Superannuation \$	Management Options \$	Other Benefits \$	Total \$	Performance Related %
A Fairfull	24,000	2,160	-	-	26,160	-
J de Gouveia	-	-	-	-	-	-
	24,000	2,160	-	-	26,160	-

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:

	Number of Shares	Number of Options	Number of Management Options
RD Millner	1,225,193	87,524	-
DJ Fairfull	8,700,001	1,037,500	-
DE Wills	423,277	27,909	-
RG Westphal	220,000	10,000	-
GG Hill (alternate director for DJ Fairfull)	8,150,000	1,290,314	1,250,000
Other key management personnel:			
A Fairfull	28,000	-	-
J de Gouveia	-	-	-

DIRECTORS' REPORT (continued)

Directors' and Officers' Indemnity

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

During the year to 31 July 2007, 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.

Options

At 31 July 2007, the unissued ordinary shares of the Company under option are as follows:

Listed options: (ASX code: SOEO)

Grant Date	Date of Expiry	Exercise Price	Number under Option
10 December 2004	10 December 2009	\$0.30	68,175,126
28 February 2005	10 December 2009	\$0.30	2,585,893
30 June 2005	10 December 2009	\$0.30	1,700,000
06 December 2005	10 December 2009	\$0.30	1,278,712
			73,739,731

Unlisted options:

Grant Date	Date of Expiry	Exercise Price	Number under Option
16 December 2004	16 December 2009	\$0.30	2,500,000
16 December 2004	16 December 2009	\$0.32	2,500,000
16 December 2004	16 December 2009	\$0.35	2,500,000
16 December 2004	16 December 2009	\$0.38	2,500,000
			10,000,000

During the year ended 31 July 2007, 28,201 (2006: 50,007) ordinary shares of the Company were issued upon the exercise of listed options, each at \$0.30.

Proceedings on Behalf of the Company

No person has applied for leave of Court 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 2007.

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 2007:

Taxation compliance services: \$6,380 including GST

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 July 2007 has been received and can be found on page 64 which forms part of this report.

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



Robert D Millner
Director

Sydney
19th October 2007

CORPORATE GOVERNANCE

Souls Private Equity Limited (the Company) was incorporated on 30 September 2004 and since that date the Board has been committed to achieving and demonstrating the highest standards of corporate governance. Unless otherwise stated, the Company has followed best practice recommendations set by the ASX Corporate Governance Council during the reporting year.

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

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

The Company's main corporate governance practices in place throughout the year are discussed in this section.

The Board of Directors

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

Role of the Board

The responsibilities of the board include:

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

CORPORATE GOVERNANCE (continued)

Role of the Board (continued)

The terms and conditions of appointment and retirement of new directors are set out in a formal letter of appointment that includes:

- term of the appointment
- powers and duties
- determination of remuneration
- dealings in the Company securities including notification requirements
- conflicts of interest and disclosure policies
- indemnity and insurance arrangements
- access to independent professional advice
- review of appointment.

Board Composition

The key elements of the Board composition include:

- ensuring, where practicable to do so, that a majority of the Board are independent directors
- 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 majority of the Board are not independent directors. Refer discussion detailed under "Directors' Independence" on page 22.

Details of the members of the Board, their experience, expertise, qualifications and independent status are set out in the directors' report under the heading "Directors".

Term of Office

The company's Constitution specifies that all directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election in accordance with company's Constitution.

Chairman

The Chairman is a non-executive director who is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with external service providers.

CORPORATE GOVERNANCE (continued)

Board Meetings

Details of directors' attendance at Board meetings are set out in the Directors' Report on page 15.

The Board meets formally at least 11 times a year. In addition, it meets whenever necessary to deal with specific matters needing attention between the scheduled meetings.

Meeting agendas are established by the Chairman and Company Secretary to ensure adequate coverage of financial, strategic, compliance and other major areas throughout the year.

Copies of Board papers are circulated in advance of meetings. Directors are always encouraged to participate with a robust exchange of views and to bring their independent judgment to bear on the issues and decisions at hand. The Board highly values its relationship with the portfolio manager which is based on openness and trust.

Performance Assessment

The Board undertakes an annual self assessment of its collective performance. The results and any action plans are documented together with specific performance goals which are agreed for the coming year. 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. The Chairman's performance is reviewed by the Board.

Directors' Independence

Assessing the independence of directors is undertaken in accordance with the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003.

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, both Mr Millner and Mr Fairfull, although meeting other criteria, and bringing independent judgement to bear on their respective roles, are both not defined as independent directors, primarily due to the fact that both Messrs Millner and Fairfull are officers of Washington H. Soul Pattinson and Company Limited, who is a substantial shareholder of the company.

In addition, subsequent to the company listing on ASX, both Messrs Westphal and Wills were appointed to the Board of Washington H. Soul Pattinson and Company Limited on 1st April 2006.

The Company has not followed recommendation 2.1 and 2.2 due to the following reasons;

- The Board are of the opinion that all directors exercise and bring to bear an unfettered and independent judgement towards their duties. Souls Private Equity Limited listed on the Australian Stock exchange on 16 December 2004 in response to an ever-increasing demand by small investors to participate in Soul Pattinson's private equity and listed SME portfolio investments and the Board is satisfied that both Messrs Millner and Fairfull play an important role in the success and performance of the company.
- The Board are of the opinion that Messrs Westphal and Wills continue to maintain their independence status notwithstanding their appointment to the Board of Washington H. Soul Pattinson and Company Limited on 1st April 2006.

CORPORATE GOVERNANCE (continued)

Directors' Independence (continued)

In relation to director independence, materiality is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company is considered material. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it impacts the shareholders' understanding of the director's performance.

Avoidance of conflicts of interests of Directors

In accordance with the Corporations Act 2001, any director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered, and may not vote on the matter.

Independent Professional Advice

Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, but this will not be unreasonably withheld.

Corporate Reporting

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:

- 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

The Company adopted this reporting structure for the period ended 31 July 2007.

Board Committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the investment committee, nomination committee, remuneration committee and audit committee. The committee's structure and membership is reviewed on an annual basis. All matters determined by committees are submitted to the full Board as recommendations for Board decisions.

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

Details of these directors' qualifications, experience and attendance at investment committee meetings held during the year are set out in the Directors' Report on pages 12 - 13 and 15 respectively.

CORPORATE GOVERNANCE (continued)

Investment Committee (continued)

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 the performance of the portfolio manager
- evaluating investment performance

Nomination Committee

The Company has embraced the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003 and 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:

- DJ Fairfull (Chairman)
- DE Wills
- RG Westphal

Details of these directors' qualifications, experience and attendance at nomination committee meetings held during the year are set out in the Directors' Report on pages 12 - 13 and 15 respectively (As no new directors were appointed during the year, no nomination committee meetings were held).

The main responsibilities of the committee are to:

- assess the membership of the Board having regard to present and future needs of the Company
- assess the independence of directors to ensure the majority of the Board are independent directors
- propose candidates for Board vacancies in consideration of qualifications, experience and domicile
- oversee board succession
- evaluating Board performance.

New directors are provided with a letter of appointment setting out their responsibilities, rights and the terms and conditions of their employment.

The nominations committee charter provides guidance for the selection and appointment of new directors.

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

Details of these directors' qualification, experience and attendance at audit committee meetings are set out in the Directors' Report on pages 12 - 13 and 15 respectively.

The audit committee operates in accordance with a charter.

The Chairman of the audit committee is an independent, non-executive director. The Chairman of the Audit Committee is also required to have accounting or related financial expertise, which includes past employment, professional qualification or other comparable experience. The other members of the audit committee are all financially literate and have a strong understanding of the industry in which the Company operates.

CORPORATE GOVERNANCE (continued)

Audit Committee (continued)

The audit committee's role and responsibilities, composition, structure and membership requirements are documented in an audit committee charter, which has been approved by the Board and is reviewed annually.

The main responsibilities of the committee are to:

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

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.

Remuneration Committee & Policies

The Company has embraced the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003 and established a Remuneration Committee effective from 16 December 2004.

The remuneration committee consists of the following members:

- RD Millner (Chairman)
- DE Wills
- DJ Fairfull
- RG Westphal

Details of these directors' qualifications, experience and attendance at remuneration committee meetings are set out in the Directors' Report on pages 12 - 13 and 15 respectively. (Due to the nature of the operations of the Company, no remuneration committee meetings were held during the year).

CORPORATE GOVERNANCE (continued)

Remuneration Committee & Policies (continued)

The Remuneration Committee oversees and review remuneration packages and other terms of employment for executive management. In undertaking their roles the Committee members consider reports from external remuneration experts on recent developments on remuneration and related matters.

The Company does not have any employees due to the nature of its business and the use of external service providers. If the use of external service providers was to change in the future, any person engaged in an executive capacity would be required sign a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities, and any entitlements on termination. In such circumstances, executive remuneration and other terms of employment would also be reviewed annually by the committee having regard to personal and corporate performance, contribution to long term growth, relevant comparative information and independent expert advice. As well as a base salary, remuneration in such circumstances could be expected to include superannuation, performance-related bonuses and fringe benefits.

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.

Further information on directors' and executives' remuneration is set out in the directors' report and note 26 to the financial statements.

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.

The remuneration committee operates in accordance with a charter.

Corporate Governance Framework

The Board is committed to the highest standards of corporate governance, which it requires as fundamental to all its activities.

External service providers are required to provide a Corporate Governance Declaration (the Declaration) to the Board on an annual basis.

External service providers are required to confirm in the annual Statements that to the best of their knowledge and belief and having made appropriate inquiries of their own staff and consultants regarding the Company and its controlled entities (the Group) that, in the interests of directors, shareholders and other key stakeholders the service provider has applied corporate governance practices mandated by the Board at all times.

The Declaration covers the following:

- disclosure of the Groups' operations in the Board meeting papers
- satisfaction of all matters arising from prior Board meetings
- the maintenance of financial records that correctly record and explain the Group's transactions and financial position and performance to enable true and fair financial statements to be prepared and audited or reviewed in accordance with all applicable Accounting Standards and other mandatory professional reporting requirements
- compliance with statutory and prudential obligations and details of all lodgments in accordance with these obligations
- maintenance of ethical conduct by execution of duties with the utmost integrity, objectivity and professionalism at all times

CORPORATE GOVERNANCE (continued)

Corporate Governance Framework (continued)

- notification to the Company Secretary of all purchases and sales of Company securities, directly and indirectly and disclosure in the Board papers

Risk Management

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.

Management of investment risk is fundamental to the business of the Company being an investor in Australian listed securities. Details of investment risk management policies are held by the portfolio manager.

The Board operates to minimise its exposure to investment risk, in part, by the appointment of an investment manager who has systems, processes and procedures in place to effectively manage investment risk.

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 and external service providers and their employees. The code is regularly reviewed and updated as necessary 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 company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

Share Trading Policy

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

Directors, executives and employees may deal in Company securities, however they may not do so if in possession of information which is price sensitive or likely to be price sensitive to the security's market price. Changes in a Director's interest is required to be advised to the Company within 3 days for notification to the "ASX".

Continuous Disclosure and Shareholder Communication

The Chairman and Company Secretary have been nominated as being the person 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.

All information disclosed to the ASX is available on the ASX's website within 24 hours of the release to the ASX. Procedures have been established for reviewing whether price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

All shareholders receive a copy of the Company's full annual report. Shareholders also 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, or alternatively, by request via email, facsimile or post.

INCOME STATEMENT

FOR THE YEAR ENDED 31 JULY 2007

	Note	Consolidated Entity		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue	2(a)	20,361	16,508	6,851	6,780
Other income	2(a)	25,330	8,596	26,307	8,593
Finance costs		(52)	-	-	-
Other Expenses	2(b)	(30,010)	(14,650)	(5,154)	(5,180)
Share of net profits of associates accounted for using equity method	12	7,040	2,951	-	-
Profit before income tax expense		22,669	13,405	28,004	10,193
Income tax expense	3	(6,473)	(3,092)	(7,377)	(2,279)
Profit after income tax expense		16,196	10,313	20,627	7,914
Net loss attributable to minority interest		210	89	-	-
Profit attributable to members of parent entity		16,406	10,402	20,627	7,914
Basic earnings per share (cents per share)	24	2.76	1.76	3.48	1.34
Diluted earnings per share (cents per share)	24	2.76	1.76	3.48	1.34

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

BALANCE SHEET

AS AT 31 JULY 2007

	Note	Consolidated Entity		Company	
		31/07/07 \$'000	31/07/06 \$'000	31/07/07 \$'000	31/07/06 \$'000
ASSETS					
Cash and cash equivalents	5	23,498	29,492	22,171	27,786
Trade and other receivables	6	6,695	3,126	4,142	2,040
Investments in securities	7	77,740	60,571	77,740	60,571
Inventories	8	2,714	1,503	-	-
Other assets	9	297	617	59	59
Other financial assets	10	915	-	915	-
Property, plant and equipment	11	12,732	5,830	-	-
Investments in controlled entities	12	-	-	19,570	15,672
Investments accounted for using the equity method	13	52,694	30,798	20,952	21,844
Other long term advances	14	2,262	27,375	38,734	29,995
Deferred tax assets	15	3,980	2,928	1,244	2,928
Intangible assets	16	7,765	3,991	-	-
TOTAL ASSETS		191,292	166,231	185,527	160,895
LIABILITIES					
Bank overdraft		-	13	-	-
Trade and other payables	17	3,995	1,282	1,550	297
Current tax liabilities		3,250	130	3,208	-
Provisions	18	329	267	-	-
Other financial liabilities	19	135	-	-	-
Deferred tax liabilities	20	10,160	6,128	7,436	4,952
TOTAL LIABILITIES		17,869	7,820	12,194	5,249
NET ASSETS		173,423	158,411	173,333	155,646
EQUITY					
Issued capital	21	144,924	144,916	144,924	144,916
Reserves		48	36	57	36
Retained earnings		26,834	13,395	28,352	10,692
Parent entity interest		171,806	158,347	173,333	155,644
Minority interests	22	1,617	64	-	-
TOTAL EQUITY		173,423	158,411	173,333	155,644

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR TO 31 JULY 2007

Equity attributable to equity holders

Consolidated Entity	Share Capital Ordinary \$'000	Reserves \$'000	Share Option Reserve \$'000	Retained Profits \$'000	Minority Interests \$'000	Total \$'000
Total equity at 31 July 2005	143,201	2,048	15	2,234	-	147,498
Issue of shares, net of costs	1,715	-	-	-	-	1,715
Dividends paid or provided for	-	-	-	(1,290)	-	(1,290)
Contribution of equity	-	-	-	-	25	25
Change in controlled entities' equity	-	-	-	-	129	129
Total transactions with equity holders in their capacity as equity holders	1,715	-	-	(1,290)	154	579
Reversal of minority interest adjustment under AIFRS	-	-	-	1	(1)	-
Net income directly recognised in equity	-	-	-	1	(1)	-
Profit (loss) for the year	-	-	-	10,402	(89)	10,313
Total income and expense for the year	-	-	-	10,403	(90)	10,313
Transfer of revaluation reserve to retained earnings net of tax	-	(2,048)	-	2,048	-	-
Share-based payment recognised	-	-	21	-	-	21
Total equity at 31 July 2006	144,916	-	36	13,395	64	158,411
Total equity at 31 July 2006	144,916	-	36	13,395	64	158,411
Issue of shares, net of costs	8	-	-	-	-	8
Dividends paid or provided for	-	-	-	(2,967)	-	(2,967)
Contribution of equity	-	-	-	-	1,675	1,675
Change in controlled entities' equity	-	-	-	-	88	88
Total transactions with equity holders in their capacity as equity holders	8	-	-	(2,967)	1,763	(1,196)
Adjustment from translation of foreign controlled entities	-	(9)	-	-	-	(9)
Net income directly recognised in equity	-	(9)	-	-	-	(9)
Profit (loss) for the year	-	-	-	16,406	(210)	16,196
Total recognised income and expense for the year	-	(9)	-	16,406	(210)	16,187
Share-based payment recognised	-	-	21	-	-	21
Total equity at 31 July 2007	144,924	(9)	57	26,834	1,617	173,423

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

STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR TO 31 JULY 2007

Equity attributable to equity holders

Company	Share Capital Ordinary \$'000	Reserves \$'000	Share Option Reserve \$'000	Retained Profits \$'000	Minority Interests \$'000	Total \$'000
Total equity at 31 July 2005	143,201	2,048	15	2,020	-	147,284
Issue of shares, net of costs	1,715	-	-	-	-	1,715
Dividends paid or provided for	-	-	-	(1,290)	-	(1,290)
Total transactions with equity holders in their capacity as equity holders	1,715	-	-	(1,290)	-	425
Net income directly recognised in equity	-	-	-	-	-	-
Profit for the year	-	-	-	7,914	-	7,914
Total income and expense for the year	-	-	-	7,914	-	7,914
Transfer of revaluation reserve to retained earnings net of tax	-	(2,048)	-	2,048	-	2,048
Share-based payment recognised	-	-	21	-	-	21
Total equity at 31 July 2006	144,916	-	36	10,692	-	155,644
Total equity at 31 July 2006	144,916	-	36	10,692	-	155,644
Issue of shares, net of costs	8	-	-	-	-	8
Dividends paid or provided for	-	-	-	(2,967)	-	(2,967)
Total transactions with equity holders in their capacity as equity holders	8	-	-	(2,967)	-	(2,959)
Net income directly recognised in equity	-	-	-	-	-	-
Profit for the year	-	-	-	20,627	-	20,627
Total income and expense for the year	-	-	-	20,627	-	20,627
Transfer of revaluation reserve to retained earnings net of tax	-	-	-	-	-	-
Share-based payment recognised	-	-	21	-	-	21
Total equity at 31 July 2007	144,924	-	57	28,352	-	173,333

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2007

	Note	Consolidated Entity		Company	
		31/07/07 \$'000	31/07/06 \$'000	31/07/07 \$'000	31/07/06 \$'000
Cash flows from operating activities					
Receipts from customers		12,629	11,181	-	158
Payments to suppliers and employees		(16,873)	(13,814)	(3,587)	(3,756)
Payments for current investments		(16,652)	(9,628)	(16,652)	(9,628)
Proceeds from sale of current investments		16,095	6,706	16,095	6,706
Dividends and distributions received		2,083	2,490	3,176	2,786
Income tax paid		(376)	(247)	-	-
Finance costs		(46)	-	-	-
Other payments in the course of operations		-	(176)	-	(176)
Interest received		2,901	3,127	3,110	3,107
Net Cash (Outflow) / Inflow from operating activities	23(a)	(239)	(361)	2,142	(803)
Cash flows from investing activities					
Investment in controlled entities		-	-	(3,898)	-
Payments for intangible assets	23(b)(ii)	(3,022)	-	-	-
Payments for associated entities		(3,581)	(11,652)	(3,257)	(11,652)
Dividends received from associated entities		1,417	297	-	-
Payments for the purchase of business operations	23(b)(iii)	(3,740)	-	-	-
Payments for property, plant and equipment		(4,984)	(359)	-	-
Proceeds from sale of property, plant and equipment		102	7	-	-
Cash acquired on acquisition of controlled entities	23(b)(i)	535	-	-	-
Proceeds from sale of associate entities		11,045	-	11,045	-
Loan repayment from associate entities		3,100	-	3,100	-
Loans to controlled entities		-	-	(11,059)	(465)
Loan repayment from controlled entities		-	-	620	893
Loans to other entities		(5,322)	(27,725)	(1,350)	(27,725)
Net Cash (Outflow) from investing activities		(4,450)	(39,432)	(4,799)	(38,949)
Cash flows from financing activities					
Proceeds from issue of shares		8	40	8	15
Share application monies received in advance		1	-	1	-
Controlled entities issue of shares net of costs		1,675	-	-	-
Payment of dividend		(2,967)	(1,290)	(2,967)	(1,290)
Net Cash (Outflow) from financing activities		(1,283)	(1,250)	(2,958)	(1,275)
Net (decrease) in cash held		(5,972)	(41,043)	(5,615)	(41,027)
Cash at the beginning of the year		29,479	70,522	27,786	68,813
Foreign currency exchange		(9)	-	-	-
Cash at the end of the year	5(a)	23,498	29,479	22,171	27,786

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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 (b) below) modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

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 during the year, their results are included only from the date control was obtained.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investments

Listed Shares Held for Sale

Investments comprising ASX listed securities and other securities acquired solely for the short to medium term 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.

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 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.

(c) Taxes

Income Tax

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

Deferred tax is accounted for using the comprehensive balance sheet liability method whereby deferred tax assets and liabilities are recognised on all temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax base.

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 liabilities have not been recognised on assessable temporary differences arising from investments in controlled entities where the parent entity can control the timing of distributions and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Taxes (continued)

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.

(d) Goods and Services Tax (GST)

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

- i) where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- ii) receivables and payables are stated with the amount of GST included.

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

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

(e) Inventories

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

(f) Property, Plant and Equipment

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

Property

Freehold land and buildings are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

Plant and equipment

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

The carrying amount of property plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these assets. Recoverable amount is assessed on the basis of the expected net cash flow which will be recovered from the assets employment and subsequent disposal.

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:

Land and buildings	0%
Plant, machinery and motor vehicles	5% - 100%
Office equipment, furniture and fittings	5% - 40%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Goodwill

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

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

(h) Impairment of assets

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

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

(i) Employee benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(j) Revenue recognition

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Receivables

Receivables are recognised as 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.

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.

(l) Trade Creditors and accruals

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

Liabilities are commonly settled:

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

(m) Earnings per share

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

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

- i) Costs of servicing equity (other than dividends);
- ii) The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- iii) Other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares;

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

(n) Cash

For purposes of the Cash Flow Statement, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(o) Issued capital

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

(p) 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 98/0100. The Company is an entity to which the Class Order applies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(iii.) Impairment

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

Key Judgments — Provision for Impairment of Receivables

- (i.) Included in trade and other receivables at 31 July 2007 is an amount receivable from sale of an investment in Hydramatic Engineering Pty Ltd to Sandvik Mining and Construction Australia Pty Ltd ("Sandvik") during the current financial year amounting to \$456,000. Sandvik disputed the amount and a provision has been made in the accounts.
- (ii.) Included in other long term advances at 31 July 2007 are amounts receivable from Hunter Bay Food Holdings Pty Ltd of \$1,729,000 and Jesters Holdings Pty Ltd of \$7,016,000, total \$8,745,000. These two entities are related entities of a controlled entity of the Company. The Company has assessed the recoverability of these two loans and has made a provision for the full amount in the accounts.

Key Judgments — Recognition of Tax Benefit in Equity Accounted Associates

Included in the share of profits of an associate, Krispy Kreme Holdings Australia Pty Limited, is an amount of a tax benefit totalling \$1,576,000 relating to the recognition of income tax losses as the Directors assessed that notwithstanding the current year tax losses it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The Company has assessed the accounts of the associate and has accepted the tax provision contained within its accounts.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

2. PROFIT FOR THE YEAR

	Consolidated Entity		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:				
(a) Revenue:				
Sales revenue	14,711	10,185	-	-
Fully franked dividends:				
- other corporations	1,999	1,784	1,999	1,784
- associated entities	-	-	1,093	296
Fully franked dividends – special:				
- other corporations	-	316	-	316
Unfranked dividends:				
- other corporations	24	43	24	43
Trust distributions	60	92	60	92
Interest received – notes	530	315	530	315
Interest received – third parties	3,037	3,773	3,145	3,934
Total revenue	20,361	16,508	6,851	6,780
Net profit on disposal of shares	2,797	2,076	2,797	2,076
Net profit on disposal of private equity investment ⁽¹⁾	7,404	-	8,381	-
Unrealised gain on listed investments held for sale	14,739	6,506	14,739	6,506
Other income	390	14	390	11
Total other income	25,330	8,596	26,307	8,593
(1) Reconciliation of profit on disposal of private equity:				
Sales consideration	13,677	-	13,677	-
less cost of investment	(4,008)	-	(4,008)	-
cost associated with disposal	(1,288)	-	(1,288)	-
Gross profit	8,381	-	8,381	-
less equity accounted profit previously recognised	(977)	-	-	-
Profit on disposal	7,404	-	8,381	-
(b) Other Expenses				
Cost of sales	9,894	6,545	-	-
Depreciation of plant and equipment	901	587	-	-
Directors fees and superannuation	198	198	198	198
Management expenses	3,001	2,787	3,001	2,787
Professional costs	278	190	278	170
Administration expenses	2,698	1,711	365	471
Selling and marketing expenses	1,581	1,077	-	-
Impairment loss on receivables	456	-	1,124	-
Impairment loss on long term advances	8,745	-	-	-
Impairment loss on investments	141	1,456	141	1,536
Impairment loss on goodwill	2,066	-	-	-
Loss on sale of plant and equipment	4	4	-	-
Other expenses	47	95	47	18
Total Expenses	30,010	14,650	5,154	5,180

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

3. INCOME TAX

	Consolidated Entity		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(a) The components of tax expense:				
Current tax	3,492	281	3,208	-
Deferred tax liability	4,032	4,556	2,485	4,026
Deferred tax asset	(1,052)	(1,657)	1,684	(1,734)
Under/(over) provision in respect of prior years	1	(88)	-	(13)
	6,473	3,092	7,377	2,279
(b) Prima facie tax on profit before income tax at 30%	6,801	4,021	8,401	3,058
Tax effect:				
- Sundry items	(96)	(20)	(96)	(60)
- Tax benefits not recognised	964	-	-	-
- Franked dividends from associated entities	-	-	(328)	(89)
- Franked dividends from other entities	(600)	(630)	(600)	(630)
- Share of profits of associates*	(2,112)	(885)	-	-
- Tax on investments in associates	1,516	606	-	-
Income tax expense attributable to profit	6,473	3,092	7,377	2,279

* Included in the equity accounted profit is a share of tax benefit of \$1,576,000 recognised in the accounts of the associate (see note 1(q))

4. DIVIDENDS

(a) Dividends declared/paid during the year

Final dividend for the year ended 31 July 2007 of 0.75 (2006: 0.5) cents fully franked at the tax rate of 30%, paid on 30 October 2007

4,451 2,967 **4,451** 2,967

Special dividend for the year ended 31 July 2007 of 0.25 (2006:nil) cents fully franked at the tax rate of 30%, paid on 30 October 2007

1,484 - **1,484** -

FRANKING ACCOUNT BALANCE

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

30% Class C franking credits **5,148** 1,473 **4,486** 1,085

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

5. CASH AND CASH EQUIVALENTS

	Consolidated Entity		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash at bank	23,495	29,490	22,171	27,786
Cash on hand	3	2	-	-
	23,498	29,492	22,171	27,786

(a) Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to items in the Balance Sheet as follows:

Cash	23,498	29,492	22,171	27,786
Bank overdrafts	-	(13)	-	-
	23,498	29,479	22,171	27,786

6. TRADE AND OTHER RECEIVABLES

Amount receivable from sale of associates	2,281	-	2,281	-
Impairment loss on receivable ^(a)	(456)	-	(456)	-
	1,825	-	1,825	-
Trade debtors	3,690	1,300	405	-
Dividends and distributions receivable	125	116	125	116
Interest receivable	-	69	-	69
Receivables from associated entities	594	1,565	594	1,565
Receivables from controlled entities	-	-	1,104	217
Sundry debtors	461	76	89	73
	6,695	3,126	4,142	2,040

(a) Amounts in dispute and adjustment to final settlement

7. INVESTMENTS IN SECURITIES

Held for trading listed securities at fair value:

- Shares in corporations	68,682	51,512	68,682	51,512
- Converting and convertible notes and other interest bearing securities	7,673	7,674	7,673	7,674
	76,355	59,186	76,355	59,186

Available for sale unlisted investments at fair value:

- Shares in corporations	1,385	1,385	1,385	1,385
	77,740	60,571	77,740	60,571

8. INVENTORIES

Finished goods	2,498	998	-	-
Raw materials	216	505	-	-
	2,714	1,503	-	-

9. OTHER ASSETS

Prepayments	297	617	59	59
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10. OTHER FINANCIAL ASSETS

Other financial assets	915	-	915	-
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Other financial assets record the value of the options associated with convertible loans.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

11. PROPERTY PLANT AND EQUIPMENT

	Consolidated Entity		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Land at cost	1,170	1,170	-	-
Buildings at cost	5,554	2,007	-	-
Less accumulated depreciation	(100)	(50)	-	-
	5,454	1,957	-	-
Plant, machinery and motor vehicles at cost	10,440	6,374	-	-
Less accumulated depreciation	(4,680)	(4,022)	-	-
	5,760	2,352	-	-
Office equipment, furniture and fittings at cost	939	780	-	-
Less accumulated depreciation	(591)	(429)	-	-
	348	351	-	-
Total	12,732	5,830	-	-
Movements in carrying values				
Land	1,170	1,170	-	-
Additions	-	-	-	-
Depreciation	-	-	-	-
Carrying value at end	1,170	1,170	-	-
Buildings	1,957	2,007	-	-
Additions	3,547	-	-	-
Depreciation	(50)	(50)	-	-
Carrying value at end	5,454	1,957	-	-
Plant, machinery and motor vehicles	2,352	2,622	-	-
Additions	4,239	180	-	-
Disposals	(106)	(11)	-	-
Depreciation	(725)	(439)	-	-
Carrying value at end	5,760	2,352	-	-
Office equipment, furniture and fittings	351	270	-	-
Additions	123	179	-	-
Depreciation	(126)	(98)	-	-
Carrying value at end	348	351	-	-
Total assets at beginning	5,830	6,069	-	-
Additions	7,909	359	-	-
Disposals	(106)	(11)	-	-
Depreciation	(901)	(587)	-	-
Total assets carrying value at end	12,732	5,830	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

12. INVESTMENTS IN CONTROLLED ENTITIES

	Consolidated Entity		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Carrying value of shares in controlled entities:				
PCP Holdings 1 Pty Limited (PCP 1)	-	-	2,928	2,928
Geoffrey Hill & Associates Pty Limited (GHA)	-	-	2,946	2,946
Cromford Pty Limited	-	-	8,250	8,250
Soda Brands Limited ¹	-	-	5,446	1,548
Food and Beverage Company Limited ²	-	-	-	-
	-	-	19,570	15,672

Movement in the carrying value of shares in controlled entities:

2007	Carrying value at beginning	Addition during the year	Carrying value at 31/07/2007
	\$'000	\$'000	\$'000
PCP Holdings 1 Pty Limited	2,928	-	2,928
Geoffrey Hill & Associates Pty Limited	2,946	-	2,946
Cromford Pty Limited	8,250	-	8,250
Soda Brands Limited ⁽¹⁾	1,548	3,898	5,446
Food and Beverage Company Limited ⁽²⁾	-	-	-
	15,672	3,898	19,570

2006	Carrying value at beginning	Addition during the year	Carrying value at 31/07/2006
	\$'000	\$'000	\$'000
PCP Holdings 1 Pty Limited	2,928	-	2,928
Geoffrey Hill & Associates Pty Limited	2,946	-	2,946
Cromford Pty Limited	8,250	-	8,250
Soda Brands Limited ⁽¹⁾	1,003	545	1,548
	15,127	545	15,672

Controlled Entities Acquired:

(1) During the year ending 31 July 2007, Soda Incorporated Pty Limited was converted to a public company and changed its name to Soda Brands Limited. Soda Brands Limited was listed on the Newcastle Stock Exchange on 12 January 2007.

(2) On 31 July 2006, the Company held a 50% interest in an associate, Food and Beverage Company Limited. On 1 December 2006, the Company acquired the remaining 50% and Food and Beverage Company Limited became a wholly owned subsidiary.

Controlled entities at 31 July	Country of incorporation	Date of acquisition	Percentage Owned	
			2007	2006
PCP Holdings 1 Pty Limited	Australia	10 December 2004	100.00%	100.00%
Geoffrey Hill & Associates Pty Limited	Australia	10 December 2004	100.00%	100.00%
Cromford Pty Limited	Australia	28 February 2005	100.00%	100.00%
Soda Brands Limited ⁽¹⁾	Australia	28 February 2005	68.24%	80.09%
Food and Beverage Company Limited	Australia	1 December 2006	100.00%	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

12. INVESTMENTS IN CONTROLLED ENTITIES (continued)

Controlled Entities Acquired (continued):

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

The main activity of:

Both PCP Holdings 1 Pty Limited and Geoffrey Hill & Associates Pty Limited are that of investment companies each holding 12.5% equity interest in Pitt Capital Partners Limited.

Cromford Pty Limited is the manufacture and distribution of polyethylene film and dampcourse used in the building and agricultural industries.

Soda Brands Limited is the distribution of hair care and skin care products in Australian and overseas markets.

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

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Details of investments in unlisted entities at reporting date was:

	Principal Activities	Beneficial Interest %	Consolidated Entity		Company	
			2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Pitt Capital Partners Limited	Merchant banking	25.00	6,536	6,127	-	-
Specialist Oncology Property Pty Ltd	Specialist medical services	23.83	1,033	988	1,000	1,000
Austgrains Pty Limited	Agricultural supplies	48.00	2,520	2,764	2,900	2,900
Asian Property Investment Ltd	Property investment	32.24	2,515	2,265	2,001	2,001
Hydramatic Engineering Pty Ltd	Engineering	40.00	-	4,291	-	4,008
Ampcontrol Pty Ltd	Electrical supplies	45.00	18,206	14,222	11,468	11,793
Supercorp Pty Ltd	Superannuation administration	35.00	3,592	-	3,583	-
Source Engine Asia Ltd	Engineering	35.00	-	141	-	142
Belaroma Coffee Pty Ltd	Food Beverage	40.00	3,101	-	-	-
Krispy Kreme Holdings Australia Pty Ltd	Food	24.00	15,191	-	-	-
Food and Beverage Company Ltd*	Food	50.00	-	-	-	-
			52,694	30,798	20,952	21,844

* Food and Beverage Company Ltd became a wholly owned controlled entity in December 2006.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

It is noted that the Company has a 20.00% interest in InterRisk Australia Pty Limited, however, the directors have deemed that the Company does not have significant influence as Souls Private Equity Limited has only 1 representative out of 7 on the Board of Directors and on a fully diluted basis, the Company has an interest of 18.6%. Therefore this investment has been held as available for sale and recorded at fair value.

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

2007	Carrying value at 31/07/06 \$'000	Addition (Disposal) \$'000	Share of profit/(loss) \$'000	Impairment \$'000	Pre Acquisition dividend received \$'000	Dividend received \$'000	Carrying value at 31/07/07 \$'000
Pitt Capital Partners Limited	6,127	-	1,059	-	-	(650)	6,536
Specialist Oncology Property Pty Ltd	988	-	45	-	-	-	1,033
Austgrains Pty Limited	2,764	-	(244)	-	-	-	2,520
Asian Property Investment Ltd	2,265	-	250	-	-	-	2,515
Hydramatic Engineering Pty Ltd	4,291	(4,985)	694	-	-	-	-
Ampcontrol Pty Limited	14,222	-	4,751	-	(324)	(443)	18,206
Source Engine Asia Limited	141	-	-	(141)	-	-	-
Supercorp Pty Ltd	-	3,583	9	-	-	-	3,592
Belaroma Coffee Pty Limited	-	3,083	18	-	-	-	3,101
Krispy Kreme Holdings Australia Pty Ltd	-	14,733	458	-	-	-	15,191
Total	30,798	16,414	7,040	(141)	(324)	(1,093)	52,694

2006	Carrying value at 31/07/05 \$'000	Addition (Disposal) \$'000	Share of profit/(loss) \$'000	Impairment \$'000	Dividend received \$'000	Carrying value at 31/07/06 \$'000
Pitt Capital Partners Limited	6,137	-	265	-	(275)	6,127
Specialist Oncology Property Pty Limited	785	250	(26)	-	(21)	988
Austgrains Pty Limited	2,974	-	(210)	-	-	2,764
Asian Property Investment Limited	1,975	-	290	-	-	2,265
Hydramatic Engineering Pty Limited	4,000	8	283	-	-	4,291
Ampcontrol Pty Limited	-	11,793	2,429	-	-	14,222
Source Engine Asia Limited	-	677	(80)	(456)	-	141
Food and Beverage Company Limited	-	-	-	-	-	-
Total	15,871	12,728	2,951	(456)	(296)	30,798

	2007 Consolidated Entity \$'000	2006 Consolidated Entity \$'000
Contribution to consolidated profits		
Pitt Capital Partners Limited	1,059	265
Specialist Oncology Property Pty Limited	45	(26)
Austgrains Pty Limited	(244)	(210)
Asian Property Investment Limited	250	290
Hydramatic Engineering Pty Limited	694	283
Ampcontrol Pty Limited	4,751	2,429
Source Engine Pty Limited	-	(80)
Supercorp Pty Limited	9	-
Belaroma Coffee Pty Limited	18	-
Krispy Kreme Holdings Australia Pty Limited	458	-
Total	7,040	2,951

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Equity accounted profits of associates are broken down as follows:

	2007 Consolidated Entity \$'000	2006 Consolidated Entity \$'000
Share of associate's profit before income tax expense	10,579	4,441
Share of associate's profit after income tax	7,040	2,951
Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates		
Share of total assets	68,277	61,264
Share of total liabilities	40,553	35,321
Revenues	89,118	58,353

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

Specialist Oncology Property Pty Limited	30 June 2007
Austgrains Pty Limited	30 June 2007
Asian Property Investment Limited*	31 March 2007
Ampcontrol Pty Limited	30 June 2007
Source Engine Asia Limited*	31 March 2007
Supercorp Pty Limited	30 June 2007
Belaroma Coffee Pty Limited	30 June 2007
Krispy Kreme Holdings Australia Pty Limited	30 June 2007

*Asian Property Investment Limited and Source Engine Asia Limited each have a 31 March 2007 year end balance date due to these entities being incorporated in Hong Kong. Trading results of these entities to 30 June 2007 were accounted for in the consolidated group.

14. OTHER LONG TERM ADVANCES

	Consolidated Entity		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Loans to controlled entities	-	-	38,734	2,620
Loans to associated entities	2,262	27,375	-	27,375
Loans to other entities ^(a)	8,745	-	-	-
Impairment loss on long term advances ^(a)	(8,745)	-	-	-
	2,262	27,375	38,734	29,995

(a) – refer to Note 1(q) and Note 29(i)(3) for details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

15. DEFERRED TAX ASSETS

	Consolidated Entity		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
The deferred tax asset balance comprises the following timing differences and unused tax losses:				
Share issue costs	592	889	592	889
Accrued expenses	125	6	5	6
Deductible expenses	-	-	7	-
Prior year income loss	-	43	-	43
Impairment loss on investments	503	461	503	461
Impairment loss on receivables	137	-	137	-
Impairment loss on long term advances	2,623	-	-	-
Current year income loss	-	1,529	-	1,529
	3,980	2,928	1,244	2,928
Reconciliation:				
Opening balance	2,928	1,271	2,928	1,194
Credit / (Charge) to income statement	1,052	1,657	(1,684)	1,734
Closing balance	3,980	2,928	1,244	2,928

16. INTANGIBLE ASSETS

Goodwill at cost	7,765	3,991	-	-
Additions through business combination:				
Change in controlled equity's on issue of shares	88	129	-	-
Acquisition of distribution business	3,022	-	-	-
Acquisition of manufacturing business	664	-	-	-
Acquisition of food and beverage business	2,066	-	-	-
	5,840	129	-	-
Reconciliation:				
Balance at beginning	3,991	3,862	-	-
Acquisitions through business combination	5,840	129	-	-
Impairment losses	(2,066)	-	-	-
Balance at end	7,765	3,991	-	-

Impairment Disclosure

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

Manufacturing	3,600	2,936
Distribution	4,165	1,055
Total	7,765	3,991

During the 31 July 2007 financial year, the Company assessed the recoverable amount of goodwill relating to manufacturing and distribution segments and determined that goodwill is not 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 cash-generating unit's value-in-use. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period approved by the Board of Directors and projected out a further 5 years. The cash flows are discounted using a rate of 20% and annual growth rates of 3% to 5%. Management believes that any reasonable possible change in the key assumptions in which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate carrying amount of those cash-generating units.

The Company also assessed the recoverable amount of goodwill relating to food and beverage segment and determined that the amount is not recoverable. The whole amount is impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

17. TRADE AND OTHER PAYABLES

	Consolidated Entity		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Sundry creditors and accruals	3,995	1,282	1,551	297

18. PROVISIONS

Aggregate employee benefits	329	267	-	-
Analysis of provisions:				
Current	134	113	-	-
Non current	195	154	-	-
	329	267	-	-

Reconciliation:

	Consolidated Entity	Company
Balance at beginning	267	-
Additional provision	186	-
Amounts used	(124)	-
Balance at end	329	-

	Number	Number	Number	Number
Number of employees at 31 July	75	38	-	-

19. OTHER FINANCIAL LIABILITIES

	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Long term borrowings	135	-	-	-

20. DEFERRED TAX LIABILITIES

The deferred tax liability balance comprises the following timing differences:

Depreciation	283	251	-	-
Revaluation of investments held	7,067	4,577	7,092	4,577
Tax on investments in associates	2,441	925	-	-
Interest receivable	369	375	344	375
	10,160	6,128	7,436	4,952
Reconciliation:				
Opening balance	6,128	1,572	4,952	925
Credit to income statement	4,032	4,556	2,484	4,027
Closing balance	10,160	6,128	7,436	4,952

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

21. ISSUED CAPITAL

	Consolidated Entity		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(a) Issued and paid-up capital 593,513,927 ordinary shares fully paid (2006: 593,485,726)	144,924	144,916	144,924	144,916
(b) Movement in ordinary shares				
	2007		2006	
	Number of Shares	\$'000	Number of Shares	\$'000
Balance at the beginning of the year	593,485,726	144,916	586,463,114	143,201
Issued during the year				
- purchase of associated entities	-	-	6,972,605	1,700
- share options exercised	28,201	8	50,007	15
Balance at the end of the year	593,513,927	144,924	593,485,726	144,916

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.

	2007 Number	2006 Number
(c) Movements in options		
Balance at the beginning of the year	73,767,932	72,539,227
Issued during the year:		
- purchase of associated entities	-	1,278,712
Options exercised	(28,201)	(50,007)
Balance at the end of the year	73,739,731	73,767,932
(d) Movements in unlisted options		
Balance at the beginning of the year	10,000,000	10,000,000
Management options granted under Employee Share Option Plan during the year:		
Options exercised	-	-
Balance at the end of the year	10,000,000	10,000,000

22. MINORITY INTEREST

	Consolidated Entity		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Minority interest comprises:				
Share capital	2,195	266	-	-
Retained earnings	(575)	(202)	-	-
Reserve	(3)	-	-	-
	1,617	64	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

23. CASH FLOW RECONCILIATION

	Consolidated Entity		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
(a) Reconciliation of cash flow from operations with profits after income tax				
Net profit after income tax	16,196	10,313	20,627	7,914
Non cash items:				
- Share of net profits of associate accounted for using equity method	(7,040)	(2,951)	-	-
- Profit on sale of associate entities	(7,404)	-	(8,381)	-
- Unrealised gains on listed investments held for sale	(14,739)	(6,506)	(14,739)	(6,506)
- Profit on disposal of shares	(2,797)	(2,076)	(2,797)	(2,076)
- Depreciation	901	587	-	-
- Issued capital – share based payments	21	21	21	21
- Loss on sale of plant and equipment	4	4	-	-
- Impairment loss on investments	141	1,456	141	1,536
- Impairment loss on goodwill	2,066	-	-	-
- Impairment loss on receivables	456	-	1,124	-
- Impairment loss on long term advances	8,745	-	-	-
Change in assets and liabilities, net of the effects of purchase of subsidiaries				
(Increase) in trade and other receivables	(2,950)	(636)	(996)	(1,139)
(Increase) in investments in securities	(548)	(2,676)	(548)	(2,676)
(Increase) in inventories	(1,210)	(476)	-	-
(Increase) / Decrease in other assets	320	(318)	-	10
(Increase) in long term advances	(194)	-	-	-
(Increase) / Decrease in deferred tax assets	(1,052)	(1,657)	1,684	(1,734)
Increase / (Decrease) in trade and other payables	1,631	43	314	(167)
Increase / (Decrease) in current tax liabilities	3,120	(69)	3,208	(13)
Increase in provisions	62	24	-	-
Increase in deferred tax liabilities	4,032	4,556	2,484	4,027
Net cash (outflow) / inflow from operating activities	(239)	(361)	2,142	(803)

(b) Acquisition of controlled entities

- (i.) On 31 July 2006, the Company held a 50% interest in an associate, Food and Beverage Company Limited. On 1 December 2006, the Company acquired the remaining 50% for \$120 and Food and Beverage Company Limited became a wholly owned subsidiary.

Details of the acquisitions are:	1/12/06
	\$'000
Payment for investment	-
Fair value of assets acquired:	
Cash	535
Trade and other receivables	647
Investments accounted for using equity method	17,816
Financial assets	8,646
Other assets	2
Trade and other payables	(276)
Long term borrowings	(29,436)
Net assets acquired	(2,066)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

23. CASH FLOW RECONCILIATION (continued)

(b) Acquisition of controlled entities (continued)

- (ii.) During the year, controlled entity Soda Brands Limited acquired 100% investment in Salon Only Pty Limited with a purchase consideration of \$3,022,000.
- (iii.) During the year, controlled entity Cromford Pty Limited acquired 100% investment in Australian Film and Pipe Manufacturing Pty Limited with a purchase consideration of \$3,740,000.

2006

The Company did not acquire any new controlled entities during the year to 31 July 2006. During the period, the Company advanced a total of \$1,165,000 to a subsidiary, SODA Incorporation Pty Ltd ("SODA") of which \$545,000 was converted into equity. The Company increased its interest in SODA from 63.83% to 80.09%. The conversion resulted in a goodwill of \$129,000.

(c) Non-cash financing and investing activities

- (i) Share issue on acquiring investments in associates

The Company did not issue any shares to acquire investments in associates for the year ended 31 July 2007. During the previous period to 31 July 2006, the Company issued 6,972,605 ordinary shares and 1,278,712 options together with cash consideration to acquire 45% of the issued share capital of Ampcontrol Pty Limited.

24. EARNINGS PER SHARE

	Consolidated Entity		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000

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	16,196	10,313	20,627	7,914
Net loss attributable to outside equity interest	210	89	-	-
Earnings used in calculating basic and diluted earnings per share	16,406	10,402	20,627	7,914

	No. ('000)	No. ('000)	No. ('000)	No. ('000)
--	----------------	----------------	----------------	----------------

(b) Weighted average number of ordinary shares used in the calculation of basic earnings per share	593,496	591,041	93,496	591,041
Weighted average number of options outstanding ⁽¹⁾	-	-	-	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	593,496	591,041	593,496	91,041
Basic earnings per share (cents)	2.76	1.76	3.48	1.34
Diluted earnings per share (cents)	2.76	1.76	3.48	1.34

(1) Effective of dilutive securities

Options on issue at 31 July 2007 and 31 July 2006 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 2007 (continued)

25. RESERVES

(a) Financial Assets Reserve

The financial assets reserve records revaluation of financial assets.

(b) Foreign Currency Translation Reserve

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

(c) Share Option Reserve

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

26. AUDITOR'S REMUNERATION

	Consolidated Entity		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Remuneration of the auditor of the parent entity for:				
- Auditing and reviewing the financial reports of the Company and the controlled entities	108	67	108	7
- Other services	6	9	6	9
	114	76	114	76
Remuneration of other auditors of controlled entities for:				
- Auditing the financial reports of the controlled entities	42	20	-	-

27. DIRECTORS' AND OTHER KEY MANAGEMENT PERSONNEL

	Consolidated Entity		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Income paid or payable, or otherwise made available to Non-Executive Directors of the consolidated entity in connection with managing the affairs of the Company and controlled entities:				
Fees	183	183	183	183
Superannuation Guarantee amounts	15	15	15	15
	198	198	198	198

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

27. DIRECTORS' AND OTHER KEY MANAGEMENT PERSONNEL (continued)

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 2007 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 table below:

2007	Primary \$	Superannuation \$	Options \$	Other Benefits \$	Total \$
RD Millner	50,000	4,500	-	-	54,500
DJ Fairfull	37,500	3,375	-	-	40,875
DE Wills	37,500	3,375	-	-	40,875
RG Westphal	37,500	3,375	-	-	40,875
GG Hill (alternate director for DJ Fairfull)	-	-	21,088	-	21,088
	<u>162,500</u>	<u>14,625</u>	<u>21,088</u>	<u>-</u>	<u>198,213</u>
2006					
RD Millner	50,000	4,500	-	-	54,500
DJ Fairfull	37,500	3,375	-	-	40,875
DE Wills	37,500	3,375	-	-	40,875
RG Westphal	37,500	3,375	-	-	40,875
GG Hill (alternate director for DJ Fairfull)	-	-	21,088	-	21,088
	<u>162,500</u>	<u>14,625</u>	<u>21,088</u>	<u>-</u>	<u>198,213</u>

There were no retirement allowances provided for the retirement of non-executive directors.

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.

There were no management options issued in the years 2007 and 2006.

Other key management personnel (excluding directors shown above).

Names and positions held of other key management personnel in office during the year to 31 July 2007 were:

Mr. A Fairfull	Joint Company Secretary
Mr. J de Gouveia	Joint Company Secretary

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

27. DIRECTORS' AND OTHER KEY MANAGEMENT PERSONNEL (continued)

Details of the nature and amount of each other key management personnel's remuneration from the controlled entities in respect of the year to 31 July 2007 were:

2007	Primary \$	Superannuation \$	Management Options \$	Other Benefits \$	Total \$	Performance Options %
A Fairfull	24,000	2,160	-	-	26,160	-
J de Gouveia	-	-	-	-	-	-
	24,000	2,160	-	-	26,160	-
2006						
A Fairfull	-	-	-	-	-	-
J de Gouveia	-	-	-	-	-	-
	-	-	-	-	-	-

Shares and options held by directors and other key management personnel at 31 July 2007 were:

Directors	2007		2006	
	Shares	Options	Shares	Options
Entities relating to Mr RD Millner	1,225,193	87,524	718,448	86,681
Entities relating to Mr DJ Fairfull	8,700,001	1,037,500	8,300,001	1,037,500
Entities relating to Mr DE Wills	423,277	27,909	299,728	24,966
Entities relating to Mr RG Westphal	220,000	10,000	180,000	10,000
Entities relating to Mr GG Hill	8,150,000	1,290,314	8,150,000	1,018,750
Other key management personnel:				
A Fairfull	28,000	-	-	-
J de Gouveia	-	-	-	-

28. 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.

29. 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 2007 were:

- | | |
|--|--|
| (i.) PCP Holdings 1 Pty Limited | (iv.) Soda Brands Limited ("SODA") |
| (ii.) Geoffrey Hill & Associates Pty Limited | (v.) Food and Beverage Company Limited ("FBC") |
| (iii.) Cromford Pty Limited ("CROMFORD") | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

29. RELATED PARTY TRANSACTIONS (continued)

(i) Controlled Entities (continued)

(1) CROMFORD

On 30 June 2005, the Company issued 13,600,000 shares and 1,700,000 options to assist Cromford to acquire the head office and factory property from Washington H. Soul Pattinson and Company Limited. This has created a loan of \$2,893,000 due from Cromford. Interest on the loan is calculated on statutory rate. As at the end of the reporting year, an amount of \$2,000,000 (2006: \$2,000,000) was still due from Cromford.

During the year, the Company made several additional loans to Cromford:

- (i.) \$3,546,793 in the purchase of land at Moss Vale;
- (ii.) \$3,099,822 in the purchase of Australian Film and Pipe Manufacturing Pty Limited
- (iii.) \$1,000,000 in working capital funding.

Total loan amount due from Cromford to the Company at the end of the reporting year was \$9,646,615 (2006: \$2,000,000) with no fixed repayment date. Interest on loan amount for the year was \$273,487 (2006: \$176,140).

(2) SODA

The Company had a loan agreement with SODA to provide a loan facility up to \$750,000 (2006: \$750,000) for a period of 3 years. The loan was secured by a registered fixed and floating charge over the assets of SODA. Interest on loan drawdown equals to a margin of 3% on top of bank bill rate at the beginning of each month. During 2007, the Company advanced a total of \$275,000 (2006: \$1,165,000) to SODA. Interest on loans advanced amounted to \$33,443 (2006: \$73,360). SODA repaid all loans and outstanding interest in January 2008.

(3) FBC

FBC was an associate of the Company until 1 December 2006 with a total loan amount due to the Company of \$25,675,000 and interest on loan amount outstanding of \$1,498,806 calculated at 8% per annum on that date. FBC became a wholly-owned subsidiary on 1 December 2006 when the Company acquired the remaining 50% interest of FBC for \$120. Since then, the Company advanced another \$3,412,000 to FBC. No interest has been calculated on loan amount since 1 December 2006. The loans are unsecured but the Company has the option to capitalise.

Advances to FBC were on-loaned to associates and related entities of FBC. Total amount advanced to those entities through FBC, at 31 July 2007 were \$11,007,000 of which an amount of \$8,745,000 to related entities was considered non recoverable and impaired.

(ii) Directors/Officers Related Entities

Persons who were Directors/Officers of Souls Private Equity Limited during the year to 31 July 2007 were:

Directors: RD Millner	RG Westphal	Company Secretary: JP de Gouveia
DJ Fairfull	GG Hill (alternate director for DJ Fairfull)	AD Fairfull
DE Wills		

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

The Company has appointed Pitt Capital Partners Limited, an entity in which Messrs. RD Millner, DJ Fairfull, DE Wills, RG Westphal and GG Hill have an indirect interest, as investment manager for 10 years and 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 management fee of 1.75% per annum of the net asset value of the Company, excluding any unrealised gains or losses arising from revaluation of any private equity investments. Management fee for the year to 31 July 2007 was \$3,220,431 (2006: \$2,991,293)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

29. RELATED PARTY TRANSACTIONS (continued)

(ii) Directors/Officers Related Entities (continued)

Pitt Capital Partners Limited (continued)

including GST of which \$565,847 (2006: \$258,543) was outstanding at 31 July 2007.

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

In addition, Pitt Capital Partners Limited is also entitled to a half yearly performance fee calculated as 15% of the gain in excess of a 10% pre-tax internal rate of return on private equity investments realised in the preceding half year taking into account private equity inflows and private equity outflows in respect of those investments. Performance fee for the year to 31 July 2007 was 937,966 including GST (2006: nil).

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 2007 were \$117,600 (2006: \$121,000).

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 and GG Hill have an indirect interest and Mr JP de Gouveia has a direct 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 2007 were \$109,120 (2006: \$93,445) including GST and are at standard market rates.

No administration fees were owed by the Company to Corporate & Administrative Services Pty Limited at 31 July 2007.

CBD Energy Limited

During the year, the Company advanced \$550,000 to CBD Energy Limited, an entity in which Messr. JP de Gouveia is a director. Interest on the loan is at 12% per annum with the option to covert into equity. Interest on loan advanced amounted to \$44,336 of which \$44,336 was outstanding at 31 July 2007 (2006: nil).

(iii) Transactions in securities of the Company

Aggregate number of securities of the Company acquired or disposed of by Directors or their Director-related entities:

	2007		2006	
	Number of Shares	Number of Options	Number of Shares	Number of Options
Acquisition	1,070,294	275,350	240,000	-
Disposal	-	-	-	-

During the year ended 31 July 2007, entities related to Directors acquired, under normal commercial terms, shares and options in the Company as follows:

	2007		2006	
	Shares	Options	Shares	Options
Entities relating to Mr RD Millner	506,745	843	-	-
Entities relating to Mr DJ Fairfull	400,000	-	-	-
Entities relating to Mr DE Wills	123,549	2,943	100,000	-
Entities relating to Mr RG Westphal	40,000	-	140,000	-
Entities relating to Mr GG Hill	-	271,564	-	-
	1,070,294	275,350	240,000	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

29. RELATED PARTY TRANSACTIONS (continued)

(iii) Transactions in securities of the Company (continued)

Messrs RD Millner, DJ Fairfull, DE Wills, RG Westphal and GG Hill, or their associated entities, being shareholders of the Company are entitled to receive dividends from the Company.

30. EMPLOYEE BENEFITS

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

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

Class	Number granted	Exercise price
1	2,500,000	30 cents
2	2,500,000	32 cents
3	2,500,000	35 cents
4	2,500,000	38 cents
Total	<u>10,000,000</u>	

Management options were granted on 16 December 2004.

Each management option will be exercisable for one share of the Company and will be exercisable after three years from the date of grant and expire after five years from date of grant.

	Consolidated Entity		Company	
	2007	2006	2007	2006
(a) Movement in the number of management options held by eligible employees are as follows:	Number	Number	Number	Number
Opening balance	10,000,000	10,000,000	10,000,000	10,000,000
Granted during the period	-	-	-	-
Exercised during the period	-	-	-	-
Lapsed during the period	-	-	-	-
Closing balance	10,000,000	10,000,000	10,000,000	10,000,000

(b) Details of management options outstanding as at the end of the reporting period:

Class	Expiry and exercise date	Price				
1	16 December 2009	\$0.30	2,500,000	2,500,000	2,500,000	2,500,000
2	16 December 2009	\$0.32	2,500,000	2,500,000	2,500,000	2,500,000
3	16 December 2009	\$0.35	2,500,000	2,500,000	2,500,000	2,500,000
4	16 December 2009	\$0.38	2,500,000	2,500,000	2,500,000	2,500,000
			10,000,000	10,000,000	10,000,000	10,000,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

31. FINANCIAL REPORTING BY SEGMENTS

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

(i) Business segment:

The following table presents the revenue and profit information regarding business segments for the year ended 31 July 2007 and 31 July 2006.

	SME investments	Other investments ^(a)	Elimination	Consolidated
31 July 2007	\$'000	\$'000	\$'000	\$'000
Revenues				
Revenues	31,457	14,151	(307)	45,301
Other revenue	-	390	-	390
Operating revenue	31,457	14,541	(307)	45,691
Equity accounted net profits	7,040	-	-	7,040
Total segment revenue	38,497	14,541	(307)	52,731
Results				
Results before non cash items	24,540	12,174	(1,852)	34,862
Impairment loss on goodwill	(2,066)	-	-	(2,066)
Impairment loss on receivables	(9,201)	-	-	(9,201)
Depreciation	(901)	-	-	(901)
Loss on sale of plant and equipment	(4)	-	-	(4)
Share based payment	-	(21)	-	(21)
Income tax expenses	(4,145)	(2,328)	-	(6,473)
Profit after tax	8,223	9,825	(1,852)	16,196
Assets				
Segment assets	44,368	86,465	-	130,833
Equity accounted investments	52,694	-	-	52,694
Unallocated assets	7,765	-	-	7,765
Total assets	104,827	86,465	-	191,292
Liabilities				
Segment liabilities	3,234	14,635	-	17,869
Acquisition of non current segment assets	7,909	-	-	7,909

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

31. FINANCIAL REPORTING BY SEGMENTS (continued)

(i) Business segment (continued):

31 July 2006	SME investments \$'000	Other investments ^(a) \$'000	Elimination \$'000	Consolidated \$'000
Revenues				
Revenues	10,274	15,362	(546)	25,090
Other revenue	3	11	-	14
Operating revenue	10,277	15,373	(546)	25,104
Equity accounted net profits	2,951	-	-	2,951
Total segment revenue	13,228	15,373	(546)	28,055
Results				
Results before non cash items	4,024	10,214	(221)	14,017
Depreciation	(587)	-	-	(587)
Loss on sale of plant and equipment	(4)	-	-	(4)
Share based payment	-	(21)	-	(21)
Income tax expenses	(813)	(2,279)	-	(3,092)
Profit after tax	2,620	7,914	(221)	10,313
Assets				
Segment assets	51,055	84,378	-	135,433
Equity accounted investments	30,798	-	-	30,798
Unallocated assets	-	-	-	-
Total assets	81,853	84,378	-	166,231
Liabilities				
Segment liabilities	2,571	5,249	-	7,820
Acquisition of non current segment assets	13,087	-	-	13,087

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

(ii) Geographical segments:

31 July 2007	Secondary reporting - geographic segments					Consolidated \$'000
	Australia \$'000	New Zealand \$'000	Thailand \$'000	Hong Kong \$'000	Elimination \$'000	
Segment revenue	19,933	415	13	-	-	20,361
Segment assets	188,777	-	-	2,515	-	191,292
Other segment information:						
Acquisition of non current segment assets	7,909	-	-	-	-	7,909
31 July 2006						
Segment revenue	16,246	262	-	-	-	16,508
Segment assets	163,825	-	-	2,406	-	166,231
Other segment information:						
Acquisition of non current segment assets	12,410	-	-	677	-	13,087

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

32. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The consolidated entities exposure to interest rate risk as at the reporting date is as follows:

2007	Weighted Average Interest Rate %	Variable Interest Rate \$'000	Variable Rate Within 1 Year \$'000	Variable Rate Within 1-5 Years \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Assets						
Cash	6.19	23,498	-	-	-	23,498
Notes	8.18	5,128	-	-	2,545	7,673
Investment in securities	-	-	-	-	70,067	70,067
Receivables and prepayments	12.00	-	594	-	7,313	7,907
Long term advances	4.18	-	-	2,262	-	2,262
		28,626	594	2,262	79,925	111,407
Financial Liabilities						
Bank overdraft	-	-	-	-	-	-
Payables	-	-	-	-	3,995	3,995
Current tax liabilities	-	-	-	-	3,250	3,250
Other financial liabilities	-	-	-	-	135	135
		-	-	-	7,380	7,380
2006						
Financial Assets						
Cash	5.38	29,492	-	-	-	29,492
Notes	6.93	5,093	-	-	2,581	7,674
Investment in securities	-	-	-	-	52,897	52,897
Receivables and prepayments	12.00	-	600	-	3,143	3,743
Long term advances	8.18	-	2,500	24,875	-	27,375
		34,585	3,100	24,875	58,621	121,181
Financial Liabilities						
Bank overdraft	14.85	13	-	-	-	13
Payables	-	-	-	-	1,282	1,282
		13	-	-	1,282	1,295

b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

c) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

33. LEASE COMMITMENTS

	Consolidated Entity		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable – minimum lease payments:				
- not later than 12 months	318	45	-	-
- between 12 months and 5 years	89	72	-	-
	407	117	-	-

34. EVENTS SUBSEQUENT TO BALANCE DATE

Dividends

Since the end of the financial year, the directors declared a fully franked final dividend of 0.75 (2006: 0.5) cents per share and a fully franked special dividend of 0.25 cents per share (2006: nil), both payable on 30 October 2007. The financial effects of this dividends has not been brought to account for the year ended 31 July 2007 and will be recognised in subsequent financial years.

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.

35. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Estimates of the potential financial effect of contingent liabilities that may become payable:

Purchase of SO Brand	-	2,000	-	-
Expenses related to proposed capital raising	-	500	-	-
Contingent liabilities	-	2,500	-	-

The above expenses are to be met out of the proceeds of the share issue

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2007 (continued)

36. AUSTRALIAN ACCOUNTING STANDARDS NOT YET EFFECTIVE

The consolidated entity has not yet applied any Australian Accounting Standards or Australian Accounting Interpretations that have been issued as at balance date but are not yet operative for the year ended 31 July 2007 and are not expected to have any material impact in the future periods.

AASB Standard affected	Issue Date	Operative Date
AASB 8 Operating Segments	February 2007	1 January 2009
AASB 101 Presentation of Financial Statements (Amended)	September 2007	1 January 2009
AASB 121 The Effects of Changes in Foreign Exchange Rates	July 2007	1 July 2007
AASB 123 Borrowing costs (Amended)	June 2007	1 January 2009
AASB 1048 Interpretation and Application of Standards	September 2007	30 September 2007
AASB 2007-4 Amendments to [AASB 1,2,3,4,5,6,7,102, 107,108,110,112,114,116,117,118,119,120,121,127, 128,129,130,131,132,133,134,136,137,138,139,141, 1023 & 1038]	April 2007	1 July 2007
AASB 2007-5 Amendments to Australian Accounting Standard-Inventories held for Distribution by Not for Profit Entities [AASB 102]	May 2007	1 July 2007
AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	June 2007	1 January 2009
AASB 2007-7 Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	June 2007	1 July 2007
AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101	September 2007	1 January 2009

37. AUTHORISATION

The financial report was authorised for issue on 19 October 2007 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 62, are in accordance with the Corporations Act 2001 and:
 - (a) give a true and fair view of the financial position as at 31 July 2007 and the performance for the year ended on that date of the Company and consolidated entity; and
 - (b) comply with Accounting Standards and the Corporations Regulations 2001;
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. this declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the year ending 31 July 2007.

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



Robert D Millner

Director

Sydney

19th October 2007

Auditor's Independence Declaration

Chartered Accountants
Business Advisers and Consultants

Grant Thornton 

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF SOULS PRIVATE EQUITY LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Souls Private Equity Limited for the year ended 31 July 2007, 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 J ARCHER
Partner

Sydney

19 October 2007

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Independent Audit Report

Chartered Accountants
Business Advisers and Consultants

Grant Thornton 

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOULS PRIVATE EQUITY LIMITED

We have audited the accompanying financial report of Souls Private Equity Limited, which comprises the balance sheet as at 31 July 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, 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.

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Independent Audit Report



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOULS PRIVATE EQUITY LIMITED (cont)

Independence

In conducting our audit, we 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 is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 31 July 2007 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

A handwritten signature in cursive script that reads "Grant Thornton NSW".

GRANT THORNTON NSW
Chartered Accountants

A handwritten signature in cursive script that reads "A J Archer".

A J ARCHER
Partner

Sydney

19 October 2007

ASX Additional Information

Equity Holders

At 28 September 2007, there were 7,977 holders of ordinary shares and 5,433 holders of options in the capital of the company. These holders were distributed as follows:

No. held	No. of Shareholders	No. of Optionholders
1 – 1,000	40	8
1,001 – 5,000	498	3,900
5,001 – 10,000	1,555	833
10,001 – 100,000	5,259	598
100,001 and over	625	94
Holding less than a marketable parcel of 2,128 shares / 13,158 options	133	5,618

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:

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

The 20 largest holdings of the Company's share as at 28 September 2007 are listed below:

Name	Shares Held	%
Washington H Soul Pattinson & Company Limited	73,469,249	12.38
RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/C>	24,517,772	4.13
Cogent Nominees Pty Ltd	22,855,950	3.85
RBC Dexia Investor Services Australia Nominees Pty Limited <PIPOOLED A/C>	16,751,235	2.82
Blue Lagoon International Corporation	15,402,500	2.60
The Australian National University Investment Section	11,050,000	1.86
UBS Nominees Pty Limited	10,097,148	1.70
UBS Wealth Management Australia Nominees Pty Limited	9,078,821	1.53
Richvale Pty Limited	8,300,000	1.40
Republic Australia Pty Limited	8,000,000	1.35
Lets Retire Pty Limited	6,697,605	1.13
Gowing Bros Limited	5,000,000	0.84
Luton Pty Limited	3,980,246	0.67
HSBC Custody Nominees (Australia) Limited	3,866,498	0.65
Abbawood Nominees Pty Limited <Abbott Family S/F No.1 A/c>	3,500,000	0.59
Mr. Darren J Hughes	3,386,903	0.57
RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI A/C>	3,093,997	0.52
Mr Orlando B di Iulio and Ms Catharina M Koopman	3,000,000	0.51
Permanent Trustee Company Limited <PTC0020 A/C>	3,000,000	0.51
Mr Richard H Bartlett	2,048,000	0.35
Total top 20 security holders	237,095,924	39.96
Total number of shares on issue	593,516,234	

ASX Additional Information (continued)

The 20 largest holdings of the Company's option as at 28 September 2007 are listed below:

Name	Options Held	%
Washington H Soul Pattinson & Company Limited	8,666,205	11.75
Vahedin Pty Limited	1,607,543	2.18
Lets Retire Pty Limited	1,278,712	1.73
Richvale Pty Limited	1,037,500	1.41
E D M Transport Pty Limited	1,008,322	1.37
Permanent Trustee Company Limited <PTC0020 A/C>	1,000,000	1.36
Republic Australia Pty Limited	1,000,000	1.36
Mark Mitchell Services Pty Limited	750,000	1.02
Oodachi Pty Limited	707,500	0.96
Carmant Pty Limited <Carmant Super Fund A/C>	644,094	0.87
Dr Grant V Stendal	637,796	0.86
Mr Milan Herceg	634,021	0.86
Glowcave Pty Limited <Wood Super Fund A/c>	615,000	0.83
Desmic Investments Pty Limited	600,000	0.81
Brailey & Fenton Pty Limited <super Fund EFB A/C>	569,877	0.77
Mr Timothy Frank Robertson Frederick	507,476	0.69
Gemgame Pty Limited	500,000	0.68
International Business Network (Services) Pty Limited	500,000	0.68
Mr Kenneth E Jeeves and Mrs Beryl L Jeeves <BLJ Retirement Fund A/C>	500,000	0.68
L & C Strickland Investments Pty Limited	500,000	0.68
Total top 20 option holders	23,264,046	31.55
Total number of options on issue	73,007,734	

Substantial Shareholders

As at 28 September 2007 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	69,329,643	11.68

Other Information:

- There is no current on-market buy-back in place.
- There were 79 transactions in listed securities undertaken by the Company and the total brokerage paid or accrued during the year was \$82,651.

