

SOULS PRIVATE EQUITY LIMITED

ABN 71 111 196 420



PROSPECTUS

FOR THE ISSUE OF UP TO 400 MILLION ORDINARY SHARES AT \$0.25 EACH TO RAISE UP TO \$100 MILLION WITH A MINIMUM RAISING OF \$50 MILLION, WITH 1 ATTACHING OPTION FOR EVERY 8 SHARES, EXERCISABLE AT A PRICE OF \$0.30 EACH WITHIN 5 YEARS OF THE ISSUE DATE

UNDERWRITER

CO-MANAGERS

FINANCIAL ADVISER



Important Notice

GENERAL

This Prospectus is dated 28 October 2004 and was lodged with ASIC on that date. Neither ASIC nor any of its officers takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

The Company will apply for quotation of all Shares and Options on ASX within seven days after the date of this Prospectus. The fact that ASX may admit the Company to its official list is not to be taken as an indication of the merits of the Company or the securities now offered for subscription.

The Offer of Shares and Options is being made only to persons receiving this Prospectus (including the electronic copy of this Prospectus) in Australia who are Australian residents and to persons receiving the Prospectus and Investment Statement (including the electronic copy of the Prospectus and Investment Statement) in New Zealand who are New Zealand residents. No action has been taken to register the securities or otherwise permit a public offering of the securities in any jurisdiction outside Australia or New Zealand. The Offer is not to be made in any jurisdiction where the laws of the jurisdiction would require the prospectus to be registered or any other action to be taken by Souls Private Equity Limited. In particular, the Shares and Options have not, as at the date of this Prospectus, been registered under the U.S. Securities Act of 1933 and may not be offered or sold in the United States or to, or for the account or benefit of, any U.S. person (as defined in regulations under the Securities Act). The distribution of this Prospectus outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable Securities Law.

The issuer of this Prospectus is the Company. The Company has appointed the Underwriter to arrange for the issue of Shares and Options under this Prospectus as agent of the Company pursuant to, and solely for the purposes of, section 911A(2) of the Corporations Act. The Underwriter is not the issuer of this Prospectus or of Shares or Options which may be issued under it and is not responsible to any person for any failure to arrange the issue of Shares or Options.

No one is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company or its Directors.

Except as required by law, and only to the extent so required, neither the Company nor any other person warrants the future performance of the Company or any return on any investment made pursuant to this Prospectus.

You should read this Prospectus in its entirety before deciding to apply for Shares and Options. If you have any questions about this Prospectus, or the desirability of, or the procedure for, investing in Souls Private Equity Limited, please consult your stockbroker, accountant or other professional adviser without delay.

ELECTRONIC PROSPECTUS

This Prospectus will be made available from the date of this Prospectus until the Closing Date in electronic form at www.abnamromorgans.com.au. The Offer constituted by this Prospectus in electronic form is available only to persons receiving the Prospectus in electronic form within Australia who are Australian residents. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. A hard copy of this Prospectus is available free of charge to any person in Australia or New Zealand by contacting Computershare on 1300 365 903 (within Australia) or +613 9415 4219 (if calling from outside Australia).

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

NEW ZEALAND INVESTMENT STATEMENT

A New Zealand Investment Statement which complies with the Securities Act (NZ) has been prepared in connection with the Offer. New Zealand investors should read the Investment Statement in its entirety before deciding to apply for Shares and Options. The Investment Statement is also available in electronic form at www.abnamromorgans.com.au and a hard copy is available free of charge by contacting Computershare on +613 9415 4219 (if calling from outside Australia).

CURRENCY AND TIME

All currency in this Prospectus is denominated in Australian Dollars unless otherwise stated. All times stated are Australian Eastern Summer Time (Sydney time).

GLOSSARY

Certain terms and abbreviations in this Prospectus are defined in the Glossary of Terms.

PRIVACY

The Application Form requires you to provide information that may be personal information for the purposes of the Privacy Act 1988 (as amended).

Souls Private Equity Limited (and the Share Registry on its behalf) will collect, hold and use that personal information in order to process your Application, service your needs as an investor, provide services and facilities that you request and carry out appropriate administration.

Under the Privacy Act 1988 (as amended), you may request access to your personal information held by (or on behalf of) Souls Private Equity Limited. You can request access to your personal information by telephoning or writing to the Registry:

THE PRIVACY OFFICER
COMPUTERSHARE INVESTOR SERVICES PTY LIMITED
LEVEL 3, 60 CARRINGTON STREET
SYDNEY NSW 2000
TELEPHONE: 1300 855 080

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Chairman's Letter



28 October 2004

Dear Investor

It gives me great pleasure to introduce Souls Private Equity Limited (**SPEL**) and invite you to become a shareholder in this exciting investment initiative sponsored by Washington H. Soul Pattinson and Company Limited (**Soul Pattinson**). SPEL is an investment vehicle with a difference. It will focus on long term investments in unlisted small to medium sized enterprises (**SMEs**) with the aim of achieving returns in excess of stock market returns.

The Soul Pattinson group has been successfully investing in Australasian and Asian private equity businesses for a number of years. Recent Soul Pattinson investment successes such as New Hope Corporation Limited (**New Hope**), SP Telemedia Limited (**SPT**) and NBN Enterprises Pty Limited (**NBN**) started off as private equity investments. Today, Soul Pattinson's investments in these companies are valued at approximately \$630 million in the case of New Hope, \$264 million for SPT and recently NBN was sold to SPT for \$145 million.*

SPEL will seek to maximise returns by a combination of Private Equity Investments and Other Investments (comprised principally of listed and interest bearing securities). In the main, SPEL will invest in and support unlisted SMEs which offer high prospects for capital growth over the long-term (ranging from three to ten years). Investment in listed and interest bearing securities will be ongoing but will be particularly important in the early years in order to generate income whilst the unlisted portfolio develops and matures.

SPEL will focus on smaller Private Equity Investments where it believes the opportunities for returns are greater, the spread of risk is better and Soul Pattinson has a track record of success. Unlike most new equity investors, SPEL will be launched with significant seed assets in place.

Soul Pattinson is committed to SPEL as its private equity investment vehicle going forward, and together with Directors, will control between 18% and 30% of SPEL.

SPEL will have flexibility in asset allocation between unlisted and listed investments. Its investment philosophy has been designed around the lessons learnt over many years by the Directors, the Manager and Soul Pattinson. As Soul Pattinson's former chairman, Jim Millner, often stated "the number one thing is management." Soul Pattinson has found that an experienced management team, together with an experienced corporate finance capability and good equity fund managers have been the best mix for making both unlisted and listed investments.

SPEL will be managed by an experienced hands-on board of directors and its investments will be managed by a corporate finance team with many years experience in Pitt Capital Partners Limited (**PCP**) and professional equity investment managers in Souls Funds Management Limited (**SFM**). SPEL will hold a direct equity interest in its investment manager, PCP, and an indirect interest (via PCP) in the investment sub-manager, SFM, aligning the interests of the managers with SPEL. SPEL expects a strong private equity deal flow through Soul Pattinson, PCP and their respective directors and executives.

Investment in unlisted securities has traditionally been the domain of larger financial institutions while private equity investment entities have suffered from lack of liquidity. SPEL offers investors access to, and liquidity in, this exciting investment class. The Directors believe that unlisted SMEs can generate higher returns in the long term than those available from traditional equity investments.

As an added benefit, SPEL and its Manager will attempt to give priority to subscribers for Shares under the Offer to participate in any initial public offering of any company in which SPEL has made an investment and any initial public offering on which the Manager advises.

This Prospectus contains detailed information about the Company and the Offer. I encourage you to read it carefully before making your investment decision.

All involved in SPEL are extremely enthusiastic about the Company and its prospects and we commend this opportunity to you.

Yours sincerely

A handwritten signature in black ink, appearing to read "R D Millner", with a long horizontal flourish extending to the right.

R D Millner
Chairman

*Past performance is not necessarily a guide to future performance.

Key information

Important Dates

PROSPECTUS LODGED	28 October 2004
OFFER OPENS	8 November 2004
ELIGIBLE SHAREHOLDER OFFER CLOSING DATE	29 November 2004
GENERAL OFFER CLOSING DATE	6 December 2004
EXPECTED DESPATCH OF HOLDING STATEMENTS	13 December 2004
SHARES AND OPTIONS EXPECTED TO COMMENCE TRADING ON ASX	16 December 2004

The dates are indicative only and are subject to change without notice. Souls Private Equity Limited and the Underwriter reserve the right to vary the dates of the Offer, including closing the Offer before the scheduled Closing Date, without prior notice. Applicants are encouraged to submit their Applications as soon as possible after the Offer opens.

Key details

THE OFFER	Up to 400 million Shares at \$0.25 each to raise \$100,000,000 with a minimum underwritten issue of 200 million shares to raise \$50 million with one attaching Option for every eight Shares subscribed for, exercisable at a price of \$0.30 per Share within 5 years of the Issue Date
MINIMUM INVESTMENT	\$2,000 (and thereafter in multiples of \$500)
OFFER PERIOD	9:00am (Sydney time) on 8 November 2004 to 5:00pm (Sydney time) on: <ul style="list-style-type: none"> • 29 November 2004 for Eligible Shareholder Offer; and • 6 December 2004 for General Offer unless varied by the Directors in accordance with this Prospectus
MANAGER	Pitt Capital Partners Limited
SUB-MANAGER	Souls Funds Management Limited
UNDERWRITER	ABN AMRO Morgans Corporate Limited
CO-MANAGERS	Ord Minnett Limited and Smith Barney Citigroup Australia Pty Limited
MANAGEMENT FEE	1.75% pa of SPEL's Net Asset Value, excluding unrealised gains on Private Equity Investments, payable monthly, as described in Section 13.1(c)
SUB-MANAGEMENT FEE	0.35% pa of the net asset value of the Listed Portfolio, payable monthly by the Manager from its Management Fee, as described in Section 13.2(c)
PERFORMANCE FEE	Half-yearly performance fee payable to the Manager only on the realisation of Private Equity Investments, as described in Section 13.1(c)

Investment highlights

- Soul Pattinson has achieved outstanding returns from its private equity portfolio through investments including New Hope, SPT and NBN.*
- Highly experienced Board and investment managers with a strong track record in private equity, funds management and corporate finance.
- SPEL will indirectly own 25% of its investment manager, PCP, which in turn owns 25.5% of SFM (the investment sub-manager responsible for SPEL's listed equities), aligning the managers' interests with those of Shareholders.
- Soul Pattinson is committed to SPEL as its private equity vehicle and at the completion of the Offer Soul Pattinson and Directors will own between 18% and 30% of SPEL.
- Relative to Soul Pattinson, the smaller size of SPEL provides investors with greater leverage to private equity upside potential.
- Innovative portfolio structure, allowing for maximum flexibility in asset allocation between unlisted and listed investment opportunities.
- Significant seed assets already in place.
- Strong anticipated private equity deal flow via Soul Pattinson and PCP.
- The Manager's ability to add value to a business may enhance the performance and returns of the unlisted equity investments.
- Investors who subscribe for Shares under the Offer may be given priority in initial public offerings by investee companies and any initial public offering on which the Manager advises.
- ASX listing offers liquidity for investors.

* Investors should note that past performance is not necessarily a guide to future performance.

1. HOW TO INVEST

1.1 When to apply

The Offer is due to open at 9:00am (Sydney time) on 8 November 2004.

Applications for Shares under the Offer must be received no later than 5:00pm (Sydney time) on:

- **29 November 2004 (the Eligible Shareholder Offer Closing Date) for applications made under the Eligible Shareholder Offer; or**
- **6 December 2004 (the General Offer Closing Date) for applications made under the General Offer.**

SPEL may close the Offer early, extend the Closing Date or withdraw the Offer without prior notice. Applicants for Shares under the Offer are encouraged to submit the relevant Application Forms as soon as possible after the Offer opens.

The Corporations Act prohibits the Company from processing Applications within seven days after lodgement of this Prospectus with ASIC. This period may be extended by ASIC by up to a further seven days. Applications will not be processed during this period and no preference will be conferred on persons who lodge applications before the expiry of this period. A paper copy of this Prospectus will be made available upon request to Computershare during this period.

1.2 How to apply: Eligible Shareholders and general Applicants

Eligible Shareholder Offer

If, at 7:00pm (Sydney time) on 20 October 2004, you were registered as a shareholder in Washington H. Soul Pattinson and Company Limited, Australian Pharmaceutical Industries Limited, Keith Harris & Company Limited, SP Telemedia Limited, Clover Corporation Limited, New Hope Corporation Limited, Brickworks Limited (either as an ordinary shareholder or a PAVERS holder) or Brickworks Investment Company Limited, or a person who was previously a shareholder in Bristle Limited and whose shares were acquired by Brickworks Limited pursuant to its takeover offer for Bristle Limited, and who has a registered address in Australia or New Zealand (**Eligible Shareholder**) you are eligible to apply, subject to the terms of the Offer, for an allocation of the number of Shares you request in your Application Form in priority to other investors (other than investors who have received a broker firm or firm institutional allocation) if you lodge your Application Form prior to the Eligible Shareholder Offer Closing Date.

As an Eligible Shareholder you should receive an orange Application Form with:

- in the case of Australian investors, your copy of this Prospectus; and
- in the case of New Zealand investors, your copy of the Investment Statement.

You must use this orange Application Form to ensure that you are eligible to receive your priority in allocations. If you have obtained a copy of this Prospectus or the Investment Statement from the Underwriter's website (www.abnamromorgans.com.au) and you have not yet received your orange Application Form, you should contact Computershare on 1300 365 903 (within Australia) or +613 9415 4219 (outside Australia) to obtain the orange Application Form.

If you lodge a personalised orange Application Form after 5:00 pm (Sydney time) on the Eligible Shareholder Offer Closing Date but before 5:00 pm (Sydney time) on the General Offer Closing Date, the Application will be taken to be an application pursuant to the terms of the General Offer.

Eligible Shareholders should be aware that the Company has attempted to avoid duplication and as a result, Eligible Shareholders may only receive one personalised Application Form, despite being eligible as a result of shareholdings in more than one of the aforementioned companies.

General Offer

If you are not an Eligible Shareholder, you should complete the white Application Form attached to or accompanying:

- in the case of Australian investors, the copy of this Prospectus; or
- in the case of New Zealand investors, the copy of the Investment Statement,

in accordance with the instructions set out on the white Application Form.

You may also obtain a white Application Form from the Underwriter's website at www.abnamromorgans.com.au

Lodging Application Forms

Applications may only be made, and will only be accepted, on the Application Form attached to or accompanying:

- in the case of Australian investors, the copy of this Prospectus; and
- in the case of New Zealand investors, the copy of the Investment Statement,

sent to you or downloaded from the Underwriter's website.

New Zealand investors cannot make an application using the Application Form attached to this Prospectus. If you are resident in New Zealand you must make your application using the Application Form attached to the Investment Statement.

The Application Form must be completed in accordance with the instructions on the Application Form. The Company will not accept an Application Form electronically.

The completed Application Form must be accompanied by a cheque, in Australian Dollars, for the value of Shares applied for. All cheques must be made payable to 'Souls Private Equity Limited – Share Offer Account' and crossed 'Not Negotiable'.

Completed Application Forms and cheque(s) must be returned by no later than 5:00pm (Sydney time) on:

- **the Eligible Shareholder Offer Closing Date (presently 29 November 2004) in the case of the Eligible Shareholder Offer; and**
- **the General Offer Closing Date (presently 6 December 2004) in the case of the General Offer,**

by mailing to:

Souls Private Equity Limited
Computershare Investor Services Pty Limited
GPO Box 7115
Sydney NSW 2001

or by hand delivery to:

Souls Private Equity Limited
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Application Forms and accompanying cheques will not be accepted by Computershare at any other address.

By returning an Application Form, the Applicant acknowledges that he, she or it has read this Prospectus (and, in the case of New Zealand investors, this Prospectus and the Investment Statement), that the Application Form once returned may not be withdrawn and that Computershare will be responsible for receiving Applications and is not acting as agent for the Underwriter.

Investors with queries on how to complete the Application Form or who require a copy of the Prospectus or the Investment Statement can contact Computershare or the Underwriter or visit the Underwriter's website at www.abnamromorgans.com.au.

If you have any other questions about how to invest in SPEL, you should contact the Underwriter, the Co-Managers, your stockbroker, accountant or professional adviser.

1.3 How to apply: broker firm applicants

If you have received a 'firm' allocation of Shares from your broker, your application and payment procedures will differ in two important respects from those described above:

- (a) your application cheque(s) must be made payable to the broker (not to "Souls Private Equity Limited - Share Offer Account"); and
- (b) your completed Application Form and application cheque(s) must be delivered to the broker directly (not to Computershare).

These differences, and any other requirements, will be explained to you by your broker. If you have a firm allocation of Shares and are in any doubt about what action you should take, you should immediately contact the broker who has made you a firm offer.

1.4 Minimum Application

Applications must be for a minimum of 8,000 Shares (\$2,000) and 1,000 attached Options and thereafter in multiples of 2,000 Shares (\$500) and 250 attached Options.

1.5 Brokerage and stamp duty

No brokerage or stamp duty is payable by Applicants on the issue of Shares.

1.6 Licensed intermediary

The Company does not hold an Australian Financial Services Licence. Accordingly, the Company will only issue Shares and Options pursuant to this Prospectus under an arrangement which the Company has entered into with the Underwriter in accordance with section 911A(2)(b) of the Corporations Act.

Under that arrangement, the Company has authorised the Underwriter to make offers to people to arrange for the issue of Shares and Options by the Company under this Prospectus and the Company will only issue Shares and Options in accordance with such offers if they are accepted.

The Underwriter is not the issuer of this Prospectus or of Shares or Options which may be issued under it and is not responsible to any person for any failure to arrange the issue of Shares or Options.

2. INVESTMENT OVERVIEW

2.1 Background

In Australia, investment in private equity has been mainly supported by the larger institutions. Except for a few smaller publicly listed venture capital funds and unlisted private equity funds, small private investors have not been major participants in private equity in Australia. SPEL provides these investors with an opportunity to invest in private equity via an ASX listed vehicle which gives investors the added advantage of liquidity.

Under the Offer, SPEL intends raising up to \$100 million through an issue of Shares at \$0.25 each, with a minimum underwritten raising of \$50 million. One Option will be issued for every eight Shares subscribed for, exercisable at a price of \$0.30 within five years of the Issue Date.

SPEL will house and develop most of Soul Pattinson's existing private equity investments as well as invest in other unlisted and listed investments. Its principal objective is to maximise returns to Shareholders over the long term. SPEL will provide Shareholders with the opportunity of investing in private equity and will follow Soul Pattinson's investment philosophies with the added benefit of an ASX listing.

On completion of the Offer, SPEL will hold directly or indirectly the following unlisted investments:

COMPANY	EQUITY INVESTMENT	DESCRIPTION
Pitt Capital Partners Limited (PCP)	25%	Successful corporate advisor which provides specialist corporate advisory, funds management, underwriting and company administration services. PCP is a member of the Australian Venture Capital Association Limited. PCP has a 25.5% interest in SFM.
Soda Incorporation Pty Limited (SODA)	63.83% ⁽¹⁾	Distributes hair and skin care products. The SO hair care range, developed by leading Australian salon owners, has gained rapid acceptance by over 600 salons since SODA's September 2003 start-up. Sales of the Robanda skin care range commenced in July 2004.
Specialist Oncology Property Pty Limited (Specialist Services)	38.84% ⁽²⁾	Provides high quality specialist medical services through consolidation of successful specialists clinics with an accessible "brand" name in an environment where health care is fragmented and uncoordinated.
Austgrains Pty Limited (Austgrains)	48% ⁽³⁾	Niche supply chain manager of value added agricultural products to the food processing industry and joint venture partner with Clover Corporation Limited in exploiting a world wide marketing and manufacturing licence for an innovative soy bean flour. Austgrains is also to develop an intermodal transport terminal and warehouse on its own Moree site.
Cromford Pty Limited (Cromford)	100% ⁽⁴⁾	Manufacturer and distributor of polyethylene film and dampcourse used throughout Australia in the domestic and commercial building industry as a vapour barrier under concrete slabs and pavements and between bricks and in the agricultural industry in weatherproofing grain and stockfeed stockpiles.
InterRISK Australia Pty Limited (InterRISK)	20%	A provider of corporate insurance broking and risk advisory services to medium to large companies. Commenced operations in May 2004 and presently has offices in Sydney and Melbourne with Brisbane opening shortly. InterRISK has a highly experienced management team.

(1) Assumes SPEL exercises its option to acquire a further 26.33% of SODA. Prior to the exercise of the option, SPEL will have a 37.5% interest in SODA (see Section 13.4 for further details). It is SPEL's current intention to exercise the option to acquire a further 26.33% of SODA.

(2) Assumes SPEL subscribes for \$1 million worth of shares in Specialist Services. SPEL must subscribe for \$750,000 worth of shares, which will give it a 29.1% interest. It must also subscribe for up to a further \$250,000 worth of shares which are offered to, but not taken up by, existing shareholders of Specialist Services (see Section 13.5 for further details).

(3) This investment is conditional on consent being obtained from a shareholder in Austgrains. See Section 13.5 for further details. Shareholders in Austgrains (including SPEL) will also receive options to acquire additional equity in Austgrains. SPEL will also provide a loan facility to Austgrains, which, if drawn down, may be converted into Austgrains' equity. These options and the convertible loan have not been included when calculating SPEL's 48% interest nor in the pro-forma statement of financial position as set out in Section 8.1, as it is not known whether the options will be exercised or the loan drawn down and converted.

(4) Assumes SPEL exercises its option to acquire a further 62.5% of Cromford. Prior to the exercise of the option, SPEL will have an initial interest of 37.5% (see Section 13.4 for further details). It is SPEL's current intention to exercise the option to acquire a further 62.5% of Cromford.

As noted in Section 2.5, the additional investments and property acquired if the above options are exercised have not been included in the pro-forma statement of financial position as set out in Section 8.1.

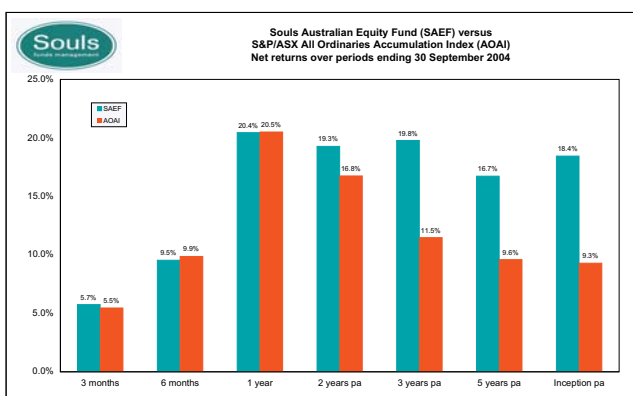
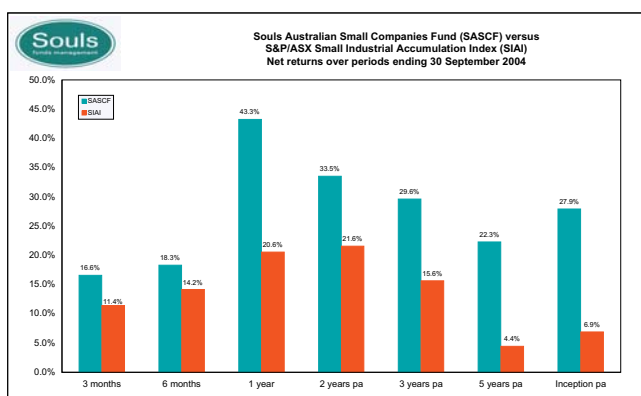
PCP, SODA, Specialist Services, Austgrains, Cromford and InterRISK are collectively referred to in this Prospectus as the Seed Portfolio. Further details of the **Seed Portfolio** are provided in Section 5.7.

SPEL has appointed PCP to manage the Portfolio. PCP will directly manage the Private Equity Investments and PCP has appointed SFM to sub-manage the Other Investments. A significant benefit for SPEL Shareholders is that SPEL will indirectly own 25% of the Manager, PCP, which in turn owns 25.5% of SFM which, as Sub-Manager, will manage the Other Investments. The balance of PCP equity will be owned by Soul Pattinson (50%) and interests associated with PCP's joint managing directors, David Fairfull and Geoffrey Hill (25%). SFM has approximately \$280 million in listed equity and other investments under management in addition to funds being managed for SPEL. Soul Pattinson owns 50.8% of SFM and SFM's management and their Associates own 23.7%.

Soul Pattinson has an enviable record of investment in unlisted and listed equities. For many years, Soul Pattinson has been a firm supporter of investing in the growth of Australasian and Asian businesses. Recent examples of Soul Pattinson's successful private equity investments which are now listed are:

- New Hope (Soul Pattinson's interest is now valued at approximately \$630 million);
- SPT (Soul Pattinson's interest is now valued at approximately \$264 million);
- NBN (recently valued and sold to SPT for \$145 million); and
- Apex Healthcare Berhad (Soul Pattinson's interest is now valued at approximately \$8 million).

In addition to Private Equity Investments, SPEL will invest in Other Investments (comprising mainly listed and interest bearing securities). A portion of SPEL's Portfolio will generally be Other Investments on an ongoing basis providing access to liquidity for new investments in private equity. The listed and interest bearing securities will be managed by SFM which has an excellent track record of managing investments in this area. For example, over the last five years to 30 September 2004, its management of Souls Australian Small Companies Fund has achieved net returns of 22.3% pa compared to the S&P/ASX Small Industrial Accumulation Index of 4.4% pa and its management of Souls Australian Equity Fund has achieved 16.7% pa compared with the S&P/ASX All Ordinaries Accumulation Index of 9.6% pa.



Investors should note that past performance in relation to Soul Pattinson's private equity investments and SFM's investment record (both of which are referred to above), is not necessarily a guide to future performance.

The investment philosophy and strategies to be utilised and implemented by PCP and SFM are discussed in Sections 5.3, 7.2 and 7.4 of this Prospectus.

2.2 Benefits to Shareholders

Shareholders will have the opportunity to invest, via SPEL, in unlisted and listed entities on a professional, diversified and cost effective basis with access to liquidity through SPEL's listed company structure.

Unlike Soul Pattinson which is much larger than SPEL and has traditionally had a relatively smaller proportion of its assets invested in private equity, SPEL will be a smaller, focused private equity investor. Accordingly, the benefits of successful Private Equity Investments will be relatively greater for investors in SPEL.

The ability of professional managers to “add value” (through the introduction of additional working capital and management experience) may provide unlisted private equity investors with higher returns and the prospect of significant capital growth over time. SPEL believes that unlisted SMEs offer:

- lower relative valuations and hence, more attractive acquisition prices;
- a greater degree of proprietorial interest, thus enhancement of shareholder value;
- less investor competition and thus more opportunities; and
- better returns for investors.

SPEL will benefit from the private equity deal flow generated by the extensive contact networks of Soul Pattinson and its directors, PCP’s directors and executives and the corporate advisory activities of PCP. The Manager also expects to add value to the strategic direction, operational efficiencies and financial structuring of SPEL’s Private Equity Investments as well as providing its acquisition and asset realisation capabilities.

At the same time, the ability of SPEL to invest in Other Investments through the Manager and Sub-Manager will provide an appropriate balance to the overall Portfolio and enhance its earnings and dividend potential, particularly in the early years until the portfolio of Private Equity Investments matures.

The flexibility of the SPEL structure will also provide for more efficient and effective allocation of funds under management between Private Equity Investments and Other Investments as the relative valuations between the two sectors fluctuate.

2.3 Long term investment

Investors in SPEL should view their investment as long-term and be comfortable to accept a higher than average risk and the prospect of short-term volatility. Directors of SPEL believe that the best returns from both listed and unlisted securities can only be achieved from a long-term investment strategy.

By its nature, unlisted private equity is a long-term illiquid investment (although SPEL Shares and Options will have the liquidity of an ASX listing). Private equity is attractive to companies because it provides “patient capital” – giving companies time to develop and grow in value.

2.4 Purpose of the Offer and use of proceeds

The purpose of the Offer is to:

- provide SPEL with an appropriate capital base and the financial capacity and flexibility to pursue Private Equity Investment opportunities;
- allow SPEL to be listed on the ASX;
- provide a liquid market for Shares and Options; and
- improve access to capital markets.

FUNDS RAISED

SPEL will raise up to \$100 million through the issue of 400 million Shares at \$0.25 each to new investors under the Offer, with a minimum underwritten raising of \$50 million.

In addition, Soul Pattinson has agreed to subscribe \$5 million for 20 million Shares and 2.5 million attached Options.* The funds raised, based on the minimum and maximum subscription amounts, are summarised in the table below.

	Minimum Subscription \$ million	Maximum Subscription \$ million
Amount raised under the Offer	50.00	100.00
Cash subscription from Souls	5.00	5.00
	55.00	105.00

* This subscription is in addition to Shares and Options Soul Pattinson will receive in consideration of selling certain Private Equity Investments to SPEL.

Prospectus

USE OF FUNDS

The intended initial application of funds from the Issue, based upon the minimum and maximum subscription amounts, is summarised in the table below.

	Minimum Subscription \$ million	Maximum Subscription \$ million
Cash paid for Seed Portfolio ¹	6.13	6.13
Loans to Seed Portfolio ²	0.25	0.25
Working capital	1.00	1.00
Issue Costs	3.27	4.76
Other Investments	44.35	92.86
	55.00	105.00

¹In the event that the acquisition of the interest in Austgrains does not proceed (refer Section 13.5 for details) the cash paid for the seed portfolio will be reduced by \$2.9 million and Other Investments will increase by \$2.9 million.

²SPEL will provide a loan of \$250,000 to SODA at settlement for repayment of existing shareholder loans.

SPEL also has agreed to lend SODA up to a further \$500,000 to fund growth and working capital, subject to satisfactory performance, outlook and business plans, and, if appropriate, provision of security. SPEL will also provide a \$700,000 loan facility to Austgrains which, if drawn down, may be converted into additional equity in Austgrains. There is a possibility of the shareholders of InterRISK being requested to provide additional funding to that company if required. At this stage the amount has not been determined but SPEL would expect to contribute its proportionate share.

The Directors believe that the expected net proceeds from the Offer will provide the Company with sufficient working capital to carry out its objectives.

2.5 Investment Portfolio

Assuming SPEL:

- exercises its options to acquire additional equity in SODA and Cromford;
- exercises its option to acquire the property leased by Cromford; and
- subscribes for the maximum amount of \$1 million worth of shares in Specialist Services,

the total value of the Seed Portfolio following the Offer will be \$22.8 million (excluding loans to SODA).

The following table summarises SPEL's Seed Portfolio investments and shows a break down of purchase consideration between Shares and cash for those that will be purchased directly or indirectly and the amount of cash subscription consideration where SPEL will subscribe for new shares in investee companies.

	Investment by SPEL \$m	Equity Acquired %	Purchase Consideration SPEL Shares ⁵ million	Cash \$m	Cash Subscription \$m
PCP	6.00	25.00%	16.00	2.00	
SFM (through PCP)	0.00	6.38%			
Cromford ¹	11.40	100.00%	45.60		
Austgrains ²	2.90	48.00%			2.90
Specialist Services ³	1.00	38.84%			1.00
SODA ⁴	0.96	63.83%	2.91	0.23	
InterRISK	0.54	20.00%	2.16		
Total Investment	22.80		66.67	2.23	3.90

1 Assumes SPEL exercises its option to acquire:

- (a) a further 62.5% of Cromford for \$5 million by issuing 20 million Shares and 2.5 million attached Options. Prior to the exercise of the option, SPEL will have an initial interest of 37.5% (see Section 13.4 for further details). It is SPEL's current intention to exercise the option to acquire a further 62.5% of Cromford; and
- (b) the property leased by Cromford at valuation of \$3.4 million by issuing 13.6 million Shares and 1,700,000 attached Options (see Section 13.7 for further details). It is SPEL's current intention to exercise the option to acquire the leased property.

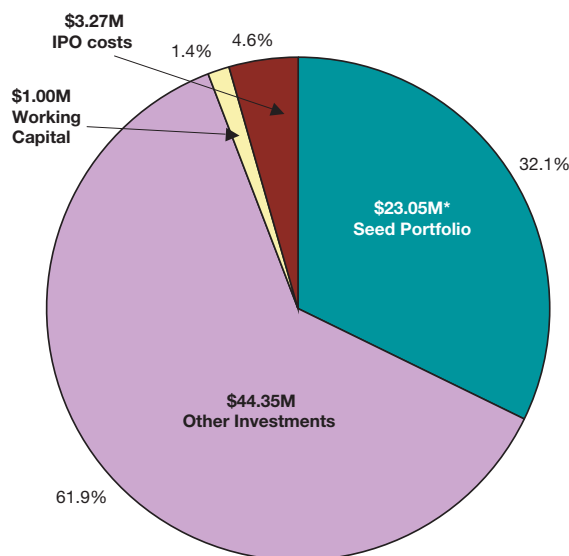
2 This investment is conditional on consent being obtained from a shareholder in Austgrains. See Section 13.5 for further details. Shareholders in Austgrains (including SPEL) will also receive options to acquire additional equity in Austgrains. SPEL will also provide a \$700,000 loan facility to Austgrains, which, if drawn down may be converted into additional equity in Austgrains. These options and the convertible loan have not been included when calculating SPEL's 48% interest nor in the pro-forma statement of

- financial position as set out in Section 8.1, as it is not known whether the options will be exercised or the loan drawn down and converted.
- 3 Assumes SPEL subscribes for the maximum of \$1 million worth of shares (assuming SPEL only subscribes for the minimum amount of \$750,000 worth of shares, SPEL's equity would be 29.1%).
 - 4 Assumes SPEL exercises its option to acquire a further 26.33% of SODA for \$395,000 by issuing 1,580,000 Shares and 197,500 attached Options. Prior to the exercise of the option, SPEL will have a 37.5% interest in SODA (see Section 13.4 for further details). It is SPEL's current intention to exercise the option to acquire a further 26.33% of SODA. SPEL will also lend \$250,000 to SODA at settlement to repay SODA debt and has agreed to lend up to a further \$500,000 to SODA to fund growth and working capital, subject to satisfactory performance, outlook, business plans and, if appropriate, provision of security.
 - 5 Consideration includes 1 Option for every 8 Shares issued.

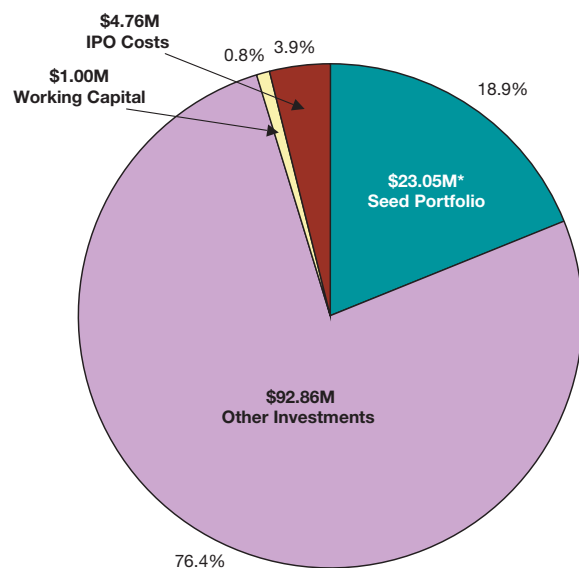
The additional investments in Cromford and SODA and the property leased by Cromford have not been included in the pro-forma statement of financial position as set out in Section 8.1 as SPEL has a right, not an obligation, to exercise the options which are anticipated to be exercised at a date subsequent to SPEL's listing.

The following charts show how the funds raised under the Offer and cash invested by Soul Pattinson will be invested based on the minimum underwritten raising of \$50 million and the maximum raising of \$100 million.

Based on underwritten raising of \$50 million



Based on maximum raising of \$100 million



*Seed Portfolio includes \$0.25 million loan provided to SODA at settlement and assumes the acquisition of the interest in Austgrains proceeds. Refer to Section 13.5 for further details.

Over the long term, SPEL will not seek to invest the entire Portfolio in Private Equity Investments. The level of investment in its Other Investments as a percentage of the total Portfolio will fluctuate as a result of the realisation of Private Equity Investments, the availability of acceptable Private Equity Investments and the Manager's decisions about the relative returns available on Private Equity Investments against Other Investments. SPEL will maintain a portion of the Portfolio in Other Investments because these investments provide greater liquidity than Private Equity Investments, allowing SPEL to use the funds to pay any dividends or to invest in further Private Equity Investments which become available.

The investment philosophy and strategies to be utilised and implemented by PCP and SFM are discussed in Sections 5.3, 7.2 and 7.4 of this Prospectus.

2.6 Capital structure

The capital structure of the Company after completion of the Issue, the \$5 million subscription by Soul Pattinson and the issue of the Shares and Options for equity in the Seed Portfolio, assuming the minimum and the maximum subscriptions of Shares, will be as follows:

Number of Offer Shares Subscribed	MINIMUM 200 million		MAXIMUM 400 million	
	number (millions)	%	number (millions)	%
SHARES:				
SOUL PATTINSON	70.22	24.49	70.22	14.43
DAVID FAIRFULL*	8.30	2.90	8.30	1.71
GEOFFREY HILL*	8.15	2.84	8.15	1.67
SOUL PATTINSON AND DIRECTORS*	86.67	30.23	86.67	17.81
NEW INVESTORS	200.00	69.77	400.00	82.19
TOTAL ISSUED SHARE CAPITAL	286.67	100.00%	486.67	100.00%
OPTIONS:				
SOUL PATTINSON	8.77	19.16	8.77	12.39
DAVID FAIRFULL*	1.04	2.26	1.04	1.46
GEOFFREY HILL*	1.02	2.22	1.02	1.44
SOUL PATTINSON AND DIRECTORS*	10.83	23.64	10.83	15.29
MANAGEMENT	10.00	21.82	10.00	14.12
NEW INVESTORS	25.00	54.54	50.00	70.59
TOTAL NUMBER OF OPTIONS	45.83	100.00%	70.83	100.00%

* The Shares and Options will be held by interests associated with David Fairfull (a Director of SPEL) and Geoffrey Hill (an Alternate Director for David Fairfull).

ASSUMPTIONS

1. Assumes SPEL exercises its option to acquire an additional 26.33% of SODA from Soul Pattinson by issuing 1,580,000 Shares and 197,500 attached Options (see Section 13.4).
2. Assumes SPEL exercises its option to acquire an additional 62.5% of Cromford from Soul Pattinson by issuing 20,000,000 Shares and 2,500,000 attached Options (see Section 13.4).
3. Assumes SPEL exercises its option to acquire the property leased by Cromford from Soul Pattinson by issuing 13,600,000 Shares and 1,700,000 attached Options (see Section 13.4).
4. As noted in Section 2.5, these additional investments and property under option have not been included in the pro-forma statement of financial position as set out in Section 8.1.

Following completion of the Issue and assuming exercise of the above-mentioned options, Soul Pattinson and Directors will hold or control between approximately 30.2% and 17.8% of the Company's issued capital assuming, respectively, depending on whether the minimum or maximum number of Shares are issued under the Offer.

One Option will be issued to each Shareholder for every eight Shares for which they subscribe, with an exercise price of \$0.30 per share exercisable within five years of the Issue Date. A summary of the key terms of the Options is set out in Section 14.1. The Vendors of the Seed Portfolio that receive Shares as consideration for the sale of their interests will also receive one Option for every eight Shares issued to them, with an exercise price of \$0.30 per share exercisable within five years of the Issue Date.

SPEL has also established an Employee Share Option Plan (**ESOP**) under which Directors and eligible employees of SPEL, its subsidiaries and associated bodies corporate (including the Manager) may be granted options (**Management Options**). A summary of the key terms of the Management Options is set out in Section 14.1.

2.7 Net tangible assets

The net tangible asset backing per Share assuming exercise of the options to acquire:

- an additional 26.33% of SODA from Soul Pattinson;
- an additional 62.5% of Cromford from Soul Pattinson; and
- the property leased by Cromford from Soul Pattinson,

is approximately 23.9 cents at the minimum subscription level and 24.0 cents at the maximum subscription level.

The net tangible asset backing per Share assuming the options to acquire:

- an additional 26.33% of SODA from Soul Pattinson;
- an additional 62.5% of Cromford from Soul Pattinson; and
- the property leased by Cromford from Soul Pattinson,

are not exercised is approximately 23.7 cents at the minimum subscription level and 23.9 cents at the maximum subscription level.

2.8 Investment management

The Company has appointed PCP (the **Manager**) to invest and manage the Company's funds. For more information on the Manager, see Section 7. The Manager will receive a monthly management fee equal to one-twelfth of 1.75% of the Net Asset Value of the Company as at the end of each month, plus GST. In addition, the Manager will receive 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.

The Manager has appointed SFM (the **Sub-Manager**) to assist the Manager by managing SPEL's portfolio of Other Investments. For more information on the Sub-Manager, see Section 7. PCP must pay monthly sub-management fees to SFM equal to 0.35% of the net asset value of the Listed Portfolio as at the end of each month, plus GST.

Corporate and Administrative Services Pty Limited (**CAS**) has been appointed to provide administrative and accounting services to the Company.

2.9 Dividend policy

SPEL will pay dividends to the extent permitted by law and prudent business practices from the interest, dividends, other income and realised profits after tax that it receives from its investments. The Company intends to pay out at least 50% of all realised profits after tax. However, the Company reserves the right to pay out a lower proportion of realised profits after tax when the Directors consider this appropriate. Dividends will be franked to the extent that available franking credits permit.

However no guarantee can be given about the payment of dividends, level of franking or pay out ratio for any future period as these matters depend upon the future profits of the Company, time of realisation of investments, and the future financial and taxation position of the Company.

2.10 Reports to Shareholders

To assist Shareholders to assess the value of Shares, after the end of each month the Company will release to shareholders through ASX a statement of the net tangible asset backing of its Shares as at the end of the preceding month. The calculation of the net tangible asset backing of Shares will be based on the monthly revaluations of the Other Investments and half yearly revaluations of Private Equity Investments.

The Company will provide to Shareholders on request, free of charge, a copy of statements released to Shareholders through ASX of the net tangible asset backing of Shares from time to time.

SPEL will also provide the following information to Shareholders:

- (a) a half yearly report regarding the performance of its Private Equity Investments and a review of Other Investments within 90 days of the end of each half year;
- (b) within 30 business days of the completion of a Private Equity Investment, or full or partial realisation of such an investment, a report describing such transaction;
- (c) a report on the value of all Private Equity Investments in the Company's annual report to Shareholders, commencing with the year ending 30 June 2005; and
- (d) a review of the Other Investments in the Company's annual report to Shareholders.

2.11 Taxation

Section 11 sets out a general summary report by Grant Thornton Services on the taxation implications of investing in SPEL for Australian and New Zealand residents. It is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every investor. Investors should seek independent professional advice in relation to their own particular circumstances.

2.12 Risks

There are risks associated with investing in listed companies which invest in unlisted and listed securities, as well as risks related to investing in those securities. A summary of investment risks is set out in Section 12.

3. DETAILS OF THE OFFER

3.1 Description of the Offer

SPEL will offer up to a maximum of 400 million Shares at \$0.25 each and 50 million Options under this Prospectus. This will comprise an issue of 200 million Shares which will be underwritten by the Underwriter and the right to accept oversubscriptions for a further 200 million Shares, together with one attaching Option for every eight Shares subscribed for, exercisable at a price of \$0.30 per Share within five years of the Issue Date.

The Company intends to apply to ASX for quotation of all new Shares and Options.

3.2 Allotment and Allocation policy

The Underwriter has the right, in consultation with SPEL, to nominate the persons to whom the underwritten Shares offered under the Offer will be allocated. The Underwriter's right extends to the right to nominate allottees in respect of firm allocations to institutional and broker firm investors. The distribution of each firm allocation to clients by a broker to the Offer will be at the discretion of that broker, will not be scaled back, and will be subject to the terms and conditions of the relevant offer made by the Underwriter.

The minimum amount to be raised under the Offer is \$50 million. If demand for Shares exceeds 200 million Shares (\$50 million), SPEL, in consultation with the Underwriter, will consider accepting oversubscriptions for up to 200 million Shares (\$50 million), scaling back Applications, or both.

SPEL and the Underwriter reserve the right to reject any Application, or to allocate any Applicant (including an Eligible Shareholder) a lesser number of Shares than those applied for, including less than the minimum application of \$2,000. In such an event, the Applicant will have no claim against SPEL or the Underwriter for, and releases SPEL and the Underwriter from all liability in respect of, any failure to issue or arrange for the issue of Shares.

If an Application is not accepted, or is accepted in part only, the relevant part of the Application Monies will be refunded to the Applicant as soon as practicable after the Offer closes. No interest will be paid in respect of refunded money.

3.3 Priority to Eligible Shareholders

Eligible Shareholders (see definition in Section 15) who lodge their orange Application Form prior to 5:00pm (Sydney time) on the Eligible Shareholder Offer Closing Date (29 November 2004) will be entitled to an allocation of the number of Shares requested in their Application Forms in priority to investors other than those who have received a broker firm or firm institutional allocation.

In order to receive priority in allocation to other investors who are not institutional firm or broker firm investors, Eligible Shareholders must complete the personalised orange Application Form and lodge it prior to 5:00 pm (Sydney time) on the Eligible Shareholder Offer Closing Date. If you are an Eligible Shareholder and you have not received a personalised orange Application Form with the Prospectus, you should contact Computershare on 1300 365 903 (within Australia) or +613 9415 4219 (if calling from outside Australia) to obtain a copy of the Prospectus.

3.4 Allocation of Shares

Subject to permission being granted by ASX for admission to the Official List and quotation of the Shares and Options as discussed in Section 3.5, allocations of Shares will take place as soon as practicable after the General Offer Closing Date. Prior to allocation, all Application Monies will be held on trust by the Company in a bank account established solely for this purpose.

Where no Shares are allotted or issued under the Offer, all Application Monies will be returned in full by cheque as soon as practicable. No interest will be paid on any money refunded, irrespective of whether the allocation, allotment or issue of Shares takes place.

No securities will be allocated, allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

3.5 ASX Listing

Application will be made to ASX within seven days after the date of this Prospectus for the Company to be admitted to the Official List of ASX and for quotation of all Shares and Options. ASX quotation, if granted, will commence as soon as practicable after holding statements are dispatched.

If permission is not granted by ASX for admission to the Official List and quotation of the Shares and Options before the end of three months after the date of this Prospectus or such longer period as is notified to SPEL by, or on behalf of, ASX, the Company will not allot or issue any Shares under the Offer unless ASIC grants an exemption permitting such allocation. If no allocation is made, the Company will refund all Application Monies (without interest) to Applicants as soon as practicable.

3.6 Provision of holding statements

SPEL will apply to participate in the Clearing House Electronic Subregister System (**CHES**) and will also operate an issuer sponsored subregister. Both subregisters are electronic which means that the Company will not be issuing certificates to Shareholders. Therefore, if official quotation is granted by ASX, no Share certificates will be issued. Instead, each Shareholder will be provided with a statement of holding. Holding statements or an allotment advice for CHES sponsored holders for Shares issued pursuant to this Prospectus are expected to be dispatched on or about 13 December 2004.

The holding statements, which are similar to bank account statements, will set out the number of Shares allotted to each Shareholder pursuant to this Prospectus. The statement will also advise holders of their holder identification number and explain for future reference the details required for future sales and purchases. Further statements will be provided to holders which reflect any changes in their shareholding in the Company.

If investors have enquiries about CHES, they should contact their broker or ASX.

3.7 Prospectus and Investment Statement available on-line

This Prospectus and the Investment Statement will be made generally available electronically from the date of this Prospectus until the General Offer Closing Date by being posted on the Underwriter's website (www.abnamromorgans.com.au). During the Offer Period, electronic copies of this Prospectus will include an Application Form for use by Australian investors and electronic copies of the Investment Statement will include an Application Form for use by New Zealand investors (but neither will contain the orange Application Form for use by Eligible Shareholders).

Persons who receive a copy of this Prospectus or the Investment Statement in electronic form may obtain a paper copy of the Prospectus and/or the Investment Statement (including any relevant accompanying Application Form) free of charge, during the Offer Period, by contacting Computershare on 1300 365 903 (within Australia) or +613 9415 4219 (if calling from outside Australia).

The Offer constituted by:

- this Prospectus in electronic form is available only to persons receiving the Prospectus in electronic form within Australia who are Australian residents; and
- the Investment Statement and the Prospectus in electronic form is only available to persons receiving the Investment Statement and the Prospectus in electronic form within New Zealand who are New Zealand residents.

Completed Application Forms must be mailed or delivered to SPEL in the manner set out in Section 1.2 for Eligible Shareholders and general applicants and in Section 1.3 for broker firm applicants. There is no facility for on-line Applications. However, investors may obtain the relevant Application Form from the Underwriter's website and submit the completed Application Form to the address set out in Section 1.2.

Eligible Shareholders should ensure that they obtain and apply on the orange Application Form and lodge it prior to 5:00pm (Sydney time) on the Eligible Shareholder Offer Closing Date in order to ensure that they are eligible for their priority allocation. The orange Application Form will not be available electronically.

3.8 TFNs/ABNs

Investors should note that if they do not provide their tax file number (TFN) or exemption details (if applicable) or Australian Business Number (ABN) (if Shares are held as part of an enterprise carried on by an investor) to SPEL, then SPEL will be required to withhold tax at the highest marginal rate including the Medicare levy (currently 48.5%) on the amount of any unfranked dividend in respect of Shares held by those investors. A TFN/ABN collection form will be sent to investors together with their holding statements, which are expected to be dispatched on or about 13 December 2004.

3.9 Residents outside Australia and New Zealand

The Offer is being made to persons receiving this Prospectus (including the electronic copy of this Prospectus) within Australia who are Australian residents and persons receiving this Prospectus and the Investment Statement (including the electronic copy of this Prospectus and the Investment Statement) within New Zealand who are New Zealand residents.

This Prospectus does not constitute an offer to any person to whom, or an offer in any place in which, it would be unlawful to make the Offer. No action has been taken to register or qualify the Shares issued or offered under this Prospectus, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus in jurisdictions outside

Australia and New Zealand may be restricted by law. Therefore persons who obtain a copy of this Prospectus should inform themselves about, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of those laws.

It is the responsibility of any overseas resident Applicant to ensure compliance with all laws of any country relevant to their Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty made by the Applicant to the Company that there has been no breach of such laws and that all necessary approvals and consents have been obtained. The Directors may reject any Application made by an overseas resident Applicant.

Where this Prospectus has been dispatched to persons domiciled outside of Australia and New Zealand where the securities legislation or regulation requires registration or any analogous treatment, this Prospectus is provided for information purposes only. This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction where, or to any person to whom, it would not be lawful to issue this Prospectus. This Prospectus has not been and will not be registered under any such legislation or regulation or in any such jurisdiction.

This Prospectus and Offer do not and will not constitute an offer of securities in the USA. No person ordinarily resident in the USA is permitted to submit an Application. If the Directors believe that any Applicant is ordinarily a resident in the USA, or is acting on behalf of a person or entity that is ordinarily a resident of the USA, the Directors will reject that Applicant's Application.

3.10 New Zealand investors

If you are resident in New Zealand you may not make an Application unless you have been provided with a copy of the Investment Statement.

If you require a copy of the Investment Statement please contact the Underwriter or visit the Underwriter's website (www.abnamromorgans.com.au).

New Zealand investors cannot make an Application using the Application Form attached to this Prospectus. If you are resident in New Zealand you must make your Application using the Application Form attached to the Investment Statement.

It is a term of the Offer that the Company will, within five working days of receiving a request from a person in New Zealand for a copy of this Prospectus, without fee, send or cause to be sent, to the person making the request:

1. a copy of this Prospectus;
2. copies of any documents that, under the laws of Australia, must accompany any copy of this Prospectus sent to any person to whom the Offer is made in Australia;
3. a copy of any document, or part of a document, lodged with ASIC that is referred to in this Prospectus and is taken to be included in this Prospectus under section 712 of the Corporations Act.

3.11 Underwriting and handling fees

The minimum subscription of \$50 million, being 200 million Shares, is underwritten by the Underwriter. A summary of the Underwriting Agreement is set out in Section 13.3. The underwriting is subject to certain termination events, details of which are also set out in Section 13.3. If any of those events occurs, the Underwriter may, at its election, terminate its underwriting obligations. Should the Underwriter terminate its obligations and assuming the minimum subscription is not achieved then all Application Monies will be refunded, without interest, to Applicants in accordance with the Corporations Act.

In respect of successful Applications up to the underwritten amount of the Offer, a handling fee of 2.00% will be paid by the Underwriter only to members of ASX in respect of successful Applications made by private clients and lodged by the members of ASX and which bear their stamps (other than for shares which form part of broker firm allocations).

In respect of successful Applications in addition to the underwritten amount of the Offer, a handling fee of 2.00% will be paid by the Company only to members of ASX in respect of successful Applications made by private clients and lodged by the members of ASX and which bear their stamps.

3.12 Voluntary escrow arrangements

Soul Pattinson, David Fairfull (a Director of SPEL) and Geoffrey Hill (an Alternate Director for David Fairfull) have voluntarily entered into escrow agreements providing for the escrow of their Shares and Options for a period of 12 months after the Issue Date.

4. AUSTRALIAN PRIVATE EQUITY MARKET

4.1 Overview of the private equity market

Private equity in Australia is relatively immature compared to other asset classes and more established private equity markets in North America and the U.K. The Australian private equity industry is small, however it is growing rapidly. There are approximately 170 private equity funds in Australia with approximately \$7.5 billion in capital under management as at 30 June 2004.

In the year to 30 June 2004, private equity investors exited their investments via ASX listings or trade sales in deals exceeding \$2 billion in total, including Pacific Brands Limited, Just Group Limited, Repco Corporation Limited, Cashcard Australia Limited, Invocare Limited and JB HiFi Limited.

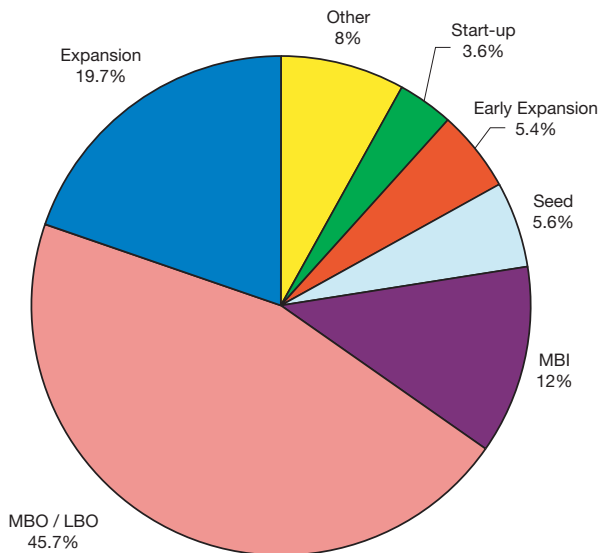
4.2 The market for private equity investments

There is a considerable number of high growth SMEs which require capital and the demand for capital is particularly strong from those companies too small to list on the ASX or where the level of funding required is unlikely to be provided by traditional banking sources.

The Directors believe that there will be continued strong demand for private equity. Management buy-outs and buy-ins are expected to increase due to a number of major groups focusing on core activities, frequency of government and semi government privatisations and the ageing of the founders of many family businesses. With an estimated 1.1 million small businesses in Australia, the Board believes that SMEs will be a driving force of Australian business for the next decade and beyond.

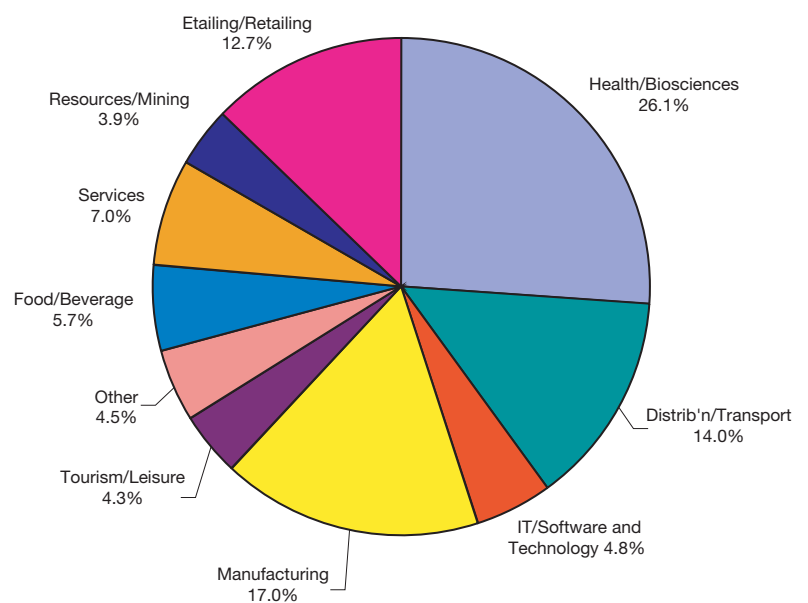
The following charts show the breakdown by stage of investment and industry of private equity investment (percentages by value of investment) in Australia in 2003-2004:

By Stage



Source: Australian Venture Capital Journal

By Industry



Source: Australian Venture Capital Journal

5. INFORMATION ON THE COMPANY

5.1 Overview

SPEL is a long-term investment company investing in both unlisted and listed securities. Subject to ASX listing approval, SPEL will be listed on the ASX.

SPEL's principal objective is to maximise returns to Shareholders over the long-term within risk parameters acceptable to the Directors. The Company will seek to do this by investing in a combination of unlisted and listed Australasian and Asian securities. In the main, SPEL will invest in and support unlisted SMEs, which offer high prospects for capital growth over the long-term (three to ten years). 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.

All funds not invested in unlisted private equity will be professionally managed by a specialist equity investment manager, SFM. The unlisted equity investments will be managed by PCP while the corporate administration of the Company will be managed by CAS.

5.2 Corporate objectives

SPEL will be built on the philosophy of long-term investment in securities, focusing on well-managed unlisted SMEs with growth prospects.

Its objectives are to:

- maximise returns to Shareholders over the long term;
- over the long term invest the majority of its funds in unlisted securities in Australian, New Zealand and Asian SMEs which offer prospects for high capital growth, with the remaining funds invested in listed and interest bearing securities in accordance with the philosophy and process of SFM as set out in Section 7.4;
- operate within risk parameters acceptable to the Directors;
- preserve and grow the capital of the Company; and
- achieve long term capital gains.

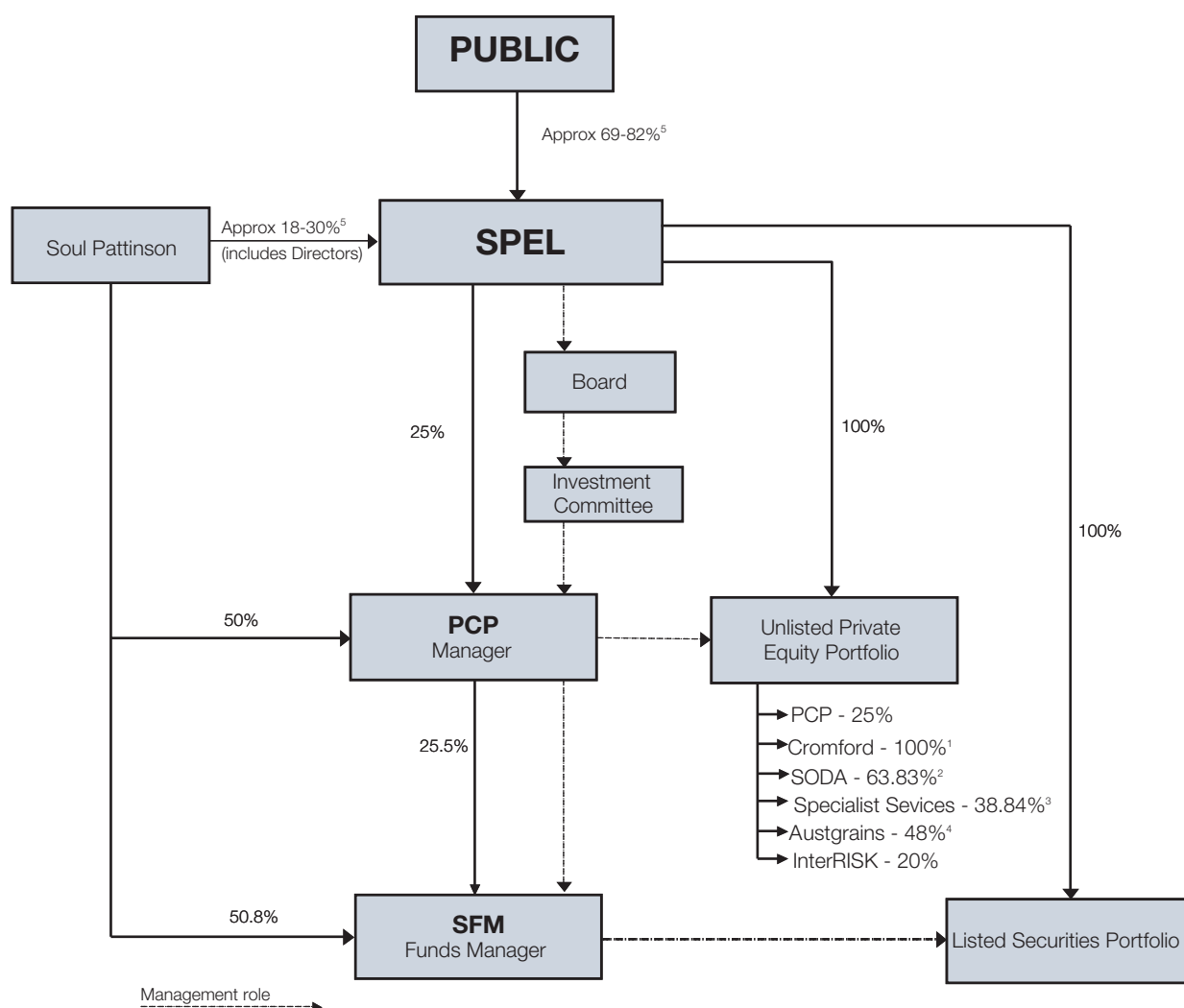
5.3 Investment philosophy

SPEL's Private Equity Investment philosophy will be based on the following key attributes:

- (a) SPEL will invest in entities where there is:
 - strong management;
 - high growth potential;
 - good value;
 - appropriate gearing; and
 - a viable exit strategy;
- (b) SPEL will focus on smaller investments to reduce risk and where SPEL believes the opportunities are better and Soul Pattinson has a strong track record of success;
- (c) SPEL will have a flexible approach not limited by minimum size of investment or stage of development. Start up and potential turnaround investments will be considered;
- (d) SPEL views private equity investing as being for a three to ten year term; and
- (e) SPEL will provide private equity to assist businesses and support management with experience, strategic direction and operational and financial advice.

5.4 Corporate structure

The shareholding, corporate and investment structure of SPEL (assuming the acquisition of the interests in each of the companies comprising the Seed Portfolio referred to in Section 2.5) is illustrated in the following chart:



- ¹ Assumes SPEL exercises right to acquire additional 62.5% (the consideration for which will be 20 million Shares and 2.5 million Options)
- ² Assumes SPEL exercises right to acquire an additional 26.33% (the consideration for which will be 1.58 million Shares and 197,500 Options)
- ³ Assumes maximum subscription of \$1 million worth of shares by SPEL (at minimum subscription of \$750,000 worth of shares, SPEL's equity will be 29.1%)
- ⁴ Assumes the acquisition of the interest in Austgrains proceeds. Refer to Section 13.5 for further details
- ⁵ Assumes exercise of the options discussed above and the option to acquire the Cromford property for 13.6 million Shares and 1.7 million Options

5.5 Portfolio strategy and management

The Board and Investment Committee of the Company intend to ensure adherence to Soul Pattinson's long standing, successful investment philosophy, which has been successfully built through conservative, long term investments, rather than backing the "flavour of the month". Soul Pattinson has traditionally seen private equity investing as being for a three to ten year period.

Soul Pattinson believes in the principle that the listed equity vehicle should own equity in the management group. This aligns the interests of the managers with the listed vehicle. Accordingly, SPEL will indirectly own 25% of PCP which owns 25.5% of SFM.

The Company has appointed PCP (the Manager), to invest and manage the Company's funds and to provide administrative and other services. The Manager is responsible for providing advisory services to the Board, for implementing decisions and for the day-to-day management and administration of the Portfolio, investment accounting and reporting. The Manager will have contractual delegated authority subject to the Board's directions from time to time.

The investment philosophy of PCP is consistent with the Company's investment philosophy and is set out in Sections 5.3 and 7.2.

The Manager has appointed SFM to assist the Manager. SFM will manage the listed securities. The investment philosophy of SFM is consistent with the Company's investment philosophy and is set out in Section 7.4.

SPEL intends to keep tight control of costs to maximise returns to Shareholders and to improve overall returns to them as the Company grows. The Company aims to keep these costs below 2.7% per annum of total net assets (excluding Performance Fees).

5.6 Permitted investments

Under the Investment Management Agreement, the Manager has been delegated authority to undertake investments on behalf of the Company in the following very broad range of asset classes:

- unlisted securities and units in unlisted entities;
- Listed Securities and units in relation to Listed Securities;
- the discount or purchase of bills of exchange, promissory notes or other negotiable instruments, accepted, drawn or endorsed by a listed or unlisted entity, including an Approved Financial Institution;
- secured and unsecured loans and advances, debentures, convertible notes, loan stock, bonds, promissory notes, certificates of deposit, interest bearing accounts, certificates of indebtedness and any other evidence of indebtedness issued by a listed or unlisted entity, including an Approved Financial Institution;
- the underwriting or sub underwriting of issues or placement of equity and debt securities; and
- any other investment agreed in writing by the Board and the Manager.

Under the Sub-Management Agreement between the Manager and SFM, SFM has been delegated authority by the Manager to undertake investments on behalf of the Company in the following asset classes:

- Listed Securities and units in relation to Listed Securities;
- the discount or purchase of bills of exchange, promissory notes or other negotiable instruments, accepted, drawn or endorsed by an Approved Financial Institution;
- debentures, convertible notes, loan stock, bonds, promissory notes, certificates of deposit, interest bearing accounts, certificates of indebtedness and any other evidence of indebtedness issued by an Approved Financial Institution;
- the underwriting or sub underwriting of issues or placement of Listed Securities and other securities approved in writing by the Manager; and
- any other investment agreed in writing by the Manager and the Sub-Manager.

5.7 SPEL's seed portfolio

SPEL has entered into contracts, conditional on the issue of Shares and Options pursuant to the Offer, to acquire direct or indirect interests in the following companies:

(a) PITT CAPITAL PARTNERS LIMITED

PCP is the manager of the Portfolio. SPEL has entered into contracts, conditional on the issue of Shares and Options under the Offer, to indirectly acquire 25% of PCP in return for 16 million Shares, 2 million Options and \$2 million in cash. If SPEL indirectly acquires 25% of PCP, interests associated with the co-founders of PCP, David Fairfull and Geoffrey Hill, will each own 12.5% and Soul Pattinson will own the remaining 50%.



PCP is a corporate advisor which provides specialist corporate advisory, funds management, underwriting and company administrative services. PCP is a member of the Australian Venture Capital Association Limited.

PCP offers a full range of corporate advisory services, including advice on:

- *Mergers & Acquisitions*: public company takeovers and defences and mergers;
- *Acquisitions & Divestments*;
- *Equity and Debt Raisings*: capital structuring, initial public offerings, public secondary and private equity raisings and public and private debt raisings;
- *Underwriting*; and
- *Restructures*: including reorganisations and restructurings, leveraged buyouts, capital management, back-door listings and corporate workouts.

The directors of PCP are Mr Robert Millner (Chairman), Mr David Fairfull (Joint Managing Director), Mr Geoffrey Hill (Joint Managing Director) and Mr Peter Robinson (Non-Executive Director).

PCP's associated companies are:

- *Souls Funds Management Limited* (PCP – 25.5%, Soul Pattinson – 50.8%) – manager of Australian equity portfolios and two unit trusts with approximately \$280 million under management in addition to the funds to be managed for SPEL;
- *Pitt Capital Partners Asia Limited* (PCP – 50%) – Hong Kong based corporate advisor;
- *Rundle Capital Partners Limited* (PCP - 50%) – Adelaide based corporate advisor;
- *Huntington Group Pty Limited* – associated private corporate advisor with a Queensland focus; and
- *Corporate & Administrative Services Pty Limited* (PCP - 75%) – professional administrative services for business, including company secretarial, accounting, management support, governance and compliance for listed companies.

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Hall Chadwick has provided an independent expert's report on SPEL's acquisition of a 25% interest in PCP which shows PCP's normalised profit after tax as \$3.1 million and which values PCP in the range of \$21.9 million to \$25.5 million and concludes that the proposed acquisition is fair and reasonable for SPEL. A summary of Hall Chadwick's report is set out in Section 10.1 and a copy of its full report is available free of charge on the Underwriter's website (www.abnamromorgans.com.au) or can be obtained by contacting Computershare on 1300 365 903 (within Australia) or +61 3 9415 4219 (if calling from outside Australia).

(b) SODA INCORPORATION PTY LIMITED

SPEL has entered into agreements to acquire a 37.5% interest in Soda Incorporation Pty Limited (**SODA**) which is conditional on the issue of Shares and Options under the Offer. The SODA shares will be acquired by SPEL issuing 1,330,000 Shares and 166,250 Options and paying \$230,000 in cash. SPEL also has an option to acquire a further 26.33% interest in SODA by issuing 1,580,000 Shares and 197,500 Options. If SPEL exercises its option, SPEL will own 63.83% of SODA's issued share capital.

SPEL will also lend \$250,000 to SODA at completion to repay loans from exiting SODA shareholders and has agreed to lend up to a further \$500,000 to fund growth and working capital, subject to satisfactory performance, outlook, business plans and, if appropriate, provision of adequate security.

SODA was established in September 2003 to distribute hair care and skin care products in Australian and overseas markets.

SODA presently distributes the following products:

(i) **Salon Only** (hair care products)

The Salon Only (**SO**) product was developed over the last eight years by a group of leading Australian salon owners who granted SO Distribution Pty Limited, a wholly owned subsidiary of SODA, exclusive distribution rights for Australasia for a period of 10 years and first right of refusal worldwide.



The distribution of SO products started in September 2003. Products are sold through hair salons and distributed in all states in Australia except Tasmania and are expected to be available in New Zealand in the first six months of 2005. Salons stocking the SO product have grown from 30 in September 2003 to over 600 in September 2004. SODA plans to expand the SO brand domestically in the current financial year.

SO products are sold in bottles but are also stocked in salons in large containers which can be used by consumers to refill their empty bottles. SO's unique and simple refill system has been well accepted by salons. SODA plans to commence consumer advertising of the SO brand in February 2005 with a focus on driving customers to salons.

In August 2004, SODA launched a comprehensive hair treatment program into Australian salons - the SO designed SOS hair rescue program. It is intended to assist salons tap into the additional revenue stream from selling treatments in salons. Three new products are in development which SODA plans to launch by early 2005.

The SO licence agreement allows SO Distribution Pty Limited to earn up to 20% of the brand holding company in exchange for equity in SO Distribution Pty Limited based on performance.

(ii) Robanda (skin care products)

The Robanda range is a new skin care range that SODA imported in June 2004 and commenced selling via party plan and social clubs in July 2004.

Robanda[®]
International, Inc



Grant Thornton provided a report on factual findings to the Company in relation to the Directors' valuation of SODA and concluded that an appropriate valuation methodology was correctly applied in determining the fair value of the entire issued capital of SODA and there were no errors or exceptions in relation to the valuation methodology or valuation calculations.

(c) AUSTGRAINS PTY LIMITED

SPEL has agreed, conditional on the issue of Shares and Options under the Offer and subject to consent being obtained from a shareholder of Austgrains (for further details, see Section 13.5), to subscribe for 14.5 million shares in Austgrains Pty Limited (**Austgrains**) for \$2.9 million cash. Prior to the subscription for Austgrains' shares, Austgrains plans to undergo a capital reorganisation. Following the capital reorganisation and subscription for shares, SPEL will own 48% of Austgrains' issued share capital.



Food Industry Supply Chains



Austgrains' contracted Soy Bean Crop

Subject to satisfaction of the same conditions and subject to consent being obtained from a shareholder of Austgrains (for further details, see Section 13.5), SPEL will also provide a loan facility of up to \$700,000 to Austgrains to fund growth, working capital and investing in Future Foods Ingredients Pty Limited (**FFI**). If any monies are drawn down from the loan facility, SPEL may choose to have that loan convert into additional Austgrains equity (refer Section 13.6). Shareholders in Austgrains (including SPEL) will also receive options to acquire additional shares in Austgrains (refer Section 13.5).



Austgrains is a niche supply chain manager of a diverse range of quality agricultural products for the food processing industry. It is a joint venture partner in FFI with Clover Corporation Limited (**Clover**) and is also involved in the development of its Moree industrial site.

The company was built on a long and successful history in the supply of agricultural products. Austgrains has a strategically positioned 18ha freehold site, on rail, in Moree. It has offices in Toowoomba on the Darling Downs and a representative operating on Austgrain's behalf at Griffith in the Riverina.

Assuming SPEL subscribes for the shares, the cash will assist Austgrains to:

- fully take up its entitlement to 50% of FFI;
- fund expected growth in FFI;
- acquire additional intellectual property and licences in crops and food ingredient manufacture; and
- build a merchandise and chemical warehouse, together with additional grain handling infrastructure and an intermodal rail terminal on its Moree site.

Austgrains has three areas of operations:

(i) FFI joint venture

In January 2004, Austgrains added to its business mix by investing in FFI, a joint venture with Clover. FFI is making a \$9.2 million investment in an innovative soy bean flour plant at Austgrains' site in Moree, utilising technology developed by and licensed from Byron Australia.

Austgrains and Clover established FFI to exploit Byron Australia's technology. The world wide marketing and manufacturing licence involves a full fat, bland flavoured whole bean soy flour, maintaining all benefits in the whole complete bean without the bitter taste of soy beans. The product has wide application in the health food and nutraceutical markets, with documented health benefits including reduced cholesterol, a low glycaemic index, and being gluten free. In Australia, soy beans are non-genetically modified as no licenses have been issued for genetically modified beans. The flour can be used in bread and other bakery items, snack foods, as an egg replacement, in chocolates, spreads, beverages, breakfast cereals, pies and cakes.

Austgrains' recent investment in FFI will enable it to participate in a growth business and to forge closer links with Austgrains' supply chain customers.

(ii) Agricultural supply chains

Austgrains' business plan is to build and manage value adding supply chains as a seamless conduit for new technologies in plant breeding, cropping and ingredients applications to supply specialised functional food ingredients to the rapidly changing consumer driven food industry. Technologies generally will be owned or controlled by licences. These supply chains involve the value adding and revenue producing steps of supply of the seed, management of the crop, harvest, storage, processing and delivery to the client.

Austgrains is already a supplier of biscuit making flour to Arnotts/Allied Mills, linseed to Scalzo and wheat to OBP Milling under three such supply chains.

(iii) Industrial development

In December 2000, the NSW State Government chose Austgrains' site in Moree as their preferred site for an intermodal multi user road/rail terminal, the "Moree-Link". Austgrains gained the right to become the terminal operator in May 2004. In addition, plans are underway for further strategically integrated development of the site.

Austgrains also has the opportunity to develop a 188Ha freehold site in the Riverina between Griffith and Leeton, on both road and rail.

For the year ended 30 June 2004, Austgrains had sales revenue of \$7.3 million and EBITDA of \$374,000. SPEL is subscribing for shares in Austgrains at a discount to net tangible asset backing.

Grant Thornton provided a report on factual findings to the Company in relation to the Directors' valuation of Austgrains and concluded that an appropriate valuation methodology was correctly applied in determining the fair value of the entire issued capital of Austgrains and there were no errors or exceptions in relation to the valuation methodology or valuation calculations.



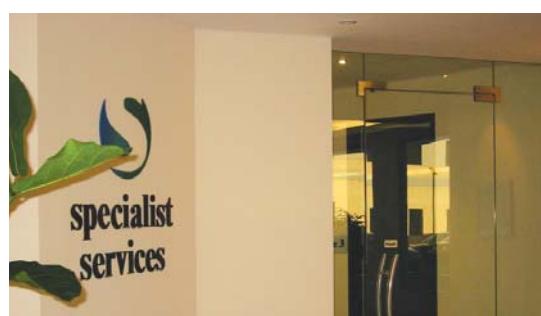
(d) SPECIALIST ONCOLOGY PROPERTY PTY LIMITED

SPEL has entered into an agreement, conditional on the issue of Shares and Options under the Offer, to subscribe for up to 5,714,285 shares in Specialist Oncology Property Pty Limited (**SOP**), the holding company of Specialist Oncology Services Pty Limited (**SOS**). SPEL will initially subscribe for 4,285,714 SOP shares for \$750,000 cash. In addition, SPEL will underwrite an offer of SOP shares to existing shareholders up to an additional \$250,000. At the minimum subscription of \$750,000 worth of shares, SPEL will own 29.13% of the issued capital of SOP and at the maximum subscription of \$1 million worth of shares, SPEL will own 38.84% of the issued capital of SOP.



SOP and SOS operate under the trading name "Specialist Services" and intend to develop a brand name medical services group, providing high quality medical services through a consolidation of well established and successful medical specialist clinics. Its aim is to develop a highly skilled and ethical specialist services "Mayo-Clinic" style corporate entity.

SOP owns three properties at Westmead Private Hospital (opened in March 2001), The Hills Private Hospital (opened in November 1997) and Ashley Lane, Westmead (opened in July 2004) which are leased to SOS. The properties are designed for multi-specialist team care.



Specialist Services provides high quality specialist medical services through consolidation of successful specialists clinics with an accessible "brand" name in an environment where health care is fragmented and uncoordinated. Cost savings can be maximised through centralised administration and increased bargaining power with hospitals, health organisations, insurance groups and governments. Key divisions will include cancer care, hormonal and diabetes services, heart and lung services and obstetrics and gynaecology.

Specialist Services will utilise the funds invested by SPEL to:

- provide working capital;
- reduce debt; and
- work towards the vision of acquiring additional properties consistent with the business strategy, establishing new specialist practices in other strategic locations and to establish a network of integrated "Diagnostic and Treatment Centres" which will deliver high quality workplace environments for staff and patients.

Specialist Services is currently operating profitably. SPEL will subscribe for SOP shares at a small premium to their net tangible asset backing.

Grant Thornton provided a report on factual findings to the Company in relation to the Directors' valuation of SOP and concluded that an appropriate valuation methodology was correctly applied in determining the fair value of the entire issued capital of SOP and there were no errors or exceptions in relation to the valuation methodology or valuation calculations.

(e) CROMFORD PTY LIMITED

SPEL has entered into an agreement, conditional on the issue of Shares and Options under the Offer, to acquire a 37.5% interest in Cromford Pty Limited (**Cromford**). The Cromford shares will be acquired by SPEL by issuing 12 million Shares and 1.5 million Options. SPEL also has an option to acquire the remaining 62.5% interest in Cromford for 20 million Shares and 2.5 million Options. If SPEL exercises its option, it will own 100% of the shares in Cromford. SPEL also has an option to acquire, for 13.6 million Shares and 1.7 million Options, the Cromford head office and factory property which Cromford currently leases from Soul Pattinson.

Cromford was established in 1978 with Soul Pattinson as a 51% shareholder. Soul Pattinson acquired the remaining 49% in 1987. Its business involves the manufacture and distribution of polyethylene film and dampcourse used throughout Australia in the domestic and commercial building industry as a vapour barrier under concrete slabs and pavements and between bricks and in the agricultural industry in weatherproofing grain and stockfeed stockpiles.

Cromford operates a 24 hour production facility at Pendle Hill where 30 staff are employed. The production facility has ISO 9001:2000 certification. Recycled polyethylene comprises approximately 60% of the raw material required for manufacturing of polyethylene film and Cromford is proud of its contribution to the improvement and preservation of the natural environment through the utilisation of recycled materials.

For the year ended 30 June 2004, Cromford had audited revenue of approximately \$8.8 million, although for the first two months of the current year Cromford's sales are approximately 22% below the previous corresponding period due mainly to competition from imports and also to a downturn in the building industry. Cromford's normalised profit after tax for the year ended 30 June 2004 (as shown in Hall Chadwick's Independent Expert's Report) was \$0.99 million.

Hall Chadwick has provided an independent expert's report on SPEL's acquisition of Cromford which values 100% of Cromford in the range of \$7.6 million to \$8.9 million and concludes that the proposed acquisition is fair and reasonable for SPEL. A summary of Hall Chadwick's report is set out in Section 10.2 and a copy of its full report is available free of charge on the Underwriter's website (www.abnamromorgans.com.au) or can be obtained by contacting Computershare on 1300 365 903 (within Australia) or +613 9415 4219 (if calling from outside Australia).

The purchase price under SPEL's option to acquire the property leased by Cromford is at recent valuation of \$3.4 million.

(f) INTERRISK AUSTRALIA PTY LIMITED

SPEL has entered into an agreement, conditional on the issue of Shares and Options under the Offer, to acquire a 20% interest in InterRISK Australia Pty Ltd (**InterRISK**). The InterRISK shares will be acquired by SPEL issuing 2,162,500 Shares and 270,312 Options.

InterRISK commenced operations in May 2004 with capital provided by its shareholders, Soul Pattinson (20%), Babcock & Brown Asset Holdings Pty Limited (20%), Guinness Peat Group (Australia) Pty Limited (20%), interests associated with Paul Cave (Bridge Climb) (20%) and Graymount Investments Pty Limited (20%). InterRISK provides corporate insurance broking and risk advisory services focusing on medium to large companies and has the ability to design and place complex local and international insurance programs. It provides value added services such as risk retention analysis, claims advisory, evaluation of corporate risk management and risk financing programs.



The directors of InterRISK include Dennis Guy (over 35 years experience in the insurance broking industry and was until 2000, chief executive of Jardine Lloyd Thompson in Asia Pacific), Kevin Heerdegen, chief executive officer (over 30 years experience), and Peter Wyatt (over 20 years experience in claims management and who is establishing operations in Queensland). Trevor Pearsons is general manager, southern region, based in Melbourne (over 20 years experience).

InterRISK presently has offices in Sydney and Melbourne with Brisbane opening shortly. InterRISK is targeting key business niches – tourism / leisure, financial services and manufacturing industries.

SPEL is acquiring Soul Pattinson's 20% interest at the cost of Soul Pattinson's original investment.

There is a possibility of the shareholders of InterRISK being requested to provide additional funding to that company if required. At this stage the amount has not been determined but SPEL would expect to contribute its proportionate share.

Grant Thornton provided a report on factual findings to the Company in relation to the Directors' valuation of InterRISK and concluded that an appropriate valuation methodology was correctly applied in determining the fair value of the entire issued capital of InterRISK and there were no errors or exceptions in relation to the valuation methodology or valuation calculations.

6. DIRECTORS

6.1 Directors

Robert Millner – Non-Executive Chairman

Mr Millner, age 53, is the Non-Executive Chairman. He is also Chairman of Washington H. Soul Pattinson and Company Limited, Milton Corporation Limited, Choiseul Investments Limited and other public companies in which Washington H. Soul Pattinson and Company Limited has an interest.

In his capacity as Chairman of Soul Pattinson, Mr Millner has been primarily responsible for the performance of its investment portfolios since 1998. As Chairman of Milton Corporation Limited and Choiseul Investments Limited and a member of their investment committees, Mr Millner has significant experience in managing the portfolios of listed companies.

David Fairfull – Non-Executive Director

Mr Fairfull, age 62, is currently Joint Managing Director of Pitt Capital Partners Limited. He has had 33 years in the merchant banking industry and for a large part was Managing Director of Kleinwort Benson Australia and an executive director of Kleinwort Benson UK. He is presently a non-executive director of Australian Pharmaceutical Industries Limited, Gazal Corporation Limited, SP Telemedia Limited, Stockland Trust Group, New Hope Corporation Limited and Washington H. Soul Pattinson and Company Limited.

David Wills – Non-Executive Director

Mr Wills, who holds a B.Comm (UNSW) and is a Chartered Accountant, is 56. He was a partner of Coopers & Lybrand and then PricewaterhouseCoopers (PwC) for 25 years. Recently retired, he was the Deputy Chairman of PwC Australia for 4 years (2000 – 2004) and Managing Partner of its Sydney office for 6 years (1997 – 2003). He is an experienced auditor of publicly listed and multinational companies with a focus in the consumer and industrial products' sectors, being the Chairman of the firm's Manufacturing Industry Group for 4 years.

Mr Wills was the inaugural Chairman of the PwC 'Non Executive Directors' program (2001 - 2004) and has experience in risk management techniques, corporate governance and a broad range of consulting activities for public and private companies. Mr Wills is currently a member of the Board of Governors of the Sir David Martin Foundation. He is also a director of a number of private companies.

Geoffrey Hill – Alternate Director for David Fairfull

Mr Hill has worked for over 30 years in major merchant banks both locally and overseas. He was formerly the managing director of Morgan Grenfell Australia and a director of Morgan Grenfell Group plc, a prominent UK merchant bank. He specialises in corporate financial advice, mergers and acquisitions and restructurings and has participated in over 50 IPOs and over 200 mergers and acquisitions. He is a joint founder and Joint Managing Director of PCP and chairman of Pacific Strategic Investments Limited and is a non-executive director of Hills Industries Limited, Huntley Investments Limited and Biron Capital Limited.

6.2 Investment committee

The Investment Committee comprises David Fairfull (Director of SPEL and Soul Pattinson), Geoffrey Hill, (Joint Managing Director of Pitt Capital Partners and an Alternate Director of SPEL) and Robert Millner (Chairman of SPEL and Soul Pattinson). The Committee will meet regularly to review the Portfolio, to make investment decisions and to identify investment opportunities to be researched by the Manager and Sub-Manager. It will also meet as required to make investment decisions when an immediate need arises.

6.3 Corporate governance

SPEL recognises the importance of good corporate governance and is committed to complying with a code of conduct and other appropriate corporate governance policies. The corporate governance framework for SPEL takes into consideration the ASX Principles of Good Corporate Governance and Best Practice Recommendations (**ASX Guidelines**).

SPEL has, however, departed from the ASX Guidelines by appointing Robert Millner as the Company's chairman which it believes is in the best interests of the Company given Mr Millner's skills, expertise and reputation in the Company's area of business. The Company currently does not have a majority of independent directors and does not currently intend to appoint any additional directors.

SPEL is cognisant of its continuous disclosure and reporting obligations and has a policy to enable relevant information to be disclosed to the market in a timely manner.

All relevant information provided to ASX will be posted onto the Company's website (to be established following listing) which will be in compliance with the continuous disclosure guidelines of the ASX Listing Rules. One of SPEL's company secretaries will act as the ASX Liaison Officer.

7. INVESTMENT MANAGERS

7.1 Investment Manager

The Company has appointed PCP to invest and manage the Company's funds and to provide administrative and other services. PCP specialises in mergers and acquisitions, strategic advice, debt and equity capital raisings, underwriting and restructures.

PCP was formed in October 2002 through a joint venture between Soul Pattinson and interests associated with Geoffrey Hill and David Fairfull, when it acquired the funds management and advisory business of PCP Securities Limited, carried on since 1988. Further information on PCP is provided in Section 5.7(a).

Pitt Capital Partners investment management team

Andrew Fairfull – Company Secretary of SPEL

Andrew has worked in chartered accounting and industry for over eight years. He is involved in a number of Soul Pattinson's private equity investments, and is currently secretary of Clover Corporation Limited and Keith Harris & Company Limited.

Bill Hannan - Consultant

Bill has over 20 years corporate finance and merchant banking experience, including senior executive positions with Australian International Finance Corporation Limited, Morgan Grenfell Australia Ltd and PCP. Bill has wide industry experience and specialises in mergers and acquisitions and initial public offerings.

Bruce Gould - Consultant

Bruce has over 25 years corporate finance, banking and merchant banking experience with Westralian International Limited, Kleinwort Benson Australia Limited and Australian International Finance Corporation Limited. He specialises in debt securities and property.

Michael Firmin – Executive Director, Corporate Finance

Michael has eight years corporate finance and private equity experience in the UK and Europe, concentrating on mergers and acquisitions and initial public offerings.

Ben Bucknell – Executive Director, Corporate Finance

Prior to joining PCP, Ben was a senior associate in the corporate department of Allens Arthur Robinson with a background in mergers and acquisitions, equity capital markets and infrastructure financing.

Brent Smith - Associate Director, Corporate Finance

Brent has six years corporate finance and merchant banking experience with Barings, ING and PCP and previous industry experience with Lion Nathan. Brent concentrates on mergers and acquisitions and initial public offerings.

Todd Barlow – Associate Director, Corporate Finance

Todd was previously a lawyer with Blake Dawson Waldron's corporate advisory group, concentrating on mergers and acquisitions and equity capital markets.

Edwina Kho – Analyst, Corporate Finance

Edwina is a Chartered Accountant who has worked in the corporate finance divisions of Arthur Andersen and Deloitte in Singapore. Her experience includes equity capital markets, mergers and acquisitions, general corporate advisory and corporate taxation.

David Scammell – Analyst, Corporate Finance

David has recently joined PCP after completing his MBA. Prior to furthering his studies he was involved in managing start-up companies.

7.2 Investment methodology and process of the Manager

PCP's knowledgeable and experienced team has conducted in excess of 250 mergers and acquisitions and over 75 public offerings and restructuring transactions. The team at PCP has extensive experience in:

- valuing, structuring and investing in companies;
- providing management and corporate finance advice to enhance the growth of companies; and
- executing an exit from investments by way of trade sale or initial public offering.

The Manager will seek to invest in SMEs focusing on unlisted entities which offer prospects for high capital growth and will also invest in SMEs at a start-up stage provided the management team of the company is experienced and talented.

Investments in listed equities and other liquid securities (managed by SFM) will also be an ongoing strategy and will constitute a larger proportion of the Portfolio in the formative years in order to generate income while the portfolio of unlisted investments is developed and matures.

Sources of prospective private equity investments

SPEL expects to access attractive private equity opportunities arising from the deal flow generated by the Manager and Soul Pattinson through:

- the extensive contacts and networks of the Manager, its directors and executives;
- the corporate advisory activities of the Manager;
- having Soul Pattinson as a major investor;
- the active corporate and financial involvement of the broader Soul Pattinson group and its extensive contacts and networks; and
- the implementation of strategies by the Manager to establish SPEL's profile in the market.

Evaluating proposals

The Manager will base its investment recommendations on an overall assessment of each opportunity, but will first consider the ability, depth and integrity of the investee's management team, as prior experience indicates that success in the private equity business is significantly derived from backing the right people.

In addition to a skilled management team, consideration will be given to the size and dynamics of the market in which the investee company operates, its competitors and relative strategic positioning. The company should demonstrate that it has realistically evaluated its competition, markets and financial needs in developing its strategies, plans and forecasts.

The Manager will seek the creation and eventual realisation of capital gains rather than short term profits. Accordingly, exploration of exit mechanisms is also an important consideration prior to investment. The Manager has considerable expertise to assist companies with a listing or trade sale.

A successful business partnership must also have an appropriate investment structure to ensure that each party has the right risk and reward trade off, and there are suitable incentives for management as well as corporate governance standards to protect shareholders.

A value added investor

SPEL will usually be represented on the board of directors of the unlisted investee companies to monitor and add value to the investment. The Manager will seek to provide constructive assistance in such areas as organisational development, strategic planning, recruitment, mergers and acquisitions, fund raising and exit strategies.

The Manager also has the ability to provide a network of contacts for the investee company. The Manager can introduce an investment to other investors, strategic partners, accountants, lawyers, investment bankers and executive search firms.

Exit strategy

Exit plans and arrangements will often be agreed prior to an investment being implemented and an appropriate programme agreed, with checkpoints identified, at which the strategy will be reviewed.

Substantial value can be achieved by developing a business towards an agreed realisation target over a realistic timeframe. All stakeholders must share a common goal for this to be effective. Early agreement of this element in any prospective transaction is essential.

Risk management

Portfolio risk management strategies will rely upon a well-developed approach to limiting exposure to individual investments or industries, conducting thorough pre-investment due diligence and active post-investment involvement in the businesses by the Manager, including board representation where appropriate. Investee risk will be further controlled by progressive funding against agreed milestones, and, where appropriate, employing shareholder agreements containing liquidity, minority protection provisions and appropriate investment structures.

7.3 Sub-Manager

The Manager has appointed SFM to assist the Manager. SFM will advise the Manager in relation to SPEL's portfolio of listed and interest bearing securities and has been delegated authority to manage investments on behalf of the Company in the asset classes outlined in Section 5.6 above.

Souls Funds Management investment management team

Vincent Parrott – Managing Director

Vincent Parrott has over 20 years experience in funds management. He started his career with UAL Merchant Bank in Johannesburg, South Africa, where he was involved in investment research and portfolio management. His roles in Australia include Senior Australian Equities Manager at AMP, Head of Australian Equities at SBC Australia Funds Management, Business Development Manager at BT Funds Management and Chief Investment Officer at Aberdeen Asset Management. Vincent's experience covers most aspects of the funds management industry, including investment research, portfolio management, client service, marketing and general management.

Vincent has a Bachelor of Commerce (Economics) degree from the University of Witwatersrand in South Africa.

Frank Villante – Chief Investment Officer

Frank started his career in 1981 with the National Australia Bank in the Economics and Corporate Banking areas. From 1984 to 1988 he had roles as an analyst/research manager with Bridges, Son & Shepherd and then Clark & Co.

In 1988, he joined NRMA Investments with responsibilities for analysis and management of certain of its Australian equity portfolios, then moved to Bankers Trust in 1995 as an Australian equity portfolio manager, where he had responsibility for large and small-cap portfolios for both retail and wholesale clients until 2001. More recently, Frank has undertaken certain consulting roles for listed and unlisted companies and been involved in project work for ASIC.

Frank's experience covers a wide range of equity analysis and management as well as client service and marketing in the Australian market. Frank has a Bachelor of Economics from the University of Sydney, with majors in Industrial Relations and Economics.

Dr Andreas Stephens – Investment Analyst

Andreas has over ten years research and analytical experience. In early 1998, he joined stockbroker Paul Morgan Securities as an analyst. The company later merged with Johnson Taylor. In January 1999, Andreas joined M. J. H. Nightingale & Co. Limited, a small investment bank, and was responsible for detailed financial modelling, as well as analysis of listed and unlisted companies. He joined Flinders Asset Management in September 1999 and SFM in February 2002.

Before moving into financial analysis, Andreas undertook research on high efficiency silicon solar cells, leading to the award of a Doctor of Philosophy (in Electrical Engineering) at the University of New South Wales.

Andreas also has a Bachelor of Science (major in Physics) and a Bachelor of Mechanical Engineering, both from the University of New South Wales and completed his Graduate Diploma in Applied Finance and Investments with the Securities Institute of Australia in June 2000.

7.4 Investment methodology and process of the Sub-Manager

SFM recognises that the stock market is not always perfectly efficient. This provides the opportunity to maximise investment returns by investing in stocks which are trading at a discount to SFM's assessment of their intrinsic or fair value. Intrinsic value is established through multiple valuation analysis which focuses predominantly on free cash flow, earnings and enterprise values.

SFM's research concentrates on gaining a detailed knowledge and clear understanding of each company's accounts, management and business model and strategy. SFM focuses on the investment merits of individual stocks rather than market and economic trends. It would commonly be regarded as a bottom up stock picker. SFM's approach embraces both growth and value elements and is best described as style neutral.

The investment process collects and filters a substantial amount of company data. All stocks are ranked by numerous criteria including financial indicators, ratios and valuation parameters in order to identify stocks which offer superior investment potential. These stocks are then analysed in detail in order to determine their investment merit. A combination of internal and external research is used, with internal research building a particular understanding of each investment opportunity. Research involves a wide range of activity from the analysis of accounts and forecasts, to regular contact with management and many company site visits.

Investment risk is controlled through a disciplined portfolio construction process in which portfolio parameters and individual stock exposures are set. The portfolio will be diversified across a number of stocks in most industry sectors. However, the portfolio structure will be based on the investment merits of individual companies and will not be limited or constrained to any particular exposure to industry groups. This may at times lead to a high investment exposure to any one industry sector. SFM does not intend to follow the weightings of an ASX or other index.

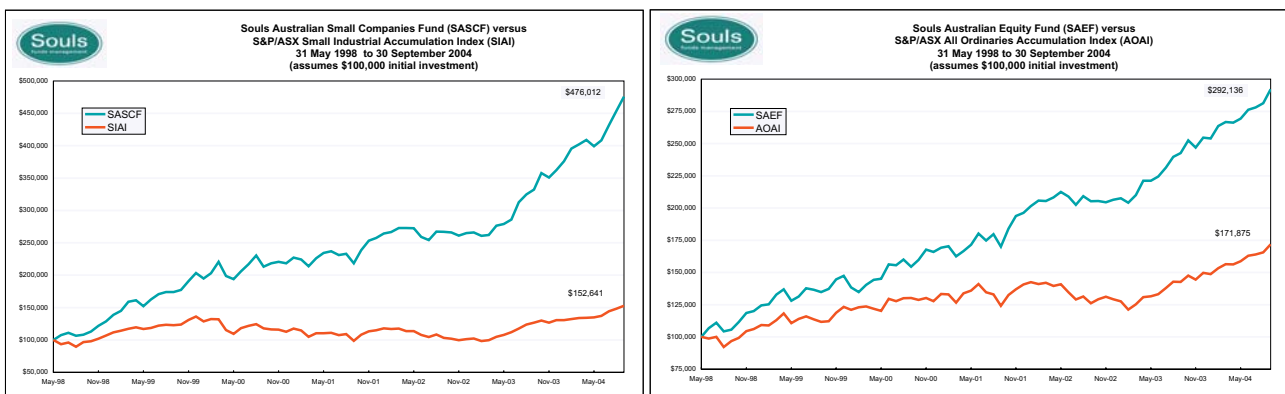
Listed Portfolio holdings will generally be sold when share prices exceed valuation targets. These valuation targets are set as a price range rather than a single price point. When a stock trades through the top of this targeted range the Listed Portfolio holding will generally be sold or reduced. Before this occurs however, all valuation and forecast inputs are reviewed.

SFM's fund performance

Over the past five years, Souls Australian Small Companies Fund and Souls Australian Equity Fund have generated strong investment track records which compare very favourably to both the equity market and competitors' returns.

The net return of Souls Australian Small Companies Fund over the past three years to 30 September 2004 has been 29.6% pa. This compares favourably against the small company sector which has also recorded strong rises. The S&P/ASX Small Industrial Accumulation Index increased by 15.6% pa over the three year period. Since inception in May 1998 the Fund has returned 27.9% pa against 6.9% pa for the S&P/ASX Small Industrial Accumulation Index.

Similarly, for the past three years to 30 September 2004 the Souls Australian Equity Fund has delivered a net 19.8% pa return to investors. This compares favourably with the return from the S&P/ASX All Ordinaries Accumulation Index which improved by 11.5% pa over the same period. Since inception in May 1998 the Fund has returned 18.4% pa against 9.3% pa for the S&P/ASX All Ordinaries Accumulation Index.



Investors should note that past performance in relation to SFM's investment record is not necessarily a guide to future performance.

7.5 Management fees

The Company must pay a monthly management fee to PCP equal to one-twelfth of 1.75% of the Net Asset Value of the Company as at the end of each month, plus GST. Out of this fee PCP must pay monthly sub-management fees to SFM equal to one-twelfth of 0.35% of the net asset value of the Listed Portfolio as at the end of each month, plus GST. Refer to Sections 13.1 and 13.2 for further details on the management fees.

In addition, the Manager will receive 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.

Summaries of the Investment Management Agreement and the Sub-Management Agreement are provided in Sections 13.1 and 13.2 respectively.

The Company intends to keep a tight control over administration and management costs. Gross management and administration costs, including GST, are expected to be approximately 2.7% per annum of total net assets assuming the minimum subscription for Shares under the Offer and approximately 2.3% per annum at the maximum subscription level (excluding Performance Fees).

7.6 Administration

SPEL has appointed CAS to provide accounting and administrative services to SPEL for a monthly fee of \$5,416.67 plus GST. SPEL will not be entitled to an input tax credit for CAS's fees.

A director of CAS, John de Gouveia, will be appointed the public officer and company secretary of SPEL and the ASX liaison officer. The agreement with CAS is summarised in Section 13.8.

8. FINANCIAL INFORMATION

8.1 Pro-forma statements of financial position

The pro-forma statements of financial position reflecting the net asset position of SPEL immediately after the issue of Shares under the Offer is presented in the table below.

The financial information should be read in conjunction with the following notes and the risk factors in Section 12 and other information contained in this Prospectus.

The financial information has been prepared on the basis that the acquisition by SPEL of the interest in Austgrains proceeds. If it does not proceed, cash will increase by \$2.9 million and investments will decline by \$2.9 million (refer to Section 13.5 for further details).

	Note	Pro-forma Minimum Subscription 30 September 2004 \$000	Pro-forma Maximum Subscription 30 September 2004 \$000
Current assets			
Cash	8.4	45,350	93,860
Receivables	8.5	250	250
Total current assets		45,600	94,110
Non-current assets			
Investments	8.6	14,003	14,003
Total non-current assets		14,003	14,003
Total assets		59,603	108,113
Total Liabilities		-	-
Net assets		59,603	108,113
Shareholders' equity			
Equity	8.7	59,603	108,113
Total shareholders' equity		59,603	108,113
Net tangible assets per Share		23.7 cents	23.9 cents

8.2 Pro-forma statement of financial position and pro-forma adjustments

The pro-forma statement of financial position has been prepared from the un-audited statement of financial position as at 30 September 2004 on the basis that the following transactions have been effected as at 30 September 2004:

i) **Minimum subscription**

- Receipt of the proceeds of the Offer amounting to \$50 million and a corresponding subscription of 200,000,000 Shares at \$0.25 per Share.
- Receipt of \$5 million subscription by Soul Pattinson for 20,000,000 Shares at \$0.25 per Share.
- On receipt of proceeds of the Offer, SPEL will pay issue costs of \$3.27 million.
- The acquisition of investments as detailed in Section 5.7 of the Prospectus amounting to \$14 million, of which \$6.1 million is paid in cash and \$7.9 million is paid in Shares and attached Options. It is assumed none of the options to acquire additional shares in Cromford, Austgrains or SODA or the Cromford property are exercised, that no additional loan is made to Austgrains and that the maximum subscription is made in Specialist Services.
- Re-payment of loans owed by SODA to its existing shareholders amounting to \$0.25 million.

ii) **Maximum subscription**

- Receipt of the proceeds of the Offer amounting to \$100 million and a corresponding subscription of 400,000,000 Shares at \$0.25 per Share.
- Receipt of \$5 million subscription by Soul Pattinson for 20,000,000 Shares at \$0.25 per Share.
- On receipt of proceeds of the Offer, SPEL will pay issue costs of \$4.76 million.
- The acquisition of investments as detailed in Section 5.7 of the Prospectus amounting to \$14 million, of which \$6.1 million is paid in cash and \$7.9 million is paid in Shares and attached Options. It is assumed none of the options to acquire additional shares in Cromford, Austgrains or SODA or the Cromford property are exercised, that no additional loan is made to Austgrains and that the maximum subscription is made in Specialist Services.
- Re-payment of loans owed by SODA to its existing shareholders amounting to \$0.25 million.

8.3 Statement of significant accounting policies

Basis of accounting

The pro-forma financial information included in this Prospectus has been extracted from the Special Purpose Financial Reports which have been prepared in accordance with the requirements of the Corporations Act, applicable Accounting Standards, Urgent Issues Group Consensus Views and generally accepted accounting principles for the presentation of financial information for inclusion in a prospectus in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

Set out below are the significant accounting policies adopted in the preparation of the financial information included in this Prospectus or which the Company proposes to adopt for future reporting.

(a) **International Financial Reporting Standards**

As noted above, the financial information has been prepared in accordance with generally accepted accounting principles in Australia (Australian GAAP). For financial reporting periods beginning on or after 1 January 2005, SPEL must comply with Australian Equivalent International Financial Reporting Pronouncements (AEIFRP) as issued by the Australian Accounting Standards Board.

All financial information disclosed in this Prospectus has been prepared in accordance with Australian GAAP. The differences between Australian GAAP and AEIFRP identified by management to date as having a significant effect on the financial position and financial performance of SPEL are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and AEIFRP. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

Further, regulatory bodies that formulate Australian GAAP and AEIFRP have significant ongoing projects that could affect the differences between Australian GAAP and AEIFRP described below and the impact of these differences relative to SPEL's financial statements in the future. You should consult your own professional advisers for an understanding of the differences between Australian GAAP and AEIFRP.

The potential impacts on the financial performance and financial position of SPEL of the adoption of AEIFRP, including implementation costs which may be incurred, have not been quantified. The actual impacts will depend on the particular circumstances prevailing at the time of adoption.

The Directors however, understand the key potential implications of the conversion to AEIFRP on SPEL are:

- (i) **Transitional issues:** Under AASB 1, the general rule is that entities applying AEIFRP for the first time must apply the requirements of AEIFRP retrospectively, effectively as if they had always applied. There are a number of exemptions to this general rule within AASB 1. Any adjustments made under AASB 1 will be made to opening retained earnings, and are therefore not expected to impact the statement of financial performance of SPEL;
- (ii) **Impairment of assets:** The requirements under AEIFRP represent a more prescriptive impairment test than the current requirements under Australian GAAP. Under Australian GAAP goodwill has to be amortised over a period of no longer than 20 years. Under AEIFRP, goodwill will not be amortised but will be subject to an annual impairment test. SPEL will be required to test the values attributed to goodwill for impairment on at least an annual basis. Such testing will require an identification of appropriate cash generating units, the allocation of goodwill to those units or combinations of units, and the ability to determine reliable estimates of the future cash flows that those units will provide; and

- (iii) **Taxation:** Under AEIFRP, tax assets and liabilities are recognised using the balance sheet approach rather than an income statement approach. In addition, tax assets are recognised when recovery is probable rather than assured beyond reasonable doubt and/or virtually certain.

The Directors have not quantified the effects of the differences discussed above. Accordingly, there can be no assurances that the financial performance and the financial position of SPEL as disclosed in this Prospectus would not be significantly different if determined in accordance with AEIFRP.

(b) Principles of consolidation

The consolidated accounts comprise the accounts of SPEL and all of its controlled entities. A controlled entity is any entity controlled by SPEL. Control exists where SPEL has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with SPEL to achieve the objectives of SPEL.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(c) Going concern

The consolidated financial statements have been prepared on a going concern basis, which anticipates the ability of the Company to meet its obligations in the normal course of business. The ability of the Company to meet its existing obligations and those relating to recent acquisitions will depend on the ability to raise funds pursuant to the Prospectus.

(d) Taxation

The Company adopts the liability method of tax effect accounting.

(e) Trade and other creditors

These amounts represent liabilities for goods and services provided to the Company prior to the end of the period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(f) Acquisition of assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition.

(g) Investments

Investments are valued at fair value as at the reporting date.

Fair value of securities listed on stock exchanges is determined with reference to quoted prices applicable as at reporting date, less realisation costs. Exchange rates as at the reporting date are used in determining the fair value of securities listed on overseas exchanges.

Revaluation increments are credited directly to the Asset Revaluation Reserve after deducting a provision for potential deferred capital gains tax except to the extent that increments reverse amounts previously charged as an expense in determining operating profit in respect of that same class of asset, in which case the increment is credited to operating profit.

Revaluation decrements are debited directly to the Asset Revaluation Reserve to the extent that they are able to be offset by credits in the Asset Revaluation Reserve in respect of that same class of asset otherwise they are debited to operating profit.

On disposal of investments, the balance of the Asset Revaluation Reserve relating to the disposed asset is transferred to the Capital Profits Reserve.

(h) Revenue recognition

Dividends are brought to account on the date the securities are traded "ex dividend".

Interest income is brought to account on an accruals basis.

8.4 Cash

The pro-forma cash position has been calculated as follows:

	Minimum Subscription as at 30 September 2004 \$000	Maximum Subscription as at 30 September 2004 \$000
Proceeds from the Offer	50,000	100,000
Soul Pattinson Share subscription	5,000	5,000
Costs incurred in connection with the Offer	(3,270)	(4,760)
Investments consideration	(6,130)	(6,130)
Repayment of loans	(250)	(250)
Pro-forma cash position at 30 September 2004	45,350	93,860

The pro-forma cash position in the pro-forma statement of financial position has been arrived at after adjusting for the impact of:

i) Minimum subscription

- The receipt of proceeds from the Offer amounting to \$50 million in relation to a subscription of 200,000,000 Shares at an issue price of \$0.25 per Share.
- Receipt of \$5 million subscription by Soul Pattinson for 20,000,000 Shares at \$0.25 per Share.
- The payment of expenses of the Offer post 30 September 2004, estimated at \$3.27 million.
- The payment of cash consideration for investments amounting to \$6.1 million, as outlined in the Prospectus.
- Re-payment of loans owed by SODA to its existing shareholders amounting to \$0.25 million.

ii) Maximum subscription

- The receipt of proceeds from the Offer amounting to \$100 million in relation to a subscription of 400,000,000 Shares at an issue price of \$0.25 per Share.
- Receipt of \$5 million subscription by Soul Pattinson for 20,000,000 Shares at \$0.25 per Share.
- The payment of expenses of the Offer post 30 September 2004, estimated at \$4.76 million.
- The payment of cash consideration for investments amounting to \$6.1 million, as outlined in the Prospectus.
- Re-payment of loans owed by SODA to its existing shareholders amounting to \$0.25 million.

8.5 Receivables

The pro-forma receivables balance has been calculated as follows:

	Minimum Subscription as at 30 September 2004 \$000	Maximum Subscription as at 30 September 2004 \$000
Unsecured loan to SODA (associated party)	250	250

The receivables balance in the pro-forma statement of financial position has been calculated after adjusting for the impact of providing a loan to SODA amounting to \$0.25 million, in order for SODA to repay loans owing to its existing shareholders. This loan will bear interest, payable monthly in arrears, at the prevailing bank bill swap rate for the relevant period plus a 3% margin (the terms of which are set out in Section 13.6(a)).

8.6 Investments

The pro-forma investment balance has been calculated as follows:

	Minimum Subscription as at 30 September 2004 \$000	Maximum Subscription as at 30 September 2004 \$000
Investment at cost		
PCP	6,000	6,000
Cromford	3,000	3,000
SODA	562	562
InterRISK	541	541
Specialist Services	1,000	1,000
Austgrains	2,900	2,900
Pro-forma investment balance at 30 September 2004	14,003	14,003

8.7 Contributed equity

The pro-forma equity has been calculated as follows:

	Minimum Subscription as at 30 September 2004 \$000	Maximum Subscription as at 30 September 2004 \$000
Proceeds from the Offer	50,000	100,000
Soul Pattinson Share subscription	5,000	5,000
Costs associated with the Offer	(3,270)	(4,760)
Shares issued as consideration for investments	7,873	7,873
Pro-forma contributed equity at 30 September 2004	59,603	108,113

The number of Shares on issue has been calculated as follows:

	Minimum Subscription as at 30 September 2004 Number of Shares	Maximum Subscription as at 30 September 2004 Number of Shares
Issued capital at 30 September 2004	1	1
Issued under the Offer	200,000,000	400,000,000
Soul Pattinson Share subscription	20,000,000	20,000,000
Shares issued as consideration for investments	31,492,500	31,492,500
Pro-forma contributed equity at 30 September 2004	251,492,501	451,492,501

The contributed equity in the pro-forma statement of financial position and the number of Shares on issue have been calculated after adjusting for the impact of:

i) Minimum subscription

- The receipt of proceeds from the Offer amounting to \$50 million in relation to a subscription of 200,000,000 Shares at an issue price of \$0.25 per Share.
- Receipt of \$5 million subscription by Soul Pattinson for 20,000,000 Shares at \$0.25 per Share.
- The payment of expenses of the Offer post 30 September 2004, estimated at \$3.27 million.
- The issue of Shares as consideration for investments amounting to \$7.87 million as consideration for investments, as outlined in the Prospectus.

ii) Maximum subscription

- The receipt of proceeds from the Offer amounting to \$100 million in relation to a subscription of 400,000,000 Shares at an issue price of \$0.25 per Share.
- Receipt of \$5 million subscription by Soul Pattinson for 20,000,000 Shares at \$0.25 per Share.
- The payment of expenses of the Offer post 30 September 2004, estimated at \$4.76 million.
- The issue of Shares as consideration for investments amounting to \$7.87 million as consideration for investments, as outlined in the Prospectus.

8.8 Contingent liabilities

There are no contingent liabilities of the Company.

8.9 Adjustments not included in the pro-forma statement of financial position

Options attaching to Shares offered under this Prospectus have not been included in the pro-forma statement of financial position.

The funds raised from the exercise of these Options have not been included in the pro-forma statement of financial position as it is expected these Options will be exercised at some period subsequent to the date the Company is listed on the ASX (see Section 14.1 for further information).

As disclosed in Section 2.5 of the Prospectus the Company holds options to acquire the following investments and property:

	As at 30 September 2004 % Investment	SPEL No of Shares to be issued on exercise*
Cromford	62.50%	20,000,000
SODA	26.33%	1,580,000
Cromford property	100.00%	13,600,000

* 1 Option will also be issued for every 8 Shares issued.

These investments and property have not been included in the pro-forma statement of financial position as the Company has a right not an obligation to exercise these options which are anticipated to be exercised at a date subsequent to the Company listing on the ASX.

If the acquisition of the interest in Austgrains proceeds, Shareholders in Austgrains (including the Company) will also receive options to acquire additional shares in Austgrains as set out in Section 13.5. The exercise of the Company's options has not been included in the pro-forma statement of financial position. The Company has also entered into an agreement to provide a \$700,000 loan facility to Austgrains which, if drawn down, may be converted into equity in Austgrains (refer Section 13.6). Neither the drawdown of this loan nor its conversion into equity has been included in the pro-forma statement of financial position.

The Company has entered into an agreement to provide a working capital facility to SODA. The draw down of working capital by SODA has not been included in the pro-forma statement of financial position.

	As at 30 September 2004 Investee working capital facilities \$000
Austgrains	700
SODA	500

If the Austgrains convertible loan facility is drawn down, it is anticipated that it and the SODA working capital facility will be provided at a date subsequent to the Company listing on the ASX. These convertible loan and working capital facilities have not been included in the pro-forma statement of financial position due to the uncertainty as to draw down of the Austgrains convertible loan facility and the amount and timing of the draw down on both working capital facilities.

9. INDEPENDENT ACCOUNTANT'S REPORT

The Board of Directors
Souls Private Equity Limited
Level 2
160 Pitt Street
SYDNEY NSW 2000

27 October 2004

Dear Directors

INDEPENDENT ACCOUNTANT'S REPORT ON REVIEWED PRO-FORMA STATEMENT OF FINANCIAL POSITION

We have prepared this Independent Accountant's Report ("report") on the pro-forma statement of financial position as at 30 September 2004 of Souls Private Equity Limited ("the Company") for inclusion in a prospectus dated on or about 27 October 2004 ("the Prospectus") relating to the issue of up to 400,000,000 fully paid ordinary shares at an offer price of \$0.25 per share to raise up to \$100,000,000. Every eight (8) issued ordinary Shares will have one (1) attached option to acquire one ordinary Share at \$0.30 per share within five years of the Issue Date ("the Offer"). The Company proposes to seek admission to the Official List of the Australian Stock Exchange Limited ("ASX").

Expressions defined in the Prospectus have the same meaning in this report.

Background

The Company was incorporated on 30 September 2004 with 1 Ordinary Share of \$1.00 and has not traded or issued shares since incorporation.

The Company intends to invest the proceeds derived from this issue in listed and unlisted securities as set out in section 5 of this Prospectus.

Pitt Capital Partners Pty Limited ACN 000 651 427 has been appointed the Manager as set out in section 7.1 of the Prospectus. The Manager will receive a management and performance fee as set out in section 7.5 of the Prospectus.

Scope

You have requested Grant Thornton Corporate (NSW) Pty Ltd ("Grant Thornton Corporate Finance") to prepare a report covering the pro-forma statement of financial position as at 30 September 2004 which assumes completion of the contemplated capital raising and other transactions as disclosed in Section 8.3 of the Prospectus ("the Pro-Forma Transactions").

In accordance with the terms of our engagement, this report does not address the future prospects or forecasts of the Company, nor risks associated with an investment in the Company.

Financial information

The Directors of the Company ("the Directors") are responsible for the preparation and presentation of the pro-forma statement of financial position as at 30 September 2004 including the Pro Form Transactions as set out in Section 8.1 of the Prospectus and the information contained therein, including the assumptions, notes and accounting policies on which they are based.

The pro-forma statement of financial position has been prepared in accordance with the recognition and measurement principles of Accounting Standards and other mandatory professional reporting requirements in Australia and the accounting policies adopted by the Company as set out in Section 8.3 of the Prospectus.

Review of Pro-forma Statement of Financial Position

We have conducted our review of the pro-forma statement of financial position as set out in Section 8.1 of the Prospectus in accordance with the Australian Auditing and Assurance Standard AUS 902 "Review of Financial Reports". Our review was limited primarily to enquiries of and discussions with management and the Directors and the Company's advisers as well as documentation relating to the transactions contemplated in the Prospectus.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

Review Statement on Pro-forma Statement of Financial Position

Based on our review, which is not an audit, nothing has come to our attention, which causes us to believe that

- the pro-forma statement of financial position as at 30 September 2004 has not been properly prepared on the basis of the pro-forma transactions; and
- the pro-forma statement of financial position, as set out in Section 8.1 of the Prospectus does not present fairly the pro-forma statement of financial position of the Company as at 30 September 2004 in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements Australia, and the accounting policies adopted by the Company disclosed in Section 8.3 of the Prospectus.

Subsequent events

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief, no material transactions or events outside of the ordinary course of business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

Independence or disclosure of interest

Grant Thornton Corporate Finance does not have any interest in the outcome of this Offer other than normal professional fees that will be received in relation to the preparation of this report, a report to the Directors of the Company on factual findings in relation to the Directors' valuations of Austgrains, SODA, InterRISK and Specialist Services and the Independent Taxation Opinion set out in Section 11 of the Prospectus.

Consent to the inclusion of this report in the Prospectus in the form and context which it appears, has been given. At the date of this report, consent has not been withdrawn.

Yours faithfully

GRANT THORNTON CORPORATE (NSW) PTY LTD



S. T. GRIFFIN

Director and Authorised Representative

10. INDEPENDENT EXPERT'S REPORTS

10.1 Summary of independent expert's report on PCP



VALUATION OF PITT CAPITAL PARTNERS LIMITED

Dear Sirs,

27 October 2004

Hall Chadwick Corporate (NSW)
Limited

ACN 080 462 488

Re: Valuation of Pitt Capital Partners Limited and Conclusion as to Fairness and Reasonableness of Transaction

Hall Chadwick Corporate (NSW) Limited ["HCC"] has undertaken a valuation of the investment to be acquired by Souls Private Equity Limited ["SPEL"] in Pitt Capital Partners Limited ["PCP"] and provided an opinion to the directors of SPEL whether the price to be paid for the acquisition ("the Transaction") is fair and reasonable.

This document is a summary of the independent expert's report prepared by HCC, with the key conclusions briefly summarised. The valuation report which includes a detailed description of the transaction, PCP business and its assets, valuation methodology and the assumptions used is available for review on the Underwriter's website at www.abnamromorgans.com.au or can be obtained by contacting Computershare on 1300 365 903 (within Australia) or +613 9415 4219 (if calling from outside Australia).

SPEL will acquire a 25% interest in PCP for **\$6 million** on a successful listing of SPEL. HCC values the PCP company between **\$21.93 and \$25.54 million**.

In valuing the investment acquired in PCP, HCC has considered various valuation methods and has determined that:

- i. The appropriate method to value the merchant banking and corporate advisory business of PCP is to use an income approach, by capitalising its future earnings. In using this approach, HCC has chosen to apply a price earnings multiple of 6.0 to 7.0 to the normalised after tax earnings of PCP being \$3.095 million.
- ii. The appropriate method to value the business conducted by Souls Funds Management Limited of which a 25.5% investment is held by PCP is using a market approach by determining values based on comparative sales of similar businesses. A valuation of \$3.06 to \$3.57 million based on prospective funds under management was determined.
- iii. Residual assets were valued at current market value being an amount of \$300,000.

For the transaction to be fair, the value of the PCP investment acquired by SPEL must be equal to or greater than the value of the consideration paid by SPEL, being \$6 million. To be reasonable, the shareholders must derive an overall benefit if the Transaction proceeds.

HCC has assessed that the value of the investment to be acquired in PCP is between \$5.5 and \$6.4 million, being 25% of the valuation of the entire PCP business. Therefore the Transaction is fair, as this is within the range of values of the consideration paid, being \$6 million. The Transaction is reasonable as the shareholders of SPEL will benefit if the Transaction proceeds, due to its fairness and the potential for growth of the PCP business.

This valuation report should only be used for the purpose prepared, which was to provide an opinion as to the fairness and reasonableness of the PCP purchase transaction for the directors of SPEL.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Drew Townsend', written over a blue horizontal line.

Drew Townsend
Director
Hall Chadwick Corporate (NSW) Limited

Sydney
Level 29
St Martins Tower
31 Market Street
Sydney 2000
New South Wales

GPO Box 3555
Sydney, NSW 2001
or
DX 1451 Sydney

Telephone: (02) 9263 2600
Facsimile: (02) 9263 2800
Email: hcsyinfo@hallchadwick.com.au

10.2 Summary of independent expert's report on Cromford

Hall Chadwick Corporate (NSW) Ltd

Corporate Finance & Advisory Services

VALUATION OF CROMFORD PTY LIMITED

Dear Sirs,

27 October 2004

Hall Chadwick Corporate (NSW)
Limited

ACN 080 462 488

Re: Valuation of Cromford Pty Limited and Conclusion as to Fairness and Reasonableness of Transaction

Hall Chadwick Corporate (NSW) Limited ["HCC"] has undertaken a valuation of the investment to be acquired by Souls Private Equity Limited ["SPEL"] in Cromford Pty Limited ["CMF"] and provided an opinion to the directors of SPEL whether the price to be paid for the acquisition ("the Transaction") is fair and reasonable.

This document is a summary of the independent expert's report prepared by HCC, with the key conclusions briefly summarised. The valuation report which includes a detailed description of the transaction, CMF business and its assets, valuation methodology and the assumptions used is available for review on the Underwriter's website at www.abnamromorgans.com.au or can be obtained by contacting Computershare on 1300 365 903 (within Australia) or +613 9415 4219 (if calling from outside Australia).

SPEL initially will acquire a 37.5% interest in CMF for \$3 million on a successful listing of SPEL and has a one year option to acquire the remaining 62.5% of CMF for \$5 million. HCC values the CMF company between \$7.64 and \$8.93 million.

In valuing the investment acquired in CMF, HCC has considered various valuation methods and has determined that:

- i. The appropriate method to value the business of CMF is to use an income approach, by capitalising its future earnings. In using this approach, HCC has chosen to apply a price earnings multiple of 7.3 to 8.6 to the after tax normalised earnings of CMF being \$989,145.
- ii. Residual cash assets have been added being an amount of \$420,000.

For the transaction to be fair, the value of the CMF investment acquired by SPEL must be equal to or greater than the value of the consideration paid by SPEL, being \$3 million in respect of the initial acquisition of 37.5% and a further \$5 million if the option to acquire the remaining 62.5% is exercised. To be reasonable, the shareholders must derive an overall benefit if the Transaction proceeds.

HCC has assessed that the value of the initial investment acquired in CMF is between \$2.9 and \$3.3 million, being 37.5% of the valuation of the entire CMF business, and that the value of the investment to be acquired in CMF if SPEL exercises its option, is an additional amount between \$4.8 and \$5.6 million, being 62.5% of the entire CMF business. Therefore the Transaction is fair, as this is within the range of values of the consideration paid, being \$3 million for the initial 37.5% and a further \$5 million if the option to acquire the remaining 62.5% is exercised. The Transaction is reasonable as the shareholders of SPEL will benefit if the Transaction proceeds.

This valuation report should only be used for the purpose prepared, which was to provide an opinion as to the fairness and reasonableness of the CMF purchase transaction for the directors of SPEL.

Yours faithfully,



Drew Townsend

Director

Hall Chadwick Corporate (NSW) Limited

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11. INDEPENDENT TAXATION REPORT

The Directors
Souls Private Equity Limited
Level 2
160 Pitt Street
SYDNEY NSW 2000

27 October 2004

Dear Sirs

INDEPENDENT TAXATION REPORT

As requested we provide herein a report that deals with the income tax issues that will arise in relation to Australian and New Zealand tax resident investors who subscribe for shares in Souls Private Equity Limited ("SPEL" or the "Company"). The report has been prepared for inclusion in the Company's Prospectus to be dated on or about 27 October 2004 and should be read in conjunction with that Prospectus.

SCOPE OF REPORT

Our advice is based on the relevant provisions of the Income Tax Assessment Act 1936 ("the 1936 Act"), the Income Tax Assessment Act 1997 ("the 1997 Act") and the Income Tax Rates Act and collectively referred to as "the Australian Tax Laws" that are current at the date of this report. The New Zealand advice is based on New Zealand tax law. Together collectively known as "the Tax Laws".

A particular taxpayer's liability under the Tax Laws is determined having regard to the application of the Tax Laws to the particular facts and circumstances of the taxpayer and to all relevant surrounding facts and circumstances. Accordingly, this report is but a general overview of the potential application of the Tax Laws and is not a detailed analysis of how those Tax Laws may apply to a particular taxpayer.

As the tax law is subject to change and each Investor's tax consequences depend on their own specific circumstances, each Investor should seek appropriate independent advice.

We disclaim all liability to any Investor or other party for all costs, loss, damage and liability that the Investor or other party may suffer or incur arising from or relating to or in any way connected with the contents of our opinion or the provision or our opinion to the Investor or other party or the reliance on our opinion by the Investor or other party.

TAXATION OF INCOME OF SPEL

Operating income, dividends, interest and capital gains of SPEL will be included in the assessable income of the Company and after deducting all 'allowable deductions' the resulting taxable income shall be subject to tax at a flat rate of 30%. Dividends paid by SPEL will either be unfranked or franked depending on the amount of corporate tax paid relative to the dividends to be paid. In this report, we have assumed that SPEL will not be a Listed Investment Company ("LIC") for the purposes of the Tax Laws as the Company is likely to make investments that exceed the LIC investment limits of 10% of an investee company that section 115-D of the 1997 Act establishes.

Discount capital gain provisions apply where assets are held on capital account and retained for at least 12 months. SPEL is not entitled to the capital gains discount that applies to individuals and complying superannuation funds and by deduction to individuals who invest through an LIC.

TAXATION OF SHAREHOLDERS OF SPEL

Dividends to Australian Individual Shareholders

Dividends paid by SPEL would be assessable income of the relevant Australian shareholder.

To the extent that the dividends are franked, then the imputation credits attached thereto will also be

included in assessable income. Shareholders are entitled to a credit for an amount equal to those imputation credits.

The effective tax rate for Australian individuals investing in a listed company such as SPEL is as follows:

	Ordinary Company	
	Australian Resident Individual \$	Complying Superannuation Fund \$
Income/gain	100	100
Corporate Taxation	(30)	(30)
Dividend paid	70	70
Plus imputation credits	30	30
Net taxable income	\$100	\$100
Income tax at 48.5% (maximum individual rate)	48.5	
Income tax at 15% (maximum superannuation fund rate)		15
Less imputation credit	(30)	(30)
(Tax Refund) / Tax Payable	\$18.50	(\$15.00)
Summary		
Dividend received	70	70
Tax Refund / (Tax Payable)	(18.5)	15
After-tax value of the dividend	\$51.50	\$85.00
Effective tax rate on gain	48.50%	15%

Dividends to Australian corporate shareholders

For Australian corporate shareholders in SPEL, franked dividends will be treated in the same way as any other dividends. The franking credit will be added to the corporate shareholder's franking account and included in that company's assessable income. A tax offset may be available to corporate shareholders in respect of franking credits attached to the dividend. If a dividend is fully franked then the effect of the tax offset is that no further tax will be payable by the corporate shareholder. Where imputation credits are unused by a corporate shareholder because the corporate shareholder's tax payable has been reduced to Nil they will be converted to income tax losses.

It should be noted that the franking credits are only available to the true economic owner of the shares. This is dependant upon the shares in SPEL being continuously held and "at risk" for at least forty five (45) days (as defined in section 160APHO of the 1936 Act). Whether such shares are so "at risk" should be the subject of professional advice based on the particular circumstances of the relevant shareholder.

Dividends paid to New Zealand Individual Shareholders

For non-resident shareholders, any unfranked dividends would be subject to withholding tax of, generally, 15% except where a relevant Double Tax Treaty reduces that rate. New Zealand shareholders would be subject to 15% withholding tax in respect of unfranked dividends. No withholding tax is payable on fully franked dividends.

Dividends paid to New Zealand Shareholders

Dividends derived by New Zealand non-corporate shareholders will be subject to New Zealand income tax. Any Australian withholding tax deducted from the dividend can be offset against the New Zealand income tax liability, limited to the amount of New Zealand tax payable on the dividend (net of any related expenses). No tax credit can be claimed for any Australian franking credits attached to the dividend.

Dividends derived by New Zealand corporate shareholders will be exempt from New Zealand income tax but liable to a 33% dividend

withholding payment. The dividend withholding payment liability will be reduced by any Australian withholding tax deducted. If the investor company holds 10% or more of the shares on issue, full relief from the dividend withholding payment may be available.

SALE OF SPEL SHARES

Australian Shareholders

Where shareholders in SPEL hold their shares on capital account, then any gain will be subject to the capital gains provisions of the 1997 Act. If the shareholder is an individual, a trust or a complying superannuation entity then, so long as the shareholder has held the shares for at least twelve (12) months, the shareholder will be entitled to reduce the nominal capital gain by the relevant “discount percentage” under subdivision 115-B of the 1997 Act.

The “discount percentage” is 50% for an individual or a trust and 33 1/3% for complying superannuation entities. There are special rules in relation to trusts and the flow through of the discount capital gain to beneficiaries that are beyond the scope of this report.

Where such shares are held on revenue account such as trading stock or with an intention for resale at a profit, any gain upon sale will be on revenue account and included in assessable income as ordinary income and taxed at the relevant rate applicable to the shareholder.

New Zealand Shareholders

The tax consequences to New Zealand resident shareholders from selling shares in SPEL will depend on the individual circumstances of each shareholder.

A shareholder will be taxed on any gain made on selling their shares if they acquired the shares with the dominant purpose of resale or as part of a business or profit-making scheme. A loss incurred on selling the shares will generally only be deductible if any gain made would have been taxable.

New Zealand shareholders investing in SPEL will be subject to a currency exchange risk. Where any gain made on selling the shares is taxable, then any component of the gain attributable to currency movements will also be taxable.

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The Australian capital gains tax regime could apply where a New Zealand resident shareholder and any associates hold in aggregate 10% or more of the shares in SPEL at any time in the five years before shares are sold.

GAINS ON DISPOSAL OF SPEL OPTIONS

Australian Shareholders

Any gain on sale of options held for more than twelve (12) months will either give rise to a capital gain (if held on a capital account) or a profit if held as trading stock.

There will be no cost base for options issued under this Prospectus as they are being issued for no consideration. There can therefore be no Capital Gains Tax loss on the sale of the options issued pursuant to the Prospectus.

Any option acquired after the initial issue will have a cost base equivalent to the acquisition price.

On exercise of the option, a shareholder will be required to pay \$0.30 to the Company in return for the issue of one share. There are no tax consequences to SPEL for the issue of the share.

The shareholder who exercises an option will acquire a share in SPEL. The taxation consequences from the disposal of the share are outlined as above.

New Zealand Shareholders

The tax consequences to New Zealand resident shareholders from selling the options acquired pursuant to the Prospectus are the same as for selling the shares – refer to our comments above.

Shareholders who exercise an option will acquire one share in SPEL. No tax consequences arise from exercising the option but refer to our comments above for the tax consequences of selling the share acquired.

New Zealand’s controlled foreign company (“CFC”) and foreign investment fund (“FIF”) rules require New Zealand resident investors in certain overseas entities to return a notional amount of income from those investments on a current year basis.

Various exemptions from the CFC and FIF rules apply, including an exemption where the foreign company is resident in a "grey list" country such as Australia and is liable for income tax in that country. On this basis, New Zealand resident shareholders should not be required to attribute income from their investment but may have disclosure requirements if they hold an income interest of 10% or greater in SPEL.

In December 2003, the New Zealand Inland Revenue Department issued a discussion document which proposed options for changing the taxation of offshore equity investments. This could ultimately give rise to legislative changes affecting New Zealand investors. All investors should therefore seek independent professional advice regarding the tax consequences of subscribing for shares in SPEL.

DISCLAIMER

This report was prepared solely for the purpose of inclusion in the SPEL's Prospectus and is not to be taken by any third party to be professional advice and should not be relied on as such.

Yours faithfully

GRANT THORNTON SERVICES (NSW) PTY LTD



J. ROSS

Director

12. RISK FACTORS

There are a number of factors, both specific to SPEL and of a general nature, which may affect the future operating and financial performance of SPEL and the value of an investment in SPEL. Some of these factors can be mitigated by appropriate commercial action. However, many are outside the control of SPEL, are dependent on the policies adopted and approaches taken by regulatory authorities or otherwise cannot be mitigated. This section describes some of the risks associated with an investment in SPEL.

Before deciding to invest in SPEL, prospective investors should consider carefully the following factors, as well as the other information contained in this Prospectus and, if they consider it appropriate, take professional advice from their accountant, stockbroker, solicitor or other professional adviser.

The past performance of the funds managed by the Sub-Manager or investments made by the Manager, Soul Pattinson or persons associated with them is not necessarily a guide to SPEL's future performance. Investors are strongly advised to regard any investment in SPEL as a long term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur.

The major risk factors as determined by the Directors are set out below. They are a summary and should not be regarded as exhaustive.

12.1 General risk factors

General factors which may have a significant impact on the future performance of SPEL with respect to its profitability and its underlying share price include:

(a) Macroeconomic factors

The performance and value of SPEL's investments and the performance and value of SPEL may be affected by general economic conditions, including movements in:

- interest rates;
- foreign exchange rates;
- commodity prices;
- tax rates; and
- economic indicators such as inflation and economic growth.

(b) Volatility in equity markets

As SPEL will be listed on the ASX and some of its investments will be in listed securities, the performance and value of SPEL's investments and the performance and value of SPEL may be affected by volatility in domestic and international equity markets.

(c) International factors

To the extent SPEL makes investments in foreign companies or companies with foreign operations, those investments may be subject to country risk. The value of the investments may be affected by:

- political, legal and economic instability;
- foreign exchange movements which may affect the value of foreign assets or foreign earnings; and
- the impact of the global security situation and possible terrorist disturbances.

(d) Changes in regulatory environment

The performance and value of SPEL, SPEL's investments and, consequently, the performance of SPEL may be affected by general political and regulatory conditions. Governmental policy changes in Australia may affect the value or performance of SPEL or its investments. Such regulatory changes may include any amendments which may occur to the taxation of company income, dividends and capital gains and the adoption in Australia from 1 January 2005 of International Financial Reporting Standards.

12.2 Specific risk factors

Specific factors which may have a significant adverse impact on the future performance of SPEL include:

(a) SPEL investment risks

The value and performance of SPEL is reliant on the performance and value of its investments. The success of SPEL's investment strategies may be affected by the:

- performance of the specific companies in which SPEL invests;
- level of dividend payments made by the companies in which SPEL invests;
- market prices of the securities in which SPEL invests; and
- market liquidity of the listed and unlisted securities in which SPEL invests. Unlisted investments in particular are generally illiquid and SPEL may be hindered in its ability to realise such investments in a timely manner.

(b) Key person risk

The value and performance of SPEL may be affected by the key individuals identified in Sections 6 and 7 departing individually or collectively and the Manager or Sub-Manager may not be able to source another team with sufficient expertise to provide investment management services of a similar quality or at all.

(c) Manager and Sub-Manager risk

The value and performance of SPEL may be affected by the ability of PCP and SFM to maintain their respective Australian Financial Services Licences and the ability to continue to meet the conditions required to hold an Australian Financial Services Licence. Should PCP or SFM be unavailable to provide investment management services at a point in the future, for any reason, or the Investment Management Agreement or Sub-Management Agreement expire and are not renewed or is terminated, the value and performance of SPEL and its investments may be affected by the ability to find suitable replacements.

(d) Technological change

The value and performance of SPEL may be affected by technological change which may cause an investee company's product to be obsolete before it has been fully exploited commercially.

(e) Interest rate risk

The value and performance of SPEL may be affected by changes in the level of interest rates because SPEL may have a level of borrowing and the companies in which SPEL may invest may often have a high level of debt.

(f) Risks associated with private equity investments

The value and performance of SPEL may be affected by:

- the availability of suitable investments, particularly having regard to increased competition in the private equity market;
- the Portfolio being less diversified than some listed investment companies;
- unlisted investments being illiquid and the inability of SPEL to realise such investments in a timely manner;
- investment in private equity, particularly start up and early stage investments, potentially being of a higher risk than other asset classes and some investments possibly failing; and
- SPEL's investments in private equity being diluted by the raising of additional funds by an investee company.

(g) Payments of dividends

The value and performance of SPEL may be affected by its ability to pay franked dividends. The ability of SPEL to pay franked dividends is dependent on a number of issues, the most important of which are the Company's cash flow, profit and the amount of tax paid on that profit. SPEL's ability to pay or frank dividends is affected by:

- the dividend policies of the companies in which the Company invests, including the level of franking attached to their dividends;
- other sources of income, if any, such as interest, option premiums and underwriting fees;

- the level of expenses incurred in administering the Company. This is estimated to be approximately 2.3% to 2.7% pa of the Portfolio's average net asset value depending on the ultimate subscription level (excluding Performance Fees). Achievement of these estimated expense levels is affected by issues such as continued research input from the Company's brokers and the maintenance of the current structure and outsourcing arrangements. Any significant increase in the regulatory burden could also affect costs. SPEL's operational costs as a proportion of total assets, will also be affected by the level of total assets and by the level of acceptance of the Offer;
- the level of borrowings, if any, that the Company has and the consequent interest charge;
- the amount of tax paid by the Company; and
- the accounting treatment of write-downs, if any, on the Portfolio.

(h) Past and future performance

While past performances of Soul Pattinson and SFM have been referred to, past performance is not necessarily a reliable indicator of future performance. Prior to the Offer, there has been no public market for the Shares. There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase.

(i) Seed Portfolio

SPEL was only able to acquire the Seed Portfolio on the basis that the vendors of the Seed Portfolio gave limited warranties. There is a risk, therefore, that losses suffered by SPEL which relate to the period prior to SPEL's ownership may not be recoverable from the relevant vendors.

SPEL will hold a minority equity position in a number of the Seed Portfolio entities. It is therefore possible that the majority equity owners will make decisions with which SPEL disagrees or which are contrary to SPEL's interests, and that SPEL may not be able to exit the investment at the time and in the manner that it wishes.

PCP is vulnerable to adverse movements in financial markets and it is also substantially reliant on the Soul Pattinson group for its revenues. If for any reason the Soul Pattinson group should cease to retain PCP or reduce its corporate finance activity this could materially and adversely affect PCP's financial performance. PCP's financial performance would also be affected by a deterioration in SFM's performance or the loss of funds under management by SFM.

Cromford's financial performance could be adversely affected by a downturn in the building industry, competition from imports or a weak agricultural sector.

13. MATERIAL CONTRACTS

The Directors consider that the material contracts described below are the contracts which an investor would reasonably regard as material and which investors and their professional advisors would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of the Offer.

This section only contains a summary of the material contracts and their substantive terms.

13.1 Investment Management Agreement

The Company and the Manager entered into the Investment Management Agreement on 27 October 2004.

(a) Appointment and term

The Company appoints the Manager on an exclusive basis to provide the services outlined below for 10 years commencing on the Issue Date. The term may be extended unilaterally by written notice from the Company to the Manager for further 10 year periods but otherwise on the same terms or other terms agreed by the Company and the Manager.

(b) Services

The Manager must, and is authorised by the Company to, provide the following services to the Company in accordance with the directions from time to time of the Board:

- negotiate the terms and conditions of and implement the acquisition and disposal of Permitted Investments;
- carry out day-to-day management and reporting functions;
- review the Board's investment policy on an ongoing basis and make recommendations to the Board in respect of the investment policy on the basis of such review;
- identify, source, investigate, research, analyse and evaluate investment opportunities for approval by the Board and prepare proposals and advise the Board generally in relation to such opportunities;
- evaluate and negotiate the sources and structure of funding for acquisitions by the Company and make recommendations to the Board with respect to the source of and structure of such funding;
- supervise the management of the portfolio of Other Investments by the Sub-Manager and generally provide management services to the Company with respect to the Portfolio;
- advise on and assist with the strategy, financing, management and organisation of the Company and its Portfolio;
- reasonably utilise the Manager's resources to maximise the performance and value of the Private Equity Investments;
- explore opportunities for the Company to exit its Private Equity Investments at an appropriate time;
- assist the Company to perform any obligations under agreements or arrangements to which the Company is a party; and
- provide investment, consultation, advisory and management services in relation to Permitted Investments generally.

(c) Fees and expenses

The Company must pay a monthly management fee to the Manager equal to one twelfth of 1.75% of the Net Asset Value as at the last business day of each month excluding any unrealised gains or losses arising from revaluation of any Private Equity Investment prior to quotation of a Private Equity Investment's securities on the ASX or other licensed market in New Zealand or Asia, plus GST. The Manager must pay a monthly sub-management fee to the Sub-Manager out of the management fee it receives from the Company.

The Company must also pay a half-yearly performance fee to the Manager, being 15% of the gain in excess of a 10% pre-tax Internal Rate of Return on Private Equity Investments realised in the preceeding half year taking into account Private Equity Inflows and Private Equity Outflows in respect of those investments.

The Company must pay or reimburse the Manager for all reasonable out of pocket disbursements and expenses properly incurred by the Manager in providing services to the Company. The Manager must pay all its own internal costs for providing those services other than the cost of attending Board meetings.

(d) Termination

The Company may terminate the Investment Management Agreement at any time by written notice to the Manager if:

- the Manager ceases, or threatens to cease, to carry on business;
- the Manager suspends payment of its debts generally;
- a receiver, receiver and manager, official manager, trustee or similar official is appointed over any of the assets or undertaking of the Manager;

- the Manager is unable to pay its debts as and when they are due or fails to comply with a statutory demand under the Corporations Act;
- an application or order is made for the winding up or dissolution of the Manager or a resolution is passed or any steps are taken to pass a resolution for the winding up of the Manager otherwise than for the purpose of an amalgamation or reconstruction upon terms previously approved in writing by the Company;
- the Manager breaches the Investment Management Agreement and, if such breach is in the reasonable opinion of the Company capable of remedy, fails to remedy the breach within 60 days of receipt of a notice from the Company specifying the breach and requiring that it be remedied; or
- the licence or other authorisation held by the Manager is materially breached, suspended or revoked or is otherwise made subject to conditions which, in the reasonable opinion of the Company, would prevent the Manager from performing the services or its other obligations under the Investment Management Agreement.

If the Investment Management Agreement is extended beyond the first 10 year term, the Company may terminate the agreement at any time after a further 5 years by giving at least 3 months' written notice to the Manager after an ordinary resolution of the Company is passed to end it.

The Manager may only terminate the Investment Management Agreement by giving at least 3 months' written notice to the Company, however, the Manager may not exercise this termination right within the first five years after the Issue Date.

The Investment Management Agreement automatically terminates if the minimum underwritten amount of \$50,000,000 to be raised by the issue of 200 million Shares under this Prospectus is not raised.

(e) Indemnities

The Company indemnifies the Manager against all actions, proceedings, claims, costs, demands, losses and expenses suffered or incurred by the Manager (or its officers, employees, consultants, advisers, servants or agents) in connection with providing the services and its obligations under the Investment Management Agreement, unless arising from a grossly negligent or wilfully deceitful act or omission by the Manager or its officers, employees, consultants, advisers, servants or agents in breach of the Manager's obligations under or in respect of the Investment Management Agreement.

The Manager indemnifies the Company against all actions, proceedings, claims, costs, demands, losses and expenses suffered or incurred by the Company (or its officers, employees, consultants, advisers, servants or agents) arising from a grossly negligent or wilfully deceitful act or omission by the Manager or its officers, employees, consultants, advisers, servants or agents in breach of the Manager's obligations under or in respect of the Investment Management Agreement.

13.2 Sub-Management Agreement

The Manager entered into a Sub-Management Agreement with SFM on 27 October 2004. The Company is not a party to the Sub-Management Agreement.

(a) Appointment and term

The Manager appoints the Sub-Manager on a non-exclusive basis to provide the services outlined below for 10 years commencing on the Issue Date. The term may be only extended if the parties agree in writing.

(b) Services

The Sub-Manager must, and is authorised by the Manager to, provide the following services to the Manager in accordance with the directions from time to time of the Manager:

- negotiate the terms and conditions of, and implement the acquisition and disposal of, Permitted Investments;
- review investment policy on an ongoing basis and make recommendations to the Manager in respect of the investment policy on the basis of such review;
- identify, investigate, research, analyse and evaluate investment opportunities, including any matters or investment opportunities identified or requested by the Manager;
- generally provide management services with respect to the Listed Portfolio; and
- provide investment, consultation, advisory and management services in relation to Permitted Investments generally.

(c) Fees and expenses

The Manager must pay a monthly sub-management fee to the Sub-Manager out of the management fee it receives from the Company (described in Section 13.1 above) equal to one twelfth of 0.35% of the net asset value of the Listed Portfolio as at the last business day of each month. The Manager only has an obligation to pay the monthly sub-management fee to the Sub-Manager if it receives its monthly management fee from the Company for the relevant month.

The Manager must pay or reimburse the Sub-Manager for all taxes, and legal, regulatory, advisory, custodian, brokerage, licence, commissions and all other reasonable and properly incurred out-of-pocket disbursements or expenses arising in connection with the provision of the services. The Sub-Manager must pay all its own internal costs for providing the services other than the cost of attending Board meetings.

(d) Termination

The grounds of termination under the Sub-Management Agreement are the same as those under the Investment Management Agreement (with necessary changes) except that:

- if the Sub-Management Agreement is extended beyond the initial 10 year term, the Manager may terminate it at any time on 3 months' written notice (ie. there is no requirement that an ordinary resolution of the Company be passed to end it first); and
- the Sub-Management Agreement automatically terminates if the Investment Management Agreement terminates or expires.

13.3 Underwriting Agreement

On 28 October 2004, SPEL and the Underwriter entered into the Underwriting Agreement. Under the agreement, the Underwriter agreed to manage the Offer and underwrite the subscription of 200,000,000 Shares (the Underwritten Shares), together with 25,000,000 attaching Options on the basis of one Option for each 8 Shares subscribed at the Offer Price. SPEL agreed to pay the Underwriter an underwriting fee of 3.25% of the Offer Price for each Underwritten Share and a management fee of 0.625% of the Offer Price for each Underwritten Share.

Subject to certain caps on expenses, the Underwriter is entitled to recover from SPEL all advertising, printing, distribution, travel, marketing and promotional expenses incurred by it in relation to the Offer. In addition, subject to certain caps on expenses, the Underwriter is entitled to recover all legal expenses and professional fees payable to experts whose reports appear in the Prospectus.

Subject to certain exclusions relating to, among other things, fraud, negligence and wilful default by an indemnified party, SPEL agrees to indemnify the Underwriter and its related parties from all losses directly or indirectly suffered in connection with:

- the Offer;
- non-compliance with or breach of any legal requirement or the Listing Rules in relation to the Prospectus or any documents in respect of the Offer which accompany the Prospectus;
- any statement, misstatement, misrepresentation, non-disclosure, inaccuracy in or omission from the Prospectus, or any documents in respect of the Offer which accompany the Prospectus;
- any advertising, publicity, announcements, statements and reports in relation to the Offer (other than any not arranged or effected by or with the concurrence of or at the request of SPEL);
- any act or omission by the Underwriter in connection with the arrangement of the issue of Shares and Options; or
- any breach or failure by SPEL to observe any of the terms of the Underwriting Agreement or any breach of the representations and warranties given by SPEL in the Underwriting Agreement.

Pursuant to the Underwriting Agreement, SPEL gives certain representations and warranties concerning itself and the Seed Portfolio Companies.

The Underwriter may terminate the Underwriting Agreement by notice to SPEL if one or more of the termination events set out below occurs. However, in the case of the termination events marked with an asterisk and the events marked with a cross if they occur in respect of a Seed Portfolio Company, the Underwriter may not terminate the agreement unless, in the reasonable opinion of the Underwriter reached in good faith, that event has or is likely to have, or those events together have or are likely to have (i) a Material Adverse Effect or (ii) could give rise to a liability of the Underwriter under the Corporations Act:

- approval for the admission of SPEL to, or its quotation on, ASX (i) has not been granted by three Business Days after the Closing Date, (ii) is granted subject to certain qualifications or conditions or (iii) having been granted is subsequently withdrawn, withheld or qualified;

- SPEL is prevented from issuing the Shares within the time required by the Listing Rules, by ASX, any statute, regulation or order of a court of competent jurisdiction or by any governmental or semi-governmental agency or authority;
- SPEL does not lodge the Prospectus on the lodgement date specified in the timetable for the Offer or the Prospectus or the Offer is withdrawn by SPEL;
- * ASIC notifies SPEL of a material deficiency in the Prospectus during the waiting period referred to in section 727(3) of the Corporations Act or extends that waiting period;
- * the Underwriter forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC pursuant to section 719 of the Corporations Act and SPEL fails to lodge a supplementary or replacement prospectus in such form and content and within such time as the Underwriter may reasonably require;
- * ASIC makes an interim or final stop order in relation to the Prospectus under section 739 of the Corporations Act or gives notice of its intention to hold a hearing under section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus;
- * it transpires that:
 - the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of SPEL and the rights and liabilities attaching to the Shares; or
 - there is a statement in the Prospectus that is misleading or deceptive, or that there is an omission from the Prospectus (having regard to the provisions of sections 710, 711 and 716 of the Corporations Act) or if any statement in the Prospectus becomes misleading or deceptive;
- * a new circumstance as referred to in section 719(1) of the Corporations Act arises;
- SPEL repays any application monies or gives applicants rights to withdraw their Applications under section 724(2) of the Corporations Act;
- any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
- an application is made by ASIC for an order under section 1324B of the Corporations Act in relation to the Prospectus and that application has not been dismissed or withdrawn before three Business Days after the Closing Date;
- * any event in the timetable for the Offer is delayed by more than five Business Days without the prior written consent of the Underwriter;
- at the close of business on any two consecutive days after the date of the Underwriting Agreement the S&P ASX 200 Index published by ASX is 10% or more below its level as at the close of business on the date of the Underwriting Agreement;
- * hostilities (whether war has been declared or not), major civil unrest, political upheaval or a coup or revolution, not presently existing, commence or occur or an escalation in existing hostilities (whether war has been declared or not), major civil unrest, political upheaval or a coup or revolution occurs involving or within any one or more of Australia, New Zealand and the United States of America;
- * there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any law or prospective law or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy;
- * there occurs any material change in financial, economic or political conditions in Australia or the United States of America or in securities trading or capital markets conditions generally in Australia;
- * an act of God, war, revolution, or any other unlawful act against public order or authority, an industrial dispute, a governmental restraint, or similar event which is not within the control of, but directly involves, the Underwriter occurs and lasts in excess of a week;
- * there is a default by SPEL under the Underwriting Agreement or any representation or warranty given by SPEL in the Underwriting Agreement is or becomes untrue or incorrect;
- * a contravention by SPEL of any provision of its constitution, the Corporations Act or any other applicable legislation or any requirement of ASIC or ASX;
- * any adverse change occurs after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profitability or prospects of SPEL;
- * any material information supplied at any time by SPEL or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the Issue or the affairs of any Relevant Company (and which continues to be material and relevant to the Offer) is or becomes misleading or deceptive or likely to mislead or deceive;
- * without the prior approval of the Underwriter a public statement is made by SPEL in relation to the Offer, the Issue or the Prospectus;

- any share purchase agreement or subscription agreement pursuant to which SPEL has agreed to acquire shares in the Seed Portfolio Companies is terminated or rescinded, other than the subscription agreement in respect of Austgrains, or amended in any material respect without the Underwriter's prior written consent or any shareholder resolution required to be obtained in connection with any transactions contemplated under such agreements is put to a shareholder meeting and the resolution is not passed;
- † a Relevant Company undertakes certain corporate activities other than as disclosed in the Prospectus;
- † any Relevant Company passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- † any Relevant Company alters its capital structure in any manner not contemplated by the Prospectus;
- † any Relevant Company suspends payment of its debts generally;
- any Relevant Company becomes insolvent;
- * any litigation, arbitration, administrative or industrial proceedings are commenced or threatened against any Relevant Company after the date of the Underwriting Agreement;
- * a judgment in an amount exceeding \$250,000 is obtained against any Relevant Company and is not set aside or satisfied within seven days;
- there is a change in the composition of the Board of Directors before completion of the Offer or the Issue without the prior written consent of the Underwriter;
- * a director of any Relevant Company is charged with an indictable offence; or
- * any Authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter.

13.4 Share purchase agreements

SPEL has entered into a share purchase agreement with:

- Richvale Pty Ltd (a company associated with David Fairfull) for the acquisition of shares in PCP Holdings;
- Republic Australia Pty Limited (a company associated with Geoffrey Hill) for the acquisition of shares in GHA;
- Soul Pattinson and Cromford for the acquisition of shares in Cromford;
- Soul Pattinson for the acquisition of shares in InterRISK; and
- Mary Ghattas, Richvale Pty Ltd, HFT Nominees Pty Ltd (a company associated with Geoffrey Hill), Soul Pattinson and SODA for the acquisition of shares in SODA.

(a) Conditions

Each share purchase agreement is conditional on the issue of Shares and Options under the Offer.

(b) Shares to be acquired

On completion of the relevant share purchase agreement, SPEL will acquire:

- in the case of PCP Holdings, all the issued shares in PCP Holdings (which has a 12.5% interest in PCP) from Richvale Pty Limited;
- in the case of GHA, all the issued shares in GHA (which has a 12.5% interest in PCP) from Republic Australia Pty Limited;
- in the case of Cromford, 375 ordinary shares in the capital of Cromford from Soul Pattinson;
- in the case of InterRISK, 500,000 ordinary shares in the capital of InterRISK from Soul Pattinson; and
- in the case of SODA, 1,533,333 ordinary shares from Mary Ghattas, 500,000 ordinary shares from Richvale Pty Ltd, 250,000 shares from HFT Nominees Pty Ltd and 1,466,667 ordinary shares from Soul Pattinson.

In addition, under the share purchase agreement between:

- SPEL, Mary Ghattas, Richvale Pty Ltd, HFT Nominees Pty Ltd, Soul Pattinson and SODA for the acquisition of shares in SODA, Soul Pattinson has granted SPEL an option to acquire a further 2,633,333 ordinary shares in SODA; and
- SPEL, Soul Pattinson and Cromford for the acquisition of shares in Cromford, Soul Pattinson has granted SPEL an option to acquire a further 625 ordinary shares in Cromford (being the balance of the shares on issue in that company),

which in both cases may be exercised by SPEL at any time during the 12 month period after completion of the initial purchase of shares under the relevant agreement.

(c) Consideration

The consideration payable by SPEL for the acquisition of the shares referred to in paragraph (b) above is a combination of cash and/or Shares and Options, as set out below:

- for the acquisition of shares in PCP Holdings, 8,000,000 Shares, 1,000,000 Options and \$1,000,000 cash;
- for the acquisition of all the issued shares in GHA, 8,000,000 Shares, 1,000,000 Options and \$1,000,000 cash;
- for the acquisition of shares in Cromford, 12,000,000 Shares and 1,500,000 Options. If SPEL exercises the call option referred to under paragraph (b) above, SPEL must issue a further 20,000,000 Shares and 2,500,000 Options for the additional Cromford shares acquired pursuant to the call option;
- for the acquisition of shares in InterRISK, 2,162,500 Shares and 270,312 Options; and
- for the acquisition of shares in SODA, \$230,000 cash for the shares held by Mary Ghattas, 300,000 Shares and 37,500 Options for the Shares held by Richvale Pty Ltd, 150,000 Shares and 18,750 Options for the shares held by HFT Nominees Pty Ltd and 880,000 Shares and 110,000 Options for the shares held by Soul Pattinson. If SPEL exercises the call option referred to under paragraph (b) above, SPEL must issue a further 1,580,000 Shares and 197,500 Options for the additional SODA shares acquired pursuant to the call option.

(d) Warranties and indemnity

Each seller under the share purchase agreements provides certain limited warranties in favour of SPEL, including that:

- the sellers are the legal and beneficial owners of the shares being sold free of all Third Party Interests;
- the shares being sold are fully paid; and
- upon completion of the sale of the shares, SPEL will acquire a valid and marketable title to the relevant shares,

and indemnifies SPEL (for itself and as trustee of the company whose shares are being sold and any subsidiary of that company) against any loss they may suffer arising directly or indirectly out of any breach of those warranties.

Please refer to Section 12.2(i) for a commentary on the risks associated with the limited warranties provided under the share purchase agreements.

13.5 Subscription Agreements

On 27 October 2004, SPEL entered into a subscription agreement with:

- Austgrains for the subscription of shares and options in Austgrains; and
- SOP for the subscription of shares in SOP.

The terms of each subscription agreement are summarised below.

(a) Terms and conditions

Each subscription agreement is conditional on the issue of Shares and Options under the Offer.

In addition, the subscription agreement between SPEL and Austgrains requires:

- Austgrains continuing to hold 50% of the shares on issue in FFI;
- no notice having been given to Austgrains that any person is entitled, or intends, to call for the issue, purchase or transfer of any shares, debentures, notes or other securities in FFI; and
- consent being obtained from a shareholder in Austgrains to the issue of shares in Austgrains to SPEL (refer to paragraph (e) below).

(b) Securities to be issued

On completion of the subscription agreement with Austgrains, which will occur after Austgrains' capital reorganisation, SPEL will subscribe for and be issued with:

- 14,500,000 fully paid ordinary shares in Austgrains; and
- 2,000,000 options over fully paid ordinary shares in Austgrains, exercisable at any time within 5 years of the date of their issue at:
 - in respect of 800,000 of the options, \$0.20 per share;
 - in respect of 600,000 of the options, \$0.25 per share; and
 - in respect of the balance of 600,000 options, \$0.30 per share.

Austgrains also proposes to issue, in total, 8,600,000 options over fully paid shares in the capital of Austgrains to its other shareholders, exercisable at any time within 5 years of the date of their issue at:

- in respect of 3,440,000 of the options, \$0.20 per share;
- in respect of 2,580,000 of the options, \$0.25 per share; and
- in respect of the balance of 2,580,000 options, \$0.30 per share.

On completion of the subscription agreement with SOP, SPEL will subscribe for and be issued with 4,285,714 I class shares in SOP.

In addition, SPEL has agreed to underwrite an offer by SOP to its existing shareholders to subscribe for a further 1,428,571 I class shares in SOP. On completion of the subscription agreement with SOP, SPEL must subscribe for and be issued with any I class shares not taken up by the existing shareholders pursuant to that offer up to a maximum of 1,428,571 I class shares.

(c) Consideration

The consideration payable by SPEL:

- for the subscription of the 14,500,000 fully paid ordinary shares in Austgrains is \$2,900,000; and
- for the subscription of the 4,285,714 I Class shares in SOP is \$750,000.

The consideration payable for each share in SOP subscribed for by SPEL pursuant to its underwriting obligation referred to in paragraph (b) above is \$0.175 per share.

(d) Warranties and indemnity

Each of Austgrains and SOP provide certain limited warranties under the subscription agreements in favour of SPEL, including that:

- details of their shareholdings and members provided to SPEL are complete and accurate;
- no shares have been created or issued and there are no outstanding convertible securities, options or agreements which either now or in the future create or require to be created any Third Party Interest over any of the shares issued to SPEL; and
- upon completion of the subscription and issue of the relevant shares, SPEL will acquire a valid and marketable title to those shares,

and indemnify SPEL (for itself and as trustee of Austgrains or SOP, as applicable, and any subsidiary of that company) against any loss they may suffer arising directly or indirectly out of any breach of those warranties.

Please refer to Section 12.2(i) for a commentary on the risks associated with the limited warranties provided under the subscription agreements.

(e) Possibility of Austgrains interest not being acquired

The acquisition by SPEL of an interest in Austgrains requires the unanimous consent of all the shareholders of that company. Consents have been obtained from all but one shareholder who is currently travelling abroad. The Directors believe that this outstanding consent will be forthcoming before the close of the Offer, but if it is not, the acquisition of the Austgrains interest will not proceed. In that event, the consideration otherwise payable for the Austgrains interest will be retained by the Company and invested in Other Investments.

13.6 Loan agreements

(a) SODA loan agreement

SPEL has entered into a loan agreement with SODA, conditional on the issue of Shares and Options under the Offer, to make available to SODA:

- a loan facility in an aggregate principal amount of \$250,000, which will be made available to SODA as soon as practicable after the Issue Date and may only be used by SODA to repay loans to certain of its existing shareholders; and
- a working capital loan facility in an aggregate principal amount not exceeding \$500,000.

The working capital facility may only be drawn down in amounts not exceeding \$100,000. Draw down is conditional on SPEL being satisfied that SODA has an appropriate business need for the funds and has been performing adequately, SODA providing adequate security for the amount drawn down (if requested by SPEL), no event of default having occurred under the loan agreement and SPEL otherwise consenting to the draw down.

(b) Austgrains loan agreement

SPEL has entered into a convertible loan agreement with Austgrains, conditional on the issue of Shares and Options under the Offer and the issue of shares in Austgrains to SPEL, to loan up to \$700,000 to Austgrains for the purposes of funding Austgrains' growth and working capital requirements and investing in FFI. If any amount is drawn down under the loan facility, the whole or any part of that amount may be converted, at SPEL's election, into Austgrains' shares at the following rates: the first \$279,999 of the amount drawn will be convertible into Austgrains' shares at \$0.20 per share, the next \$210,000 will be convertible into Austgrains' shares at \$0.25 per share and final \$210,001 will be convertible into Austgrains' shares at \$0.30 per share. For the total loans drawn down during the first 12 months from the first draw down date, SPEL is entitled to obtain Austgrains' shares for the value of the total loan amount at the above rates even if the loans, or any part of the loans, have been repaid.

13.7 Call Option Deed for property leased by Cromford

SPEL entered into a Call Option Deed with Soul Pattinson on 27 October 2004, which grants to SPEL or its nominee the right to purchase 120-122 Ballandella Road, Pendle Hill NSW 2145 (Lot 2 DP 225389 and Lot 1 DP 525904) (the Property) from Soul Pattinson at a price of \$3,400,000.00 payable by issuing 13.6 million Shares and 1.7 million Options (the Cromford Option). Once the Cromford Option is exercised, SPEL and Soul Pattinson are required to enter into the Contract for Sale of Land (Contract) which is attached to the Call Option Deed. The Contract comprises the standard NSW Law Society printed terms and conditions, special conditions and various title and other documents required for these types of commercial property. The following major terms of the Call Option Deed should be noted:

- The Cromford Option (for which a nominal \$10 option fee is payable) must be exercised on or before the date that is 12 months from the date of completion of the share purchase agreement between SPEL, Soul Pattinson and Cromford referred to in section 13.4 above.
- If the Cromford Option is exercised, SPEL is responsible for all stamp duty payable in respect of the Contract, which must be paid within 3 months of the date of exchange.
- If SPEL has not exercised the Cromford Option and it is still within the 12 month option exercise period, it can nominate a third party to exercise the Cromford Option.
- In the Contract attached to the Call Option Deed, SPEL warrants to Soul Pattinson that it has carried out its own investigations in relation to the Property and satisfied itself as to all matters disclosed in the contract.

The following major terms of the Contract should be noted:

- Once the Contract has been exchanged, there is an obligation on each party to complete the transaction subject to the conditions contained in the Contract. The Contract provides for a 21 day settlement period. If SPEL does not complete on that date, the vendor can issue a 14 day notice to complete and, on the expiry of that notice, the vendor can terminate the Contract and sue for damages.
- If SPEL does not complete the purchase within the time specified under the Contract, the Contract provides for payment of interest of 12% per annum on the balance of the purchase price until completion.
- All risk in relation to the Property passes to SPEL on exchange of the Contract.
- The Property is sold subject to any tenancies that may be in force at the time of sale. There are currently leases registered on the title to the land which do not appear to correspond to the leases actually in place on the Property. The Contract provides a mechanism for these inconsistencies in the title to be rectified prior to completion, if SPEL requires Soul Pattinson to do so.

SPEL warrants under the Contract that it has full corporate power to enter into and perform the Contract, that it has not been introduced to the Property through an agent and that it will have obtained all relevant licences, approvals and consents that may be required for its entry into the Contract, prior to doing so. Soul Pattinson provides a similar warranty in relation to corporate power, in addition to warranties that to the best of its knowledge and belief there are no ongoing proceedings or unsatisfied judgements affecting the Property, that each of the tenancies affecting the Property are in order and that both Soul Pattinson and the tenants have complied with and are continuing to comply with all relevant environmental laws.

13.8 Administration

The Company entered into an agreement with Corporate & Administrative Services Pty Ltd (CAS) on 6 October 2004. Under the Agreement, CAS agrees to provide accounting, secretarial and administrative services to the Company for a period of one year commencing on the date of this Prospectus. In return, The Company agrees to pay CAS a monthly fee of \$5,416.67 plus GST.

The Agreement provides for the appointment of a director of CAS, John de Gouveia, as the public officer and the responsible officer for the purposes of making disclosures to the ASX. Either party may terminate the agreement by giving 14 days written notice to the other party upon the happening of certain corporate events or for failure to remedy a breach of the Agreement.

13.9 Deeds of Access, Indemnity and Insurance

The Company has entered into Deeds of Access, Indemnity and Insurance with each Director. The terms of each Deed are identical.

(a) Access to board papers and files

The Company must allow each Director access to Board papers which relate to his period of appointment as a Director (and provide a copy of those Board papers free of charge if requested by the Director) during his period of appointment until the later of:

- 7 years after the Director ceases to be a Director; or
- if an action is commenced against the Director before the end of that 7 year period which relates or may relate to an act or omission of the Director in his capacity as a Director, the date of final determination of the action,

(the **Access Period**), and must procure that its Subsidiaries do the same with respect to any papers of their boards of directors.

However, after the Director ceases to be a Director, he may only access and obtain copies of the Board papers (or board papers of any Subsidiary of which he is a director) for the remainder of the Access Period if he is defending or appearing in (or there is a reasonable prospect he will be defending or appearing in) an action which relates to an act or omission of the Director in his capacity as a Director or a director of a Subsidiary and for the sole purpose of obtaining advice for, conducting or defending that action or appearing or preparing to appear in that action.

(b) Indemnity

The Company indemnifies each Director against any:

- liability incurred by him in his capacity as a Director or a director of a Subsidiary (other than any liability owed to the Company or any of its Related Bodies Corporate); and
- legal costs incurred by the Director in obtaining advice for, or conducting or defending an action which relates to an act or omission in his capacity as a Director or a director of a Subsidiary, or appearing or preparing to appear in that action.

This indemnity is in addition to any indemnity contained in the Constitution (and prevails to the extent of any inconsistency) but only applies to the extent the Company is not precluded by law from indemnifying the Director and to the extent that the Director is not entitled to be indemnified and is not actually indemnified by another person (including a Related Body Corporate or an insurer).

(c) Insurance

To the extent permitted by law, the Company must maintain and pay all premiums for an insurance policy which insures each Director against liability for acts or omissions in his capacity as a Director or a director of a Subsidiary for the duration of the Access Period.

14. ADDITIONAL INFORMATION

14.1 Details of the Company

Share Capital

Shares

After the Offer, SPEL will have 286.67 million Shares on issue at the minimum subscription level and up to 486.67 million Shares on issue if subscriptions are received for all available Shares. 86.67 million of these Shares will be held by Soul Pattinson and Directors and the balance by new investors. These shareholdings assume that SPEL:

1. exercises its option to acquire an additional 26.33% of SODA from Soul Pattinson by issuing 1,580,000 Shares and 197,500 Options (see Section 13.4);
2. exercises its option to acquire an additional 62.5% of Cromford from Soul Pattinson by issuing 20,000,000 Shares and 2,500,000 Options (see Section 13.4); and
3. exercises its option to acquire the property leased by Cromford from Soul Pattinson by issuing 13,600,000 Shares and 1,700,000 Options (see Section 13.4).

Options

SPEL will issue Options to all Shareholders. SPEL will allocate each Shareholder one Option for each eight Shares they hold. A summary of the key terms of the Options is as follows:

- The exercise price per Share for each Option will be \$0.30.
- Options will be exercisable from the Issue Date and will expire on the fifth anniversary of the Issue Date.
- Options are exercisable during the specified exercise period by giving notice of the exercise to the Company and by paying the exercise price for the Options exercised. Each Option entitles the holder to subscribe for one fully paid share in SPEL. The Shares allotted upon exercise of the Options will rank equally in all respects with all other ordinary Shares. The Company will apply for official quotation on ASX of those Shares after they are issued.
- An Optionholder will not be entitled to participate in new issues of Shares or other securities unless the Options are exercised before the record date for determining the entitlements to the new issue.
- If the Company makes a bonus issue of Shares to its Shareholders prior to the Options being exercised, and an Option is not exercised prior to the record date, the Option will entitle the holder to one Share plus the number of bonus Shares which would have been issued to the holder if the Option had been exercised prior to the relevant record date.
- If there is a reorganisation of the capital of the Company, the number of Options and/or the exercise price of the Options will be correspondingly reorganised in a manner that is necessary to comply with the Listing Rules.
- The Options will be quoted on ASX and transferable in accordance with the Corporations Act, the Listing Rules and the ASTC Settlement Rules.
- Unless exercised prior, the Options will lapse on the first day after the expiration of the specified exercise period, or upon liquidation or dissolution of the Company.

Management Options

SPEL has established an Employee Share Option Plan (**ESOP**) under which Directors and eligible employees of SPEL, its subsidiaries and associated bodies corporate (including the Manager) may be granted options (**Management Options**). SPEL's Directors may nominate senior employees to participate in the ESOP.

The Directors have resolved to grant 10,000,000 Management Options to 18 senior management of the Manager and Sub-Manager, conditional on the successful Listing of the Company on ASX. There will be four classes of Management Options which have identical terms, except for the exercise prices which will be 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	10,000,000	

Each Management Optionholder's allocation will be equally divided between each class of Management Option. A summary of the key terms of the Management Options is as follows:

- each Management Option will be exercisable for one SPEL share;
- following grant, each of the Management Options will be exercisable after three years and expire after five years;
- where SPEL has been listed on ASX for more than 12 months, the Directors may, in certain circumstances such as where a takeover offer is made for SPEL, permit the early exercise of the Management Options;
- persons may exercise their Management Options early if they cease employment of the Company or its Manager or Sub-Manager within 30 days of such cessation, however, the Management Options cannot be exercised within 12 months of Listing;
- Directors may require exercise conditions to be satisfied before Management Options can be exercised (although none of the Management Options to be issued conditional on Listing have any exercise conditions);
- no payment will be required for the grant of the Management Options;
- the Management Options will not be quoted on ASX and may only be transferred with the prior written consent of Directors;
- the Company will make application to ASX for quotation of Shares issued on the exercise of the Management Options;
- SPEL reserves the right to issue further Management Options under the ESOP or another plan, subject to the Corporations Act and ASX Listing Rules. Management Options issued under the ESOP in the future will have an exercise price equal to the average closing price of a Share on ASX on the five business days preceding the date that the Management Option is issued; and
- the total number of Management Options issued to participants under the ESOP will not exceed 5% of SPEL's total issued capital as at the date of issue of the Management Options.

14.2 Constitution

The Shares issued under the Prospectus are fully paid ordinary Shares and will rank equally in all respects with the Company's fully paid ordinary Shares that are currently on issue. The rights attaching to the Shares are set out in the Constitution and, in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ATSC Settlement Rules and general law.

The following is a summary of the rights that attach to the Company's fully paid ordinary Shares as set out in the Constitution. It is not intended to be an exhaustive summary of the rights and obligations of Shareholders. Investors who wish to inspect the Constitution may do so at the registered office of the Company during normal office hours.

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Precedence of Listing Rules

Despite anything in the Constitution, once the Company is admitted to the Official List, if there is any inconsistency between the Constitution and the Listing Rules, the Listing Rules will prevail.

Voting

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

- every Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- on a show of hands every Shareholder present in person or by proxy, attorney or representative has one vote;
- on a poll every Shareholder present in person or by proxy, attorney or representative has one vote for each fully paid Share held by that Shareholder 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 that Share, ignoring any amounts paid in advance of a call.

Dividends

The power to determine that a dividend is payable and to declare dividends (including interim dividends) is vested in the Directors. Subject to the Constitution, the Corporations Act, the Listing Rules and the rights of Shareholders entitled to Shares with preferential, special or qualified rights as to dividend, dividends are apportioned and paid among the Shareholders in proportion to the amounts paid up (not credited) on the Shares held by them. Any amount paid on a Share in advance of a call will be ignored when calculating the relevant proportion. Except as otherwise provided by law, all dividends unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed.

In addition, the Directors may implement, and in their discretion maintain, a dividend reinvestment plan for cash dividends paid by the Company, on such terms and conditions as they think fit.

Issue of further Shares

Subject to the Corporations Act and the Listing Rules, the Directors may allot, issue or otherwise dispose of Shares to any persons, on any terms and conditions, at that issue price and at those times as the Directors think fit. Directors have full power to give any person a call or option over any Shares during any time and for any consideration as the Directors think fit and may issue Shares with any preferential, deferred or special rights, privileges or conditions or with any restrictions (whether in regard to dividend, voting, return of Share capital or otherwise) as the Directors determine.

Transfer of Shares

Shareholders may transfer Shares by a written transfer instrument in the usual form or any form approved by the Directors, accompanied by the certificate for the Shares to be transferred, or by a proper transfer effected in accordance with the ATSC Settlement Rules and ASX requirements. The Directors may refuse to register a paper-based transfer of Shares or ask ASTC to apply a holding lock to prevent a proper ASTC transfer in certain circumstances set out in the Constitution, including where the Company has a lien on the Shares the subject of the transfer or the refusal to register the transfer is permitted by the Listing Rules.

General meetings and notices

The Directors may convene a general meeting of the Company whenever they think fit and the Shareholders may requisition the holding of a general meeting in accordance with the Act. Notice of every annual general meeting, general meeting or meeting of any class of Shareholders must be given to the Shareholders and those persons who are otherwise entitled under the Constitution to receive notices.

Winding up

Subject to the Corporations Act, the Listing Rules, the Constitution and the rights of the holders of Shares issued on special terms and conditions, in a winding up of the Company any assets available for distribution to Shareholders will be distributed amongst them to return capital paid up on their Shares and to distribute any surplus in proportion to the amount paid up (not credited) on their Shares.

Number of Directors and Appointment

The number of Directors must not be less than three, nor more than the number determined by the Directors from time to time, which until otherwise determined by the Directors is ten.

The Directors may at any time appoint a Director either to fill a casual vacancy or as an addition to the Board, who must retire from office at, and will be eligible for re-election at, the next annual general meeting following his or her appointment. Otherwise, the Directors must be elected by resolution of the Company in general meeting.

Subject to the Act, the Listing Rules and the Constitution, Directors, except the managing director, must retire from office or seek re-election by no later than the third annual general meeting following his or her appointment or election or three years, whichever is longer. In addition, unless otherwise determined by a resolution of the Company, while the Company is admitted to the Official List, at least one Director must retire from office at each annual general meeting unless there has been an election of Directors earlier that year.

Remuneration of Directors

Subject to the Listing Rules, the Company in general meeting may from time to time determine the maximum aggregate cash remuneration to be paid to the Directors for services rendered as Directors. Until a different amount is determined, the aggregate amount is \$300,000 per annum.

In addition to any remuneration, the constitution provides for the Company to pay Directors for:

- performing any extra services or making special exertions (at the Board's request), such as going or living abroad, serving on any Board committee or otherwise for any Company purpose; and
- all travelling and other expenses they incur in attending and returning from Directors' meetings, any committee of the Directors or any Company general meetings or otherwise in connection with the Company's business.

Directors' Indemnity

The Company must indemnify each current and former Director or Secretary, and any current or former Director or Secretary who is or was, at the request of the Company, serving as a director or secretary of another company, and may indemnify any other officer or former officer of the Company, against:

- any liability (other than legal costs) incurred in acting as a Director, Secretary, or, where applicable, as a director or secretary of the other company or other officer of the Company, other than a liability owed to the Company or other company or a Related

Body Corporate of the Company, a liability for a pecuniary penalty or a compensation order under the civil penalty provisions of the Corporations Act or a liability that did not arise out of conduct in good faith; and

- for costs and expenses incurred in defending an action for a liability incurred in acting as a Director, Secretary or, where applicable, as a director or secretary of the other company or other officer of the Company, subject to certain exceptions.

To the extent permitted by law, the Company may pay, or agree to pay, a premium for a contract insuring a person who is or has been a Director, Secretary or other of the Company or of a subsidiary of the Company, other than a liability arising out of conduct involving wilful breach of duty in relation to the Company or a contravention of civil obligations under the Corporations Act prohibiting improper use of position or information gained in that position.

Proportional Takeover Provisions

The Constitution prohibits the registration of a transfer to effect a contract resulting from the acceptance of an offer made under a proportional takeover bid (as defined in the Corporations Act) unless and until a resolution approving the proportional takeover bid is passed in accordance with the Constitution. The provision regulating proportional takeover bids must be renewed in a general meeting every three years to remain effective.

Share Buy Backs

The Company may, in accordance with the Corporations Act and the Listing Rules, buy back its own Shares on any terms and conditions determined by the Directors. The consideration paid for a buy back of Shares may include specific assets, including securities of the Company or of any other corporation, trust or entity.

Variation of Rights

Subject to the Act and the Listing Rules, all or any of the rights and privileges attached to any class of Shares (unless otherwise provided by the terms of issue of the Shares of that class) may be varied or cancelled with the written consent of holders of at least 75% of the Shares issued in that class or with the approval of a special resolution passed at a meeting of holders of the Shares of that class.

Unmarketable parcel

If a Shareholder holds a number of Shares which is less than a marketable parcel (as defined in the Listing Rules) the Company may sell or otherwise dispose of the Shares held by each such Shareholder on any terms and in that manner and at those times which the Directors determine provided that the procedures set out in the Constitution are followed.

Alteration of the Constitution

The Constitution can only be amended by a special resolution passed by at least 75% of votes cast by Shareholders present and voting at a general meeting of the Company.

14.3 Legal proceedings

The Directors are not aware of any litigation, pending or threatened litigation or other legal proceedings, which may have a material and adverse effect on SPEL.

14.4 Expenses of the Offer

The expenses of the Offer, including costs of preparing and issuing this Prospectus, accounting, tax, legal and experts' reports fees, share registry costs, Underwriter's fees, handling fees, issue management costs, ASX fees and printing and postage expenses are estimated to be \$3.27 million including GST (at minimum subscription) to \$4.76 million including GST (at maximum subscription).

14.5 Ongoing costs

SPEL's initial estimated annual operating costs including ASX and ASIC fees, management fees, share registry costs, printing, stationery and postage, accounting, secretarial and administration, audit, directors' fees and shareholder communications will be between approximately \$1.84 million and \$2.82 million, depending on the level of subscription (including GST).

14.6 Interests of Directors and promoter

General

Other than as described in this Section 14.6 or as disclosed elsewhere in this Prospectus, neither Soul Pattinson nor any Director nor any proposed Director and no firm in which a Director or a proposed Director is a partner:

- (a) has or had at any time during the two years preceding the date of this Prospectus, an interest in the formation or promotion of the Company, the Offer or in any property acquired or proposed to be acquired by the Company; and
- (b) has been paid or agreed to be paid any amount, or has been given or agreed to be given any other benefit, either to induce that person to become, or to qualify that person as, a Director or otherwise for services rendered by that person or the firm in connection with the promotion or formation of the Company or the Offer.

Shareholdings of Directors in SPEL

There are no shareholding requirements for Directors under the Constitution. At the date of this Prospectus, the numbers of securities in the Company which are held by or on behalf of each Director and their related interests or which are proposed to be issued to them are as follows:

DIRECTOR	SHARES	OPTIONS	MANAGEMENT OPTIONS
Robert Millner – Non-Executive Chairman	nil	nil	nil
David Fairfull – Non-Executive Director	8,300,001	1,037,500	nil
David Wills - Non-Executive Director	nil	nil	nil
Geoffrey Hill - Alternate Director for David Fairfull	8,150,000	1,018,750	1,250,000

Directors' Remuneration

The maximum aggregate amount of the non-executive Directors' fees is \$300,000 until the Shareholders, by an ordinary resolution, approve some other maximum sum. This amount is to be divided amongst the Directors as they may determine. At present, the Chairman will receive \$50,000 per annum and the other two non-executive Directors will each receive \$37,500 pa. These fees exclude any additional fee for each service based agreement with the Company which may be agreed from time to time, superannuation and the reimbursement of expenses such as travelling expenses.

Other interests of Directors

Robert Millner is:

- Chairman and a shareholder of Soul Pattinson, SPEL's promoter, which will sell its interests in SODA, Cromford and InterRISK to SPEL for Shares and Options and will have loans which it provided to SODA paid out by funds provided under the loan agreement between SPEL and SODA. SPEL also has an option to acquire further interests in SODA and Cromford and the Cromford property from Soul Pattinson by issuing Shares and Options. Soul Pattinson has a significant interest in Clover Corporation Limited, which is a joint venture partner of Austgrains in FFI. Soul Pattinson has also agreed to acquire 20 million Shares and 2.5 million Options for \$5 million cash;
- a director and shareholder (indirectly through Soul Pattinson) of PCP which will receive management and possibly performance fees from SPEL and fees for providing advisory services in connection with the Offer;
- a shareholder (indirectly through Soul Pattinson and PCP) of CAS which will receive fees for the provision of accounting, secretarial and administrative services; and
- a director and shareholder (indirectly through Soul Pattinson and PCP) of SFM, which will receive management fees from the Manager under the Sub-Management Agreement.

David Fairfull is:

- a director and shareholder of Soul Pattinson, SPEL's promoter, which will sell its interests in SODA, Cromford and InterRISK to SPEL for Shares and Options and will have loans which it provided to SODA paid out by funds provided under the loan agreement between SPEL and SODA. SPEL also has an option to acquire further interests in SODA and Cromford and the Cromford property from Soul

Pattinson by issuing Shares and Options. Soul Pattinson has a significant interest in Clover Corporation Limited, which is a joint venture partner of Austgrains in FFI. Soul Pattinson has also agreed to acquire 20 million Shares and 2.5 million Options for \$5 million cash;

- a director and shareholder of Richvale Pty Ltd which will sell its shares in SODA and PCP Holdings to SPEL for cash and/or Shares and Options and will have loans which it provided to SODA paid out by funds provided under the loan agreement between SPEL and SODA;
- a director and shareholder (indirectly through associated companies) of PCP which will receive management and possibly performance fees from SPEL and fees for providing advisory services in connection with the Offer and from which Mr Fairfull will receive a salary;
- a director of Cromford which is being sold to SPEL for Shares and Options;
- a director of GHA which is being sold to SPEL for cash, Shares and Options;
- a director of Republic Australia Pty Limited, which will sell its interests in GHA for cash, Shares and Options;
- a shareholder (indirectly through PCP and associated companies) of CAS which will receive fees for the provision of accounting, secretarial and administrative services; and
- a shareholder (indirectly through PCP and associated companies) of SFM, which will receive management fees from the Manager under the Sub-Management Agreement.

David Wills is a director of InterRISK.

Geoffrey Hill is:

- a director and shareholder of HFT Nominees Pty Ltd which will sell its interests in SODA to SPEL for Shares and Options and which will have loans which it provided to SODA paid out by funds provided under the loan agreement between SPEL and SODA;
- a director and shareholder of Republic Australia Pty Limited which will sell its shares in GHA to SPEL for cash, Shares and Options;
- a director and shareholder (indirectly through associated companies) of PCP, which will receive management and possibly performance fees from SPEL and fees for providing advisory services in connection with the Offer and from which Mr Hill will receive a salary;
- a director and shareholder (indirectly through PCP and associated companies) of SFM which will receive management fees from the Manager under the Sub-Management Agreement; and
- a director and shareholder (indirectly through PCP and associated companies) of CAS which will receive fees for the provision of accounting, secretarial and administrative services.

The transactions and fees referred to above are summarised in Sections 13.1, 13.2, 13.4 and 14.7 of this Prospectus.

Directors' indemnity, insurance and access

SPEL agrees to provide access for the Directors to board papers, indemnify each Director and maintain and pay for a directors and officers insurance policy in accordance with the Deeds of Access, Indemnity and Insurance summarised in section 13.9.

Interests of promoter

Soul Pattinson is the promoter of SPEL. Its interests in the promotion of SPEL and the Offer are set out above in the section headed "Other interests of Directors" dealing with Robert Millner's other interests as a Director and elsewhere in this Prospectus.

14.7 Interests of experts and advisers

Grant Thornton Corporate (NSW) Pty Limited has provided an independent accountant's report to the Directors of the Company which is contained in Section 9, performed work in relation to due diligence enquiries and provided a report to Directors of the Company on factual findings in relation to the Directors' valuations of Austgrains, SODA, InterRISK and Specialist Services. Grant Thornton Services (NSW) Pty Limited has provided a taxation report to the Company which is contained in Section 11. In respect of this work, SPEL estimates that it will pay approximately \$53,500 (excluding disbursements and GST). Further amounts may be paid to these entities in accordance with their normal time based charges.

Hall Chadwick Corporate (NSW) Ltd has provided independent expert's reports on PCP and Cromford to the Company, which are summarised in Section 10. In respect of this work, SPEL estimates that it will pay approximately \$55,000 (excluding disbursements and GST). Further amounts may be paid to Hall Chadwick Corporate (NSW) Ltd in accordance with its normal time based charges.

Baker & McKenzie has acted as solicitors to SPEL and has performed work in relation to preparing the due diligence and verification

program and performing due diligence required on legal matters. In respect of this work, SPEL estimates that it will pay approximately \$112,000 (excluding disbursements and GST) to Baker & McKenzie. Further amounts may be paid to Baker & McKenzie in accordance with its normal time based charges.

Kensington Swan has acted as New Zealand solicitors to SPEL and advised in relation to New Zealand law. In respect of this work, SPEL estimates that it will pay approximately \$9,000 (excluding disbursements and GST) to Kensington Swan. Further amounts may be paid to Kensington Swan in accordance with its normal time based charges.

ABN AMRO Morgans Corporate Limited has acted as an underwriter for the Offer, in respect of which it will receive the fees outlined in Section 13.3 above.

Pitt Capital Partners Limited has acted as financial adviser to SPEL in respect of which it will receive fees of 0.75% of the number of issued shares in SPEL at the time of Listing multiplied by the Issue Price.

Pitt Capital Partners Limited will act as investment manager for which it will receive the fees set out in Section 13.1. Pitt Capital Partners Limited also owns 25.5% of SFM and 75% of CAS which will receive the fees set out in Sections 13.2 and 13.8, respectively. The fees paid to SFM will be paid by PCP.

A handling fee of 2.00% will be paid to licensed security dealers in respect of Applications made by Investors and lodged by licensed security dealers and which bear their stamp (other than Applications which form part of broker firm allocations). The Underwriter will pay the handling fee for successful Applications received up to the underwritten amount under the Offer and the Company will pay the handling fee on all successful Applications in addition to the underwritten amount.

Except as set out above, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- stockbroker or underwriter to this Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in the formation or promotion of SPEL, the Offer, or any property acquired or proposed to be acquired by SPEL in connection with its formation or promotion or the Offer, nor has anyone paid or agreed to pay or given or agreed to give any benefit to such persons in connection with the formation or promotion of SPEL or the Offer.

These expenses have been paid or will be payable by the Company (except for the fees paid to SFM, which will be paid by PCP).

14.8 ASX waivers

On 22 October 2004 the ASX issued the following decisions in respect of an application by the Company requesting in-principle advice with regard to certain matters:

- that the ASX will grant the Company a waiver from Listing Rule 1.3.2(b) to the extent necessary to allow the Company's proposed expenditure in direct investments in unlisted enterprises and direct investment in listed securities managed by PCP to be commitments for the purposes of that Listing Rule on the following conditions:
 - the proposed investments in the unlisted enterprises are completed, and specific details of the acquisition are provided to ASX in a form suitable for release to the market, before the Company is admitted to the Official List;
 - a statement of the Company's investment objectives and description of the proposed and current investments in listed securities managed by PCP is provided to ASX in a form suitable for release to the market, before the Company is admitted to the Official List;
- that ASX considers that Listing Rule 10.1 does not apply to any transactions between the Company and PCP and Cromford concluded prior to the Company's admission to the Official List;
- that ASX considers that Listing Rule 10.1 applies to the exercise of the option, following the Company's admission to the Official List, to acquire the remaining equity interest in Cromford, and will grant the Company a waiver from the rule on condition that full disclosure of the terms of the transaction are disclosed to any person who may subscribe for securities under a prospectus or other disclosure document;
- that ASX considers that Listing Rule 9.1.3 does not apply to the consideration for PCP and Cromford; and
- that ASX considers that the Company is not an investment entity for the purposes of Chapter 19 of the Listing Rules.

The above decisions apply only until 21 January 2005 and are subject to any amendments to the Listing Rules or changes in the interpretation or administration of the Listing Rules and policies of ASX.

14.9 Consents

None of the parties referred to below has authorised or caused the issue of the Prospectus or made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified below. Each of these parties, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for, any statements in or omissions from this Prospectus, other than the reference to its name and a statement or report included in this Prospectus with the consent of that party as specified below.

Written consents to the issue of this Prospectus have been given, and at the time of this Prospectus have not been withdrawn, by each of the following parties:

Baker & McKenzie has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. Baker & McKenzie does not make any other statement in this Prospectus, nor is any other statement made in this Prospectus based on a statement made by it.

Kensington Swan has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

ABN AMRO Morgans Corporate Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

Ord Minnett Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

Smith Barney Citigroup Australia Pty Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

Grant Thornton Corporate (NSW) Pty Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named and to the inclusion in this Prospectus of its Independent Accountant's Report to SPEL in the form and context in which it is included (and to the references to that report in this Prospectus).

Grant Thornton Services (NSW) Pty Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named and to the inclusion in this Prospectus of its Taxation Report to SPEL in the form and context in which it is included (and to the references to that report in this Prospectus).

Grant Thornton NSW has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

Hall Chadwick Corporate (NSW) Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named and to the inclusion in this Prospectus of its independent expert's reports on PCP and Cromford in the form and context in which they are included (and to the references to those reports in this Prospectus).

Computershare Investor Services Pty Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for any part of the Prospectus.

Pitt Capital Partners Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

Souls Funds Management Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

Soul Pattinson has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

Corporate and Administrative Services Pty Limited has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named.

SOP and SOS have given and have not, before the lodgement of this Prospectus with ASIC, withdrawn their written consent to be named in this Prospectus in the form and context in which they are named.

14.10 Governing law

This Prospectus, the Offer and the contracts formed on Acceptance of Applications are governed by the law applicable in New South Wales, Australia. Each Applicant submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

14.11 References to publications

References are made in this Prospectus to material that is attributed to various sources. These references are based on statements already published in public documents or a book, journal or comparable publication. These organisations did not prepare those materials specifically for this Prospectus and have had no involvement in the preparation of any part of this Prospectus.

14.12 Documents available for inspection

Copies of the Constitution, Employee Share Option Plan, Hall Chadwick's Independent Expert's Reports in respect of PCP and Cromford and the consents referred to in Section 14.9 will be made available for inspection free of charge between 9:00am and 5:00pm Sydney time, Monday to Friday, at SPEL's registered office during the Offer.

14.13 Directors' authorisation

Each Director has given and has not withdrawn his consent to the lodgement of this Prospectus with ASIC.

15. GLOSSARY OF TERMS

\$ means Australian dollars unless specified otherwise.

ABN means Australian Business Number.

Acceptance means acceptance by SPEL of an offer contained in an Application Form.

AFSL means Australian Financial Services Licence.

Allocation means allocation of the Shares offered under this Prospectus.

Allotment means the allotment of Shares under the Offer.

Alternate Director means a person that has been appointed an alternate director of a Director.

Applicant means an investor who submits a valid Application Form under this Prospectus.

Application means a valid application under this Prospectus.

Application Form means an application form attached to or accompanying this Prospectus or the Investment Statement.

Application Monies means the money paid by Applicants for Shares under this Prospectus.

Approved Financial Institution means a Bank, the Commonwealth of Australia, any State or Territory of Australia, any government or semi government instrumentality in Australia (or other country approved in writing by the Board) and any corporation approved in writing by the Board.

Asia means the following countries: China, Hong Kong, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan and Thailand.

ASIC means the Australian Securities and Investments Commission.

Associate has the same meaning as in the Corporations Act.

ASTC means the securities clearing house which administers the CHESS system.

ASTC Settlement Rules means the rules of ASTC from time to time.

ASX means Australian Stock Exchange Limited ABN 98 008 624 691.

Austgrains means Austgrains Pty Limited ABN 82 001 940 861.

Bank means any bank authorised under section 9 of the Banking Act 1959 or the laws of any State or Territory of Australia to conduct banking business.

Board means the Board of Directors of SPEL.

Business Day has the same meaning as in the Listing Rules.

CAS means Corporate & Administrative Services Pty Limited ABN 47 085 361 459.

CHESS means Clearing House Electronic Subregister System.

Closing Date or **Closing Dates** means the Eligible Shareholder Offer Closing Date or the General Offer Closing Date, or both as the case requires.

Co-Managers means Ord Minnett Limited ABN 86 002 733 048 AFSL 237 121 and Smith Barney Citigroup Australia Pty Limited ABN 19 009 145 555 AFSL 240 813.

Company or **Souls Private Equity Limited** or **SPEL** means Souls Private Equity Limited ABN 71 111 196 420.

Computershare or **Share Registry** means Computershare Investor Services Pty Limited ABN 48 078 279 277.

Constitution means the constitution of Souls Private Equity Limited.

Corporations Act means the Corporations Act 2001.

Cromford means Cromford Pty Limited ABN 86 001 472 251.

Directors means the directors (including alternate directors) of SPEL.

EBITDA means earnings before interest, tax, depreciation and amortisation.

Eligible Shareholder means a shareholder at 7:00pm (Sydney time) on 20 October 2004 in Washington H. Soul Pattinson and Company Limited, Australian Pharmaceutical Industries Limited, Keith Harris & Company Limited, SP Telemedia Limited, Clover Corporation Limited, New Hope Corporation Limited, Brickworks Limited (either as an ordinary shareholder or a PAVERS holder) or Brickworks Investment Company Limited, or a person who was previously a shareholder in Bristle Limited and whose shares were acquired by Brickworks Limited pursuant to its takeover offer for Bristle Limited, and who has a registered address in Australia or New Zealand.

Eligible Shareholder Offer means the offer of Shares and Options to Eligible Shareholders under this Prospectus.

Eligible Shareholder Offer Closing Date means 5:00pm (Sydney time) on 29 November 2004 unless varied by the Directors in accordance with this Prospectus.

Employee Share Option Plan or ESOP means the employee share option plan established by the Company, the terms of which are summarised in Additional Information Section 14.1.

FFI means Future Food Ingredients Pty Limited ACN 108 025 690.

General Offer means the offer of Shares and Options other than to Eligible Shareholders under this Prospectus.

General Offer Closing Date means 5:00pm (Sydney time) on 6 December 2004 unless varied by the Directors in accordance with this Prospectus.

GHA means Geoffrey Hill & Associates Pty Limited ABN 77 003 596 996.

Grant Thornton means Grant Thornton Corporate (NSW) Pty Ltd ABN 59 003 265 987 – AFSL 247 140.

Grant Thornton Services means Grant Thornton Services (NSW) Pty Ltd ABN 80 798 869 203.

Hall Chadwick means Hall Chadwick Corporate (NSW) Limited ACN 080 462 488 – AFSL 227 902.

Holding Statements means a statement issued by the Company setting out the details of a Shareholder's Shareholding.

Independent Accountant's Report means the report by Grant Thornton, dated 27 October 2004 contained in Section 9.

Internal Rate of Return means the discount rate expressed as an annual percentage, which, when applied to a series of cashflows, results in a net present value of zero as at the date of the calculation.

InterRISK means InterRISK Australia Pty Limited ABN 29 107 477 181.

Investment Committee means the investment committee of the Company, described in section 6.2.

Investment Management Agreement means the management agreement between SPEL and the Manager dated 27 October 2004 summarised in Section 13.1.

Investment Statement means the investment statement for the purposes of the Securities Act 1978 (NZ) in respect of the Offer in New Zealand pursuant to the Securities Act (Australian Issuers) Exemption Notice 2002.

IPO means initial public offering.

Issue means the issue of Shares and Options in accordance with this Prospectus.

Issue Date means the date on which SPEL issues the Shares and Options in accordance with this Prospectus.

Issue Price means the issue price of Shares under the Offer, being \$0.25 per Share.

Listed Portfolio means the portfolio of investments managed by SFM under its Sub-Management Agreement with the Manager.

Listed Securities means equity securities of a corporation, trust or other entity quoted on a licensed market in Australia, New Zealand or Asia.

Listing means admission to the Official List of ASX and the quotation of all Shares.

Listing Rules means the listing rules of ASX, as amended from time to time.

Management Options means options to subscribe for unissued shares in SPEL granted to SPEL's senior employees and Directors, details of which are summarised in Section 14.1.

Manager means Pitt Capital Partners Limited ABN 17 000 651 427 – AFSL 276 323.

NBN means NBN Enterprises Pty Limited ACN 009 140 078.

Net Asset Value means, at any time, the total value of the Portfolio less any liabilities of the Company other than deferred tax liabilities on unrealised gains on the Portfolio, calculated in Australian dollars.

New Hope means New Hope Corporation Limited ABN 38 010 653 844.

Notional Income means the sum of foreign tax which has been paid or is to be deemed to be paid in relation to foreign income, the amount of any franking credit on any distribution received in respect of any Private Equity Investment and any other amounts for which the Company would be entitled to a credit or refund under tax law;

Offer or Offers means the Eligible Shareholder Offer, the General Offer or both, as the case requires.

Offer Period means 9.00am (Sydney time) 8 November 2004 to 5:00pm (Sydney time) on:

- 29 November 2004 for the Eligible Shareholder Offer; and
- 6 December 2004 for the General Offer

unless varied by the Directors in accordance with this Prospectus.

Offer Price in respect of a Share means \$0.25 per Share.

Official List has the same meaning as in the Listing Rules.

Opening Date of the Issue means 9:00am (Sydney time) on 8 November 2004.

Options means options issued to each SPEL Shareholder on the basis of one Option for every eight Shares held. Each Option will have the right to subscribe for one fully paid share in SPEL at an exercise price of \$0.30 per share within five years of the Issue Date.

Optionholder means a holder of Options.

Other Investments means:

- (i) Listed Securities and units in relation to Listed Securities;
- (ii) the discount or purchase of bills of exchange, promissory notes or other negotiable instruments, accepted, drawn or endorsed by an Approved Financial Institution;
- (iii) debentures, convertible notes, loan stock, bonds, promissory notes, certificates of deposit, interest bearing accounts, certificates of indebtedness and any other evidence of indebtedness issued by an Approved Financial Institution;
- (iv) the underwriting or sub underwriting of the issue or placement of Listed Securities and other securities approved in writing by the Manager; and
- (v) any other investment agreed in writing by the Manager and the Sub-Manager.

pa means per annum.

PAVERS means a non-redeemable reset preference share in Brickworks Limited ABN 17 000 028 526 called a Preferred Adjustable Variable Exchangeable Resettable Share, pursuant to a prospectus lodged with ASIC on 3 September 2003.

PCP Holdings means PCP Holdings 1 Pty Limited ACN 111 500 022.

Permitted Investments means, in respect of the Manager or Sub-Manger, the asset classes set out in Section 5.6 in which the Manager or Sub-Manager (as the case may be) are authorised to undertake investments on behalf of the Company.

Performance Fee means the performance fee payable to the Manager under the Investment Management Agreement described in Section 13.1.

Pitt Capital Partners or PCP means Pitt Capital Partners Limited ABN 17 000 651 427 – AFSL 276 323.

Portfolio means the portfolio of investments of the Company from time to time.

Priority Offer means Shares offered by the Company to Eligible Shareholders at \$0.25 each and Options, only as expressly set out in this Prospectus.

Private Equity Inflows means the Relevant Share of all cash inflows and any Notional Income from time of acquisition received in respect of any Private Equity Investments that have been wholly or partly realised in the preceding half year, including the Relevant Share of the net proceeds of sale (after deducting any selling costs) and all dividends and other distributions received by the Company or directly by Shareholders from such realised Private Equity Investments.

Private Equity Investments means the investments in the Portfolio from time to time which are not Other Investments.

Private Equity Outflows means the Relevant Share of all cash outflows from time of acquisition in respect of any Private Equity Investments that have been wholly or partly realised in the preceding half year, including all costs of acquiring any such investments (including any purchase costs, fees, duties etc) and any subsequent cash outflows (including further cash payments made by the Company and re-investment of dividends) plus management fees paid to the Manager by the Company in respect of such realised Private Equity Investments but excluding any repayments of principal and payments of any interest, fees and charges on borrowings made by the Company to finance the acquisition of such investments.

Prospectus means this prospectus and any supplementary or replacement prospectus in relation to this prospectus.

Related Body Corporate has the same meaning as in the Corporations Act.

Relevant Companies means PCP Holdings, GHA, SODA, Cromford, Austgrains, Specialist Services and InterRISK.

Relevant Share means in the case of investments that are wholly realised, 100% of Private Equity Inflows and Private Equity Outflows and, in the case of investments that are partially realised, the pro rata share of Private Equity Inflows and Private Equity Outflows (being the amount that bears the same proportion to the total cost that the interest realised bears to the Company's total interest in the investment).

Restricted Securities has the same meaning as in the Listing Rules.

SEC means the US Securities and Exchange Commission.

Secretary means a secretary of the Company.

Section means a section of this Prospectus.

Security Interest means an interest in an asset which provides security for, or protects against default by, a person for the payment or satisfaction of a debt, obligation or liability including a mortgage, charge, bill of sale, pledge, deposit, lien, encumbrance, hypothecation or arrangement for the retention of title.

Seed Portfolio means the investments in PCP Holdings, GHA, SODA, Cromford, Austgrains, Specialist Services and InterRISK.

Seed Portfolio Companies means PCP Holdings, GHA, SODA, Cromford, Austgrains, Specialist Services and InterRISK.

Share means a fully paid ordinary Share in the issued capital of Souls Private Equity Limited.

Shareholder means a holder of a Share.

Share Registry means Computershare Investor Services Pty Limited ABN 48 078 279 277.

SME means small to medium sized enterprises.

SODA means SODA Incorporation Pty Limited ABN 91 081 149 635.

SOP means Specialist Oncology Property Pty Limited ACN 082 577 615.

SOS means Specialist Oncology Services Pty Limited ABN 40 080 625 725.

Souls or Soul Pattinson means Washington H. Soul Pattinson and Company Limited ABN 49 000 002 728.

Souls Funds Management or SFM means Souls Funds Management Limited ABN 78 098 628 605 – AFSL 222 445.

Specialist Services means Specialist Oncology Property Pty Ltd ABN 75 082 577 615 (the holding company of Specialist Oncology Services Pty Limited) carrying on the business under the trading name Specialist Services.

SPEL or Company means Souls Private Equity Limited ABN 71 111 196 420.

SPT means SP Telemedia Limited ABN 46 093 058 069.

Subsidiaries has the same meaning as in the Corporations Act.

Sub-Management Agreement means the sub-management agreement between PCP and SFM dated 27 October 2004 which is described in Section 13.2.

Sub-Manager means Souls Funds Management Limited ABN 78 098 628 605 – AFSL 222 445 .

TFN means Tax File Number.

Third Party Interest means any Security Interest, lease, license, option, voting arrangement, easement, covenant, notation, restriction, interest under any agreement, interest under any trust, or other right, equity, entitlement or other interest of any nature held by a third party.

Underwriter means ABN AMRO Morgans Corporate Limited ABN 32 010 539 607 – AFSL 235 407.

Underwriting Agreement means the agreement dated 28 October 2004 between SPEL and the Underwriter.



ABN 71 111 196 420

General Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire prospectus carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the prospectus.

Broker Reference Stamp Only

Broker Code

Adviser Code

GENERAL OFFER CLOSES 5.00PM AUSTRALIAN EASTERN SUMMER TIME ON 6 DECEMBER 2004 (UNLESS EXTENDED OR CLOSED EARLY BY THE COMPANY)

A I/we apply for

X \$0.25

B I/we lodge full Application Monies

A\$.

Number of Shares in Souls Private Equity Limited at \$0.25 per Share or such lesser number of Shares which may be allocated to me/us

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name	Given Name(s)	Surname

Joint Applicant 2 or Account Designation	

Joint Applicant 3 or Account Designation	

D Enter your postal address - Include State and Postcode

Unit	Street Number	Street Name or PO Box /Other Information

City / Suburb / Town	State	Postcode

E Enter your contact details

Contact Name

Telephone Number - Business Hours / After Hours
()

F CHESS Participant

Holder Identification Number (HIN)
X

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any securities issued as a result of the IPO will be held on the Issuer Sponsored subregister.

Cheque details - Make your cheque or bank draft payable to "Souls Private Equity Limited - Share Offer Account"

Drawer	Cheque Number	BSB Number	Account Number	Amount A\$

Total Amount Enclosed	A\$	
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By submitting this Application Form, I/we declare that this Application is completed and lodged according to the Prospectus and the declarations on this Application Form and I/we declare that all details and statements made by me/us (including the declarations on this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company.



How to complete this form

A Shares Applied for

Enter the number of Shares you wish to apply for. The Application must be for a minimum of 8,000 Shares. Applications for greater than 8,000 Shares must be in multiples of 2,000 Shares.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the price per Share.

C Applicant Name(s)

Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHES

Souls Private Equity Limited (the Company) will apply to the ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited. In CHES, the company will operate an electronic CHES Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of Shares allotted. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment

Make your cheque or bank draft payable to "Souls Private Equity Limited - Share Offer Account" in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Pin (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Before completing the Application Form the Applicant(s) should read this Prospectus to which this Application relates. By lodging the Application Form, the applicant agrees that this Application for Shares in Souls Private Equity Limited is upon and subject to the terms of the Prospectus and the Constitution of Souls Private Equity Limited, agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received at the Sydney office of Computershare Investor Services Pty Limited by no later than 5.00pm Australian Eastern Summer Time on 6 December 2004 (unless the Offer is extended or closed early by the Company). Return the Application Form with cheque(s) attached to:

By Mail:
Souls Private Equity Limited
c/- Computershare Investor Services Pty Limited
GPO Box 7115, Sydney NSW 2001

OR

By Hand:
Souls Private Equity Limited
c/- Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street, Sydney NSW 2000

Privacy Statement

The Application Form requires you to provide information that may be personal information for the purposes of the Privacy Act 1988 (as amended). Souls Private Equity Limited (and the share registry on its behalf) will collect, hold and use that personal information in order to process your application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration. Under the Privacy Act 1988 (as amended), you may request access to your personal information held by (or on behalf of) Souls Private Equity Limited. Telephone - 1300 855 080

If you have any enquiries concerning your application, please contact the Share Offer Information Line on 1300 365 903.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

How to complete this form

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Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Robert Millner – Non-executive Chairman
David Fairfull - Non-executive Director
David Wills - Non-executive Director
Geoffrey Hill – Alternate Director for David Fairfull

REGISTERED OFFICE

Souls Private Equity Limited
Level 2, 160 Pitt Street Mall
Sydney NSW 2000

SECRETARIES

Andrew Fairfull
John de Gouveia

FINANCIAL ADVISER

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

MANAGER

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

SUB-MANAGER

Souls Funds Management Limited
Level 2, 160 Pitt Street Mall
Sydney NSW 2000

LEGAL ADVISER

Baker & McKenzie
Level 27, AMP Centre
50 Bridge Street
Sydney NSW 2000

SHARE REGISTRY

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

GPO Box 7115
Sydney NSW 2000

Enquiries within Australia: 1300 365 903
Enquiries outside Australia: +61 3 9415 4219
Email: web.queries@computershare.com.au
Website: www.computershare.com

AUDITOR

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

UNDERWRITER

ABN AMRO Morgans Corporate Limited
Level 29, Riverside Centre
123 Eagle Street
Brisbane Qld 4000
Phone: 1800 777 946
Facsimile: (07) 3831 9946
Website: www.abnamromorgans.com.au

CO-MANAGERS

Ord Minnett Limited
Level 8, NAB House
255 George Street
Sydney NSW 2000

Smith Barney Citigroup Australia Pty Limited
Citigroup Centre
2 Park Street
Sydney NSW 2000

INDEPENDENT ACCOUNTANTS

Grant Thornton Corporate (NSW) Pty Ltd
Level 17, 383 Kent Street
Sydney NSW 2000

INDEPENDENT EXPERT

Hall Chadwick Corporate (NSW) Ltd
Level 29, St Martins Tower
31 Market Street
Sydney NSW 2000

TAXATION ADVISER

Grant Thornton Services (NSW) Pty Ltd
Level 17, 383 Kent Street
Sydney NSW 2000

