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Souls Private Equity Limited

ASX Appendix 4E

Preliminary Final Report

31 July 2010

Lodged with the ASX under Listing Rule 4.3A

Contents

Reporting Period

The reporting period for this report is the financial year ending 31 July 2010
The previous corresponding period is the financial year ending 31 July 2009

Information contained within this Preliminary Final Report should be read in conjunction with the most recent Annual Financial Report.

The accounts are in the process of being audited.

Results for Announcement to the Market

		% Change		$ '000
Revenue from ordinary activities	Up	17.3%	to	29,108
Profit from ordinary activities after tax attributable to members	Up	102.2%	to	492
Net profit for the period attributable to members	Up	102.2%	to	492

Explanation of Revenue and Profit/(Loss) from Ordinary Activities after Tax

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

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

For detailed narratives on the above items please refer to the Investment Manager's Report and Note 2 in the Other Appendix 4E information.

Explanation of Dividends

For the year ending 31 July 2010 no dividend is declared (2009: Nil).

NTA Backing

	31 July 2010	**31 July 2009**
Net tangible asset backing per ordinary share after tax	18.1 cents	17.8 cents

Investment Manager's Report

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

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

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

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

Segmented net assets	2010		2009	
As at 31 July	$ m	%	$m	%
SME investments - Unlisted	68.0	60%	69.5	61%
SME investments - Listed	7.0	6%	6.6	6%
Listed share portfolio	33.3	29%	31.6	28%
Cash	0.9	1%	3.0	3%
Other assets and eliminations	5.0	4%	3.1	3%
Net assets	114.2	100%	113.8	100%

SME Investments (unlisted and listed)

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

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

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

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

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

Investment Manager's Report for the year ended 31 July 2010 (continued)

Key Facts

Investment Date: December 2005

SPEL Ownership: 45%

Investment Cost: $11.5m

Book Value: $26.2m

Employees: 850

Website: www.ampcontrolgroup.com

Year in Review

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

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

Financial Results

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

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

Outlook

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

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

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

Business Description

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

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

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

Investment Rationale

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

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

Investment Manager's Report for the year ended 31 July 2010 (continued)

Key Facts

Investment Date: December 2004

SPEL Ownership: 100%

Investment Cost: $44.9m

Book Value: $24.0m

Employees: 100

Website: www.cromford.com.au

Year in Review

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

Financial Results

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

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

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

Cromford Group Pty Ltd
Industrial Plastics Since 1978

Outlook

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

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

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

Business Description

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

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

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

Investment Rationale

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

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

Investment Manager's Report for the year ended 31 July 2010 (continued)

Key Facts

Investment Date: December 2004

SPEL Ownership: 25%

Investment Cost: $5.9m

Book Value: $6.6m

Employees: 11

Website: www.pittcapitalpartners.com.au

Year in Review

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

Financial Results

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

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

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

Outlook

The Australian economy is currently the envy of the global economy, although many businesses are still concerned that the issues occurring in the major global economies could affect Australia. This uncertainty, combined with the proposed mining tax has resulted in a reduced appetite for mergers and acquisitions in Australia.

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

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

Business Description

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

Investment Rationale

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

Investment Manager's Report for the year ended 31 July 2010 (continued)

Other SME Portfolio Developments

Refer to Note 4 of the accompanying financial statements for details of amounts invested and beneficial interest in associate entities.

CBD Energy

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

Belaroma

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

Soda Brands Limited

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

Supercorp

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

Specialist Oncology Property Pty Limited

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

Austgrains

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

CMA Corporation Limited

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

Investment Manager's Report for the year ended 31 July 2010 (continued)

InterRisk Australia Pty Limited

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

Asian Property Investments Limited

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

Listed Share Portfolio

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

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

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

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

Cash and Cash Equivalents

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

Outlook

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

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2010

	Notes	Consolidated Entity July 2010 $ '000	July 2009 $ '000
Revenue	2 (a)	**29,108**	24,805
Other gains / (losses)	2 (b)	**5,153**	(29,932)
Expenses	2 (c)	**(35,114)**	(34,966)
Finance costs		**(14)**	(63)
Share of net profits of associates accounted for using the equity method	4	**1,258**	7,978
Profit / (Loss) before income tax benefit		**391**	(32,178)
Income tax benefit		**101**	6,815
Profit / (Loss) after income tax benefit		**492**	(25,363)
Net loss attributable to minority interest		**-**	2,855
Profit / (Loss) for the year attributable to members of the Company		**492**	(22,508)
Other comprehensive income		**-**	-
Total comprehensive income / (loss) for the period		**492**	(22,508)
Total comprehensive income / (loss) attributable to:			
Owners of the parent		**492**	(22,508)
Non-controlling interests		**-**	(2,855)
		492	(25,363)
Basic earnings / (loss) per share (cents)		**0.08**	(3.79)
Diluted earnings / (loss) per share (cents)		**0.08**	(3.79)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2010

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JULY 2010

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 JULY 2010

	Consolidated Entity	
	July 2010 $'000	**July 2009 $'000**
Cash flows from operating activities		
Receipts from customers	**26,813**	25,304
Payments to suppliers and employees	**(36,477)**	(35,411)
Proceeds from sale of listed investments	**1,912**	10,940
Purchase of listed investments	**(82)**	(527)
Dividends and distributions received	**1,760**	2,580
Income tax refunded / (paid)	**308**	(603)
Finance costs	**(14)**	(63)
Interest received	**168**	624
Net cash (outflow) / inflow from operating activities	**(5,612)**	2,844
Cash flows from investing activities		
Payments for associated entities	**(2,023)**	(1,294)
Dividends received from associated entities	**3,241**	1,187
Payments for the purchase of business operations	**-**	(516)
Payments for property, plant and equipment	**(1,022)**	(5,722)
Proceeds from sale of associate entities	**935**	-
Proceeds from sale of unlisted investments	**1,653**	-
Loans to other entities	**(535)**	(1,300)
Loans repaid from other entities	**1,300**	-
Net cash inflow / (outflow) from investing activities	**3,549**	(7,645)
Cash flows from financing activities		
Proceeds from issue of shares net of costs	**(20)**	-
Controlled entities issue of shares net of costs	**-**	972
Net cash (outflow) / inflow from financing activities	**(20)**	972
Net decrease in cash held	**(2,083)**	(3,829)
Cash and cash equivalents at the beginning of the period	**2,966**	6,795
Cash and cash equivalents at the end of the period	**883**	2,966

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This preliminary financial report has been prepared in accordance with ASX Listing Rule 4.3 and the disclosure requirements of ASX Appendix 4E. This financial report does not include all the notes of the type normally included in the annual financial report. Financial statements contained in this report have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This financial report covers the economic entity of Souls Private Equity Limited and controlled entities. Souls Private Equity Limited is a listed public company, incorporated and domiciled in Australia.

This financial report of Souls Private Equity Limited and controlled entities complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. In complying with AIFRS, the financial statements of Souls Private Equity Limited and controlled entities comply with IFRS in its entirety.

This report is based on accounts that are in the process of being audited.

Change in accounting policy

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010 (continued)

1. BASIS OF PREPARATION (continued)

AASB 101: Presentation of Financial Statements
The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Consolidated Entity has elected to present one statement.

AASB 7 / AASB 2009-2 Amendments to AASB 7 Financial Instruments Disclosure: Improving Disclosures about Financial Instruments
The amendments to AASB 7 expand the disclosures required in respect of fair value measurements and liquidity risk. This requires the Company to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

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

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

Critical accounting estimates and judgements

The preparation of this financial report requires the use of certain critical estimates based on historical knowledge and best available current information. Key judgements and estimates are outlined below.

(i) Private equity valuation

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

(ii) Impairment

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010 (continued)

2. PROFIT / (LOSS) FOR THE YEAR

		Consolidated July 2010 $ '000	Consolidated July 2009 $ '000
(a) Revenue:			
Sales revenue		**27,124**	21,722
Fully franked dividends:			
- other corporations		**1,586**	2,075
Unfranked dividends:			
- other corporations		**4**	39
Trust distributions		**226**	449
Interest income - notes		**-**	242
Interest income - third parties		**168**	278
Total revenue		**29,108**	24,805
(b) Other gains / (loss) :			
Gain / (loss) on disposal of listed investments		**229**	(1,523)
Gain on loss of control of subsidiary	(i)	**513**	-
Loss on disposal of fixed assets		**-**	(58)
Loss on disposal of private equity investment	(i)	**(228)**	-
Unrealised gain / (loss) on listed investments held for sale		**3,704**	(19,382)
Impairment loss on goodwill		**-**	(4,953)
Impairment loss on investments		**-**	(4,104)
Reversal of impairment loss on long term advances and receivables	(ii)	**935**	-
		5,153	(30,020)
Other income		**-**	88
Total other gains / (losses)		**5,153**	(29,932)
(c) Expenses:			
Cost of sales		**25,680**	22,439
Depreciation		**1,495**	1,449
Director Fees		**177**	177
Management fees		**2,143**	2,227
Professional fees		**350**	469
Administration expenses		**3,102**	5,092
Selling and marketing expenses		**2,167**	2,975
Bad and doubtful debt expense		**-**	138
Total Expenses		**35,114**	34,966

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010 (continued)

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

(i) Gain on disposal of private equity

As a result of a capital raising by SODA Brands Limited (SODA) during the period, Souls Private Equity Limited's shareholding in SODA was reduced from 50.3% to 47.9% as at 30 June 2010 and 25.1% as at 31 July 2010. From the date of this change in shareholding, SODA ceased to be accounted for as a subsidiary of SPEL. Under AASB 3 – Business Combinations, a loss of control is accounted for as a disposal of the subsidiary entity with any gain or loss on disposal recognised in the Statement of Comprehensive Income.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010 (continued)

3. INVESTMENTS IN SECURITIES

	Consolidated July 2010 $ '000	Consolidated July 2009 $ '000
Financial assets at fair value through profit and loss classified as held for trading listed securities at fair value:		
- Shares in corporations	**39,179**	37,075
Available for sale unlisted investments at fair value:		
- Shares in corporations	**-**	1,881
	39,179	38,956

4. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Movements during the period in equity accounted investment in associated entities are:

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010 (continued)

4. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

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

Beneficial Interest %

		July 2010	**July 2009**
Pitt Capital Partners Limited		25.00	25.00
Specialist Oncology Property Pty Ltd		31.45	31.45
Austgrains Pty Limited		48.00	48.00
Ampcontrol Pty Ltd		45.00	45.00
Supercorp Pty Ltd		30.21	30.21
Belaroma Coffee Pty Ltd		40.00	40.00
InterRISK Australia Pty Ltd		40.00	40.00
SODA Brands Limited	1	25.10	-

1 - As a result of a capital raising by SODA Brands Limited (SODA), on the 18th December 2009 and 7 July 2010, Souls Private Equity Limited's shareholding in SODA was reduced from 50.3% to 47.9% as at 30 June 2010 and 25.1% as at 31 July 2010. From the date of this change in shareholding, SODA ceased to be accounted for as a subsidiary of SPEL and is equity accounted as an associate entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010 (continued)

5. EARNINGS PER SHARE

	July 2010 No. ('000)	July 2009 No. ('000)
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**593,595,892**	593,528,455
Basic earnings per share (cents)	**0.08**	(3.79)
Diluted earnings per share (cents)	**0.08**	(3.79)

6. EQUITY SECURITIES

Movement in ordinary shares during the year to 31 July were:

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

Movement in listed options during the year to 31 July were:

	July 2010 Number of options	July 2009 Number of options
Beginning of the period	**73,725,203**	73,725,207
Share options exercised	**(184,181)**	(4)
Share options expired	**(73,704,493)**	-
Bonus share options issued	**74,194,755**	-
End of the period	**74,031,284**	73,725,203

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010 (continued)

6. EQUITY SECURITIES (continued)

Movement in unlisted options during the year to 31 July were:

	July 2010 Number of options	July 2009 Number of options
Beginning of the period	**4,880,000**	8,740,000
Share options expired	**(4,880,000)**	(3,860,000)
End of the period	**-**	4,880,000

7. DIVIDENDS

No dividends have been paid or proposed during the year (2009: Nil).

8. FINANCIAL REPORTING BY SEGMENTS

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

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

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

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

8. FINANCIAL REPORTING BY SEGMENTS (continued)

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

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

Accounting policies and inter-segment transactions

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010 (continued)

8. FINANCIAL REPORTING BY SEGMENTS (continued)

31 July 2010		Segment		
Segment Revenue	**Cromford**	**SME Investments**	**Other Investments**	**Total**
Revenue	26,516	629	1,963	29,108
Segment Results				
Results before non cash items	(3,521)	(37)	1,963	(1,595)
Equity accounted net profits	-	1,258	-	1,258
Unrealised asset revaluation	-	(118)	3,823	3,705
Gain on disposal of private equity	-	285	-	285
Reversal of impairment loss on long term receivables	-	935	-	935
Depreciation	(1,485)	(10)	-	(1,495)
Gain on disposal of shares	-	-	229	229
Segment operating profit / (loss)	(5,006)	2,313	6,015	3,322
Reconciliation of segment operating profit / (loss) to operating profit before tax				
Management fees				(2,143)
Corporate administration costs				(788)
Operating profit before tax				391

31 July 2010		Segment		
Assets	**Cromford**	**SME Investments**	**Other Investments**	**Total**
Segment assets	31,855	6,018	34,277	72,150
Equity accounted investments	-	44,974	-	44,974
Total segment assets	31,855	50,992	34,277	117,124
Reconciliation of segment assets to total assets				
Current tax assets				436
Deferred tax assets				7,057
Total assets				124,617

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010 (continued)

8. FINANCIAL REPORTING BY SEGMENTS (continued)

31 July 2010		**Segment**		
Liabilities	**Cromford**	**SME Investments**	**Other Investments**	**Total**
Segment liabilities	6,187	145	82	6,414
Reconciliation of segment liabilities to total liabilities				
Deferred tax liabilities				3,945
Total liabilities				10,359

31 July 2009		**Segment**		
Segment Revenue	**Cromford**	**SME Investments**	**Other Investments**	**Total**
Revenue	19,387	2,376	3,042	24,805
Segment Results				
Results before non cash items	(6,371)	(2,300)	3,043	(5,628)
Equity accounted net profits	-	7,978	-	7,978
Unrealised asset revaluation	-	(15,230)	(4,153)	(19,383)
Depreciation	(1,371)	(77)	-	(1,448)
Impairment loss on investments	-	(4,104)	-	(4,104)
Loss on disposal of shares	-	-	(1,523)	(1,523)
Impairment loss on goodwill	-	(4,953)	-	(4,953)
Segment operating loss	(7,742)	(18,686)	(2,633)	(29,061)
Reconciliation of segment operating profit / (loss) to operating profit before tax				
Management fees				(2,227)
Corporate administration costs				(890)
Operating profit before tax				(32,178)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010 (continued)**

8. FINANCIAL REPORTING BY SEGMENTS (continued)

31 July 2009		Segment		
Assets	**Cromford**	**SME Investments**	**Other Investments**	**Total**
Segment assets	26,023	8,634	36,150	70,807
Equity accounted investments	-	44,936	-	44,936
Total segment assets	26,023	53,570	36,150	115,743
Reconciliation of segment assets to total assets				
Current tax assets				786
Deferred tax assets				8,396
Total assets				124,925

31 July 2009		Segment		
Liabilities	**Cromford**	**SME Investments**	**Other Investments**	**Total**
Segment liabilities	4,389	1,301	134	5,824
Reconciliation of segment liabilities to total liabilities				
Deferred tax liabilities				5,324
Total liabilities				11,148

9. EVENTS SUBSEQUENT TO BALANCE DATE

There has been no event of which the directors are aware which has had a material effect on the consolidated entity or its financial position since balance date.

10. CONTINGENT LIABILITIES

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2010 (continued)

11. CONTROLLED ENTITIES ACQUIRED OR DISPOSED OF

As a result of a capital raising by SODA Brands Limited (SODA), on the 18th December 2009 and 7 July 2010, Souls Private Equity Limited's shareholding in SODA was reduced from 50.3% to 47.9% as at 30 June 2010 and 25.1% at 31 July 2010. From the date of this change in shareholding, SODA ceased to be accounted for as a subsidiary of SPEL. SODA is equity accounted as an associate at 31 July 2010.

No entity was acquired during the year ended 31 July 2010.