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# Souls Private Equity Limited

## **ASX Appendix 4D**

### **Interim Financial Report**

**31 January 2011**

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#### **Reporting Period**

The reporting period is the half-year ended 31 January 2011 with the previous corresponding period the half year ended 31 January 2010



## Souls Private Equity Limited Half Year ended 31 January 2011

### Results for Announcement to the Market

		% Change		\$ '000
<b>Revenue</b> from ordinary activities	Up	14.8%	to	14,488
<b>Profit</b> from ordinary activities after tax attributable to members	Down	202.4%	to	(2,357)
<b>Net profit</b> for the period attributable to members	Down	202.4%	to	(2,357)

The reported consolidated loss for the half-year ended 31 January 2011 was \$2,357,000 (2010: profit of \$2,301,000).

Refer to the Investment Manager's Report contained in the attached Souls Private Equity Limited 31 January 2011 Half-Year Report for further information on the operating result.

No dividends/distributions were declared or paid during or subsequent to the half-year ended 31 January 2011. (2010: Nil)

#### NTA Backing

	31/01/2011	31/01/2010
Net tangible asset backing per ordinary share after tax	17.6 cents	18.4 cents

#### Controlled entities acquired or disposed of

No entity was acquired or disposed during the half-year ended 31 January 2011.

#### Review

This report is based on accounts which have been reviewed.

Refer attached Souls Private Equity Limited 31 January 2011 Half-Year Report for complete review report.



## Souls Private Equity Limited Half Year ended 31 January 2011

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### Investment Manager's Report for the half year ended 31 January 2011

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Souls Private Equity Limited (SPEL) recorded a net loss after tax for the six months ended 31 January 2011 of \$2.4 million compared to a profit of \$2.3 million for the previous corresponding period. The main highlights for the period include:

- Share of associates earnings of \$2.0 million, an increase of 18% from the prior corresponding period;
- Dividends and distributions received from the listed share portfolio of \$1.0 million;
- A decision has been made to invest in additional capacity in both the pipe and film divisions of Cromford which should lead to improved operating results; and
- Realised and unrealised loss on the listed share portfolio of \$0.5 million (profit \$3.9 million in 2010).

The fund received \$1.3 million in dividends from its SME investments during the first half of the 2011 financial year.

Liquid assets at 31 January 2011 were \$29.2 million, which equates to 4.9 cents per share. Net assets at the end of the reporting period were \$111.9 million. The balance sheet remains strong with nil debt. The table below summarises the balance sheet on a segmented basis.

Segmented net assets	31-Jan-11		31-Jul-10	
	\$ millions	%	\$ millions	%
SME investment portfolio *	77.9	69.6%	75.0	65.6%
Listed share portfolio	28.1	25.1%	33.3	29.1%
Cash and cash equivalents **	1.1	1.0%	0.9	0.8%
Other net assets and eliminations	4.8	4.3%	5.1	4.5%
<b>Totals</b>	<b>111.9</b>	<b>100.0%</b>	<b>114.3</b>	<b>100.0%</b>

\* SME portfolio includes net assets of Cromford Group Pty Ltd

\*\* Does not include cash held by investee companies

### **SME Investment Portfolio (Unlisted and Listed)**

Additional "follow on" funding of \$4.9 million has been provided to Cromford during the first six months of the year to support the expansion of the Pipe and Film divisions. No new SME investments were made during the first six months of the 2011 financial year. We continue to review a steady flow of potential investment opportunities.

The largest two SME investments on a book value basis are Ampcontrol and Cromford. Together these two assets represent 70% of the SME investment portfolio.



## Souls Private Equity Limited Half Year ended 31 January 2011

### Investment Manager's Report for the half year ended 31 January 2011 (continued)

The table below highlights the Group's balance sheet on a per share basis.

	Acquisition Cost	Financial Year Invested	Book value at 31 Jan 2010 \$M	cents per share	Accounting Method
<b>SME investments</b>					
Ampcontrol	11.5	2006	28.1	4.7	Equity accounted
Cromford Group *	50.2	2005	26.8	4.5	Consolidated
Pitt Capital Partners	5.9	2005	5.8	1.0	Equity accounted
CBD Energy	2.9	2007	2.2	0.4	Marked to market
Austrains	2.9	2005	0.8	0.1	Equity accounted
CMA Corporation	12.0	2007	3.1	0.5	Marked to market
Supercorp Australia	3.6	2007	2.5	0.4	Equity accounted
Belaroma Coffee	3.0	2006	2.7	0.5	Equity accounted
InterRisk Australia	2.1	2005	2.6	0.4	Equity accounted
Specialist Oncology Property	1.6	2005	2.2	0.4	Equity accounted
Heritage Brands	7.4	2005	1.1	0.2	Equity accounted
<b>Total SME investments</b>	<b>103.1</b>		<b>77.9</b>	<b>13.1</b>	
<b>Listed share portfolio</b>	<b>27.8</b>		<b>28.1</b>	<b>4.7</b>	Marked to market
<b>Cash **</b>			<b>1.1</b>	<b>0.2</b>	Actual
<b>Other net assets</b>			<b>4.8</b>	<b>0.8</b>	Actual
<b>Total net assets</b>			<b>111.9</b>	<b>18.8</b>	

\* Cromford Group acquisition cost represents the cost of the original equity investment plus loans provided to Cromford Group since the date of acquisition. Deemed book value is calculated as the original cost plus/minus the movement in the net assets since the date of acquisition.

\*\* Does not include cash held by investees

### Ampcontrol

Ampcontrol is an international supplier of electrical and electronic products to the Power, Energy and Mining sectors. The company was established in 1968 and operates 18 sites Australia wide, six internationally, in China, Hong Kong, New Zealand, Russia, South Africa and the United Kingdom, and employs more than 800 skilled people.

The Ampcontrol business operates three divisions:

**Power** - The Power Division is a world class designer and manufacturer of high voltage, high current and hazardous area products to chosen market sectors.

**Electronics** - The Electronics Division delivers innovative solutions and proven in-service products through leading edge research and development for all electrical components and systems.

**Service** - The Service Division provides both workshop and field service to support customer requirements and provide application assistance to improve customer's overall operation.



## Souls Private Equity Limited Half Year ended 31 January 2011

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### Investment Manager's Report for the half year ended 31 January 2011 (continued)

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Ampcontrol is 45% owned and therefore equity accounted by SPEL. For the first half of FY10 Ampcontrol reported an EBITDA (earnings before interest, taxation, depreciation and amortisation) of \$13.4 million (2009: \$10.9 million) and revenues of \$92.4 million (2009: \$83.4 million). SPEL's book value of Ampcontrol as at 31 December 2010 was \$28.1 million (FY10: \$25.4 million).

Reflecting a post Global Financial Crisis recovery in investment by the coal mining industry, Ampcontrol's outstanding order book grew in the last quarter of 2010 to \$97 million. Strong growth in orders is anticipated to continue in the period to June 2011.

#### **Cromford**

Cromford is 100% owned by SPEL and its book value at the half year was \$26.8 million.

Cromford operates two divisions – the plastic film division and the plastic pipe division. The first half of the 2011 financial year saw a continuation of the difficult trading conditions in the pipe industry. Lower volumes across the industry created margin pressure. During the period Cromford took the strategic decision to increase its capacity at its Moss Vale site with the ordering of a new PE Pipe line which will produce larger diameter pipe and service larger infrastructure projects.

The continued losses in Cromford are reflective of the weak industry demand for pipe due to an unprecedented slowdown in the commencement of infrastructure projects by Government and the mining sectors. This has been evident across the industry, however, towards the end of the half year, the industry was showing signs of recovery. The new line, once commissioned, will service the increased demand. Other capital expenditure has focused on increasing the efficiency of the plant, including the installation of equipment to recycle waste pipe into feedstock for new pipes.

The outlook for pipe is stronger with the commencement of large infrastructure projects, in particular in the mining sector.

The order demand for film products resulted in the recommissioning of a second film production line at the company's Pendle Hill property. The outlook for the film division has improved due to a significant pick-up in home building activity, although the high AUD has resulted in greater competition from importers.

#### **Supercorp**

Supercorp is a supplier of integrated financial services and superannuation fund administration software. Trading conditions have been difficult in the six months to 31 December 2010 with a net loss of \$417,000 for the period.

Subsequent to 31 December 2010, Supercorp has signed a major contract with a financial institution for its superMate software which is in part anticipated to result in a positive operating result to 30 June 2011.



## Souls Private Equity Limited Half Year ended 31 January 2011

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### Investment Manager's Report for the half year ended 31 January 2011 (continued)

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#### **Listed Share Portfolio**

The market value of the listed portfolio (excluding listed SME investments) decreased in value by \$5.2 million during the period primarily as a result of disposals of stocks to fund additional investment activity. Unrealised gains of \$0.2 million were made on the remaining unsold stocks.

Dividends and distributions received from the listed share portfolio during the period totalled \$1.0 million. The disposals during the year included Telstra Corporation, Fairfax Media and Transurban Group Triple Stapled Securities. The table below summarises the listed share portfolio as at 31 January 2011.

<b>Listed share portfolio (excluding listed SMEs) as at 31 January 2011</b>	<b>Book Value</b>	
	<b>31-Jan-11 \$ millions</b>	<b>31-Jul-10 \$ millions</b>
Commonwealth Bank of Australia	10.1	10.1
Australia & New Zealand Banking Group	5.3	5.2
Telstra Corporation *	3.5	6.8
Wesfarmers	2.5	2.3
BHP Billiton	2.2	2.0
Coca Cola Amatil	1.7	1.7
Westfield Group	1.2	1.5
Suncorp-Metway	0.9	0.8
Bravura Solutions	0.4	0.2
Westfield Retail Trust	0.3	-
Fairfax Media *	-	0.6
Transurban Group Triple Stapled Securities *	-	2.1
<b>Totals</b>	<b>28.1</b>	<b>33.3</b>

\* Disposals totalling \$5.4 million were made from these stocks in the period under review



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INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 JANUARY 2011

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## **Souls Private Equity Limited Half Year ended 31 January 2011**

### **CORPORATE DIRECTORY**

#### **Directors**

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

#### **Company Secretary**

Richard Pillinger

#### **Registered Office**

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

Postal Address:  
GPO Box 5015  
Sydney NSW 2001

#### **Auditors**

Grant Thornton Audit Pty Ltd  
Level 17  
383 Kent Street  
Sydney 2000

#### **Investment Manager**

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

#### **Share Registry**

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

#### **Australian Securities Exchange Code**

Ordinary Shares	SOE
Listed Options	SOEOA





## Souls Private Equity Limited Half Year ended 31 January 2011

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### **DIRECTORS' REPORT**

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The directors of Souls Private Equity Limited present the following report of the consolidated entity for the half-year ended 31 January 2011.

#### **1. Directors**

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

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

#### **2. Review of operations and results**

The consolidated loss for the half year ending 31 January 2011 was \$2.36 million as compared to a profit of \$2.30 million for the previous corresponding period. Please refer to Investment Manager's Report on pages 3 - 6.

#### **3. Significant changes in the state of affairs**

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

#### **4. Rounding**

The amounts contained in this report and in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the consolidated entity under ASIC Class Order 98/0100. The consolidated entity is an entity to which the Class Order applies.

#### **5. Events subsequent to balance date**

During February and March 2011, an additional investment of \$1,171,000, by way of a loan, was provided by the Company to Cromford Pty Limited.

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



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**DIRECTORS' REPORT continued**

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**6. Auditor's independence declaration**

The lead auditor's independence declaration as required under section 307(c) of the Corporations Act 2001 for the period ended 31 January 2011 is set out on page 26.

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

A handwritten signature in black ink, appearing to be "R. Millner", written over a horizontal line.

**Robert D Millner**  
**Chairman**

**Sydney 18 March 2011**



**Souls Private Equity Limited**  
**Half Year ended 31 January 2011**

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2011**

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	Notes	Consolidated Entity	
		January 2011 \$ '000	January 2010 \$ '000
Revenue	2 (a)	<b>14,488</b>	12,621
Other (losses) / gains	2 (b)	<b>(496)</b>	4,919
Expenses	2 (c)	<b>(18,637)</b>	(16,120)
Finance costs		<b>(11)</b>	(9)
Share of net profits of associates accounted for using the equity method	4	<b>1,968</b>	1,696
(Loss) / Profit before income tax benefit		<b>(2,688)</b>	3,107
Income tax benefit / (expense)		<b>331</b>	(806)
(Loss) / Profit after income tax benefit		<b>(2,357)</b>	2,301
Other comprehensive income		-	-
Total comprehensive (loss) / income for the period		<b>(2,357)</b>	2,301
Total comprehensive (loss) / income attributable to:			
Owners of the parent		<b>(2,357)</b>	2,301
Non-controlling interests		-	-
		<b>(2,357)</b>	2,301
<b>Basic (loss) / earnings per share (cents)</b>		<b>(0.40)</b>	0.39
<b>Diluted (loss) / earnings per share (cents)</b>		<b>(0.40)</b>	0.39

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



**Souls Private Equity Limited**  
**Half Year ended 31 January 2011**

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 JANUARY 2011**

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	Notes	Consolidated Entity	
		January 2011	July 2010
		\$ '000	\$ '000
<b>ASSETS</b>			
Cash and cash equivalents		1,575	883
Trade and other receivables		5,738	6,504
Current tax assets		-	436
Investments in securities	3	33,619	39,179
Inventories		5,671	6,773
Prepayments		252	312
Property, plant & equipment		18,181	17,864
Investments accounted for using the equity method	4	45,646	44,974
Other long term receivables		1,388	635
Deferred tax assets		7,590	7,057
<b>TOTAL ASSETS</b>		<b>119,660</b>	<b>124,617</b>
<b>LIABILITIES</b>			
Trade and other payables		3,051	5,918
Employee benefits		560	496
Deferred tax liabilities		4,147	3,945
<b>TOTAL LIABILITIES</b>		<b>7,758</b>	<b>10,359</b>
<b>NET ASSETS</b>		<b>111,902</b>	<b>114,258</b>
<b>SHAREHOLDERS' EQUITY</b>			
Issued capital		144,909	144,908
Reserves		63	63
Accumulated losses		(33,070)	(30,713)
<b>TOTAL EQUITY</b>		<b>111,902</b>	<b>114,258</b>

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



**Souls Private Equity Limited**  
**Half Year ended 31 January 2011**

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2011**

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<b>CONSOLIDATED ENTITY</b>	<b>Share Capital \$ '000</b>	<b>Reserves \$ '000</b>	<b>Retained Earnings \$ '000</b>	<b>Total Equity \$ '000</b>
<b>Total equity at 1 August 2009</b>	144,928	54	(31,205)	113,777
Issue of shares, net of costs	7	-	-	7
Change on loss of control of controlled entity	-	9	-	9
Total comprehensive income for the period	-	-	2,301	2,301
<b>Total equity at 31 January 2010</b>	<b>144,935</b>	<b>63</b>	<b>(28,904)</b>	<b>116,094</b>
<b>Total equity at 1 August 2010</b>	<b>144,908</b>	<b>63</b>	<b>(30,713)</b>	<b>114,258</b>
Issue of shares, net of cost	1	-	-	1
Total comprehensive income for the period	-	-	(2,357)	(2,357)
<b>Total equity at 31 January 2011</b>	<b>144,909</b>	<b>63</b>	<b>(33,070)</b>	<b>111,902</b>

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



**Souls Private Equity Limited**  
**Half Year ended 31 January 2011**

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**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2011**

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	<b>Consolidated Entity</b>	
	<b>January 2011</b>	<b>January 2010</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	15,524	12,042
Payments to suppliers and employees	(20,788)	(16,419)
Proceeds from sale of listed investments	5,054	-
Dividends and distributions received	970	904
Income tax refunded / (paid)	436	308
Finance costs	(11)	(9)
Interest received	90	106
Net cash inflow / (outflow) from operating activities	<b>1,275</b>	<b>(3,068)</b>
<b>Cash flows from investing activities</b>		
Payments for associated entities	-	(1,840)
Dividends received from associated entities	1,296	1,649
Payments for property, plant and equipment	(1,127)	(625)
Proceeds from sale of associate entities	-	901
Proceeds from sale of unlisted investments	-	1,653
Loans to other entities	(753)	-
Loans repaid from other entities	-	1,300
Net cash (outflow) / inflow from investing activities	<b>(584)</b>	<b>3,038</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares net of costs	1	7
Net cash inflow from financing activities	<b>1</b>	<b>7</b>
Net increase / (decrease) in cash held	<b>692</b>	<b>(23)</b>
Cash and cash equivalents at the beginning of the period	<b>883</b>	<b>2,966</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,575</b>	<b>2,943</b>

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



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2011**

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**1. BASIS OF PREPARATION**

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Souls Private Equity Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 31 July 2010 and any public announcements made by Souls Private Equity Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

**Reporting Basis and Conventions**

This half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

**Change in accounting policy**

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

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



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2011 (continued)**

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**1. BASIS OF PREPARATION (continued)**

**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.





**Souls Private Equity Limited**  
**Half Year ended 31 January 2011**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2011 (continued)**

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

	<b>Consolidated</b>	
	<b>January 2011</b>	<b>January 2010</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>(a) Revenue:</b>		
Sales revenue	<b>13,437</b>	11,610
Fully franked dividends:		
- other corporations	<b>921</b>	792
Trust distributions	<b>40</b>	113
Interest income - third parties	<b>90</b>	106
 Total revenue	<b>14,488</b>	12,621
 <b>(b) Other (loss) / gains:</b>		
Loss on disposal of listed investments	<b>(339)</b>	-
Gain on loss of control of subsidiary (i)	-	513
Loss on disposal of private equity investment (i)	-	(228)
Unrealised (loss) / gain on listed investments held for sale	<b>(167)</b>	3,733
Reversal of impairment loss on long term advances and receivables (ii)	-	901
	<b>(506)</b>	4,919
 Other income	<b>10</b>	-
 Total other (losses) / gains	<b>(496)</b>	4,919
 <b>(c) Expenses:</b>		
Cost of sales	<b>13,503</b>	11,342
Depreciation	<b>810</b>	693
Director Fees	<b>89</b>	89
Management fees	<b>1,060</b>	1,100
Professional fees	<b>116</b>	227
Administration expenses	<b>1,724</b>	1,659
Selling and marketing expenses	<b>1,310</b>	1,010
Bad and doubtful debt expense	<b>25</b>	-
 Total Expenses	<b>18,637</b>	16,120



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2011 (continued)**

**3. INVESTMENTS IN SECURITIES**

	January 2011 \$ '000	July 2010 \$ '000
Financial assets at fair value through profit and loss classified as held for trading listed securities at fair value:		
- Shares in corporations	33,619	39,179
	33,619	39,179

**4. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

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

	Carrying value at 31 July 10 \$ '000	Transfers / Additions / (Disposal) \$ '000	Share of profit / (loss) \$ '000	Impairment \$ '000	Dividend Received \$ '000	Carrying value at 31 Dec 10 \$ '000
<b>2011</b>						
Pitt Capital Partners Limited	6,649	-	11	-	(900)	5,760
Specialist Oncology Property Pty Ltd	2,109	-	160	-	(81)	2,188
Austgrains Pty Limited	921	-	(164)	-	-	757
Ampcontrol Pty Ltd	26,235	-	2,191	-	(315)	28,111
Supercorp Pty Ltd	2,585	-	(126)	-	-	2,459
Belaroma Coffee Pty Ltd	2,502	-	196	-	-	2,698
InterRISK Australia Pty Ltd	2,975	-	(387)	-	-	2,588
Heritage Brands Limited	998	-	87	-	-	1,085
<b>Total</b>	<b>44,974</b>	<b>-</b>	<b>1,968</b>	<b>-</b>	<b>(1,296)</b>	<b>45,646</b>




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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2011 (continued)**

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**4. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)**

	<b>Beneficial Interest %</b>	
	<b>Jan 2011</b>	<b>Jul 2010</b>
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
Heritage Brands Limited <sup>1</sup>	25.10	25.10

1 - Heritage Brands Limited was formerly known as SODA Brands Limited.

The following table shows a summarised presentation of SPEL's share of the net assets and revenue of associates based on the beneficial interest in the above companies.

	<b>January 2011</b>	<b>January 2010</b>
	<b>\$'000</b>	<b>\$'000</b>
Share of net assets	<b>36,985</b>	38,814
Share of revenues	<b>55,661</b>	52,025



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2011 (continued)**

**5. EARNINGS PER SHARE**

	January 2011 No. ('000)	January 2010 No. ('000)
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	<u>593,713,265</u>	<u>593,536,466</u>
<b>Basic earnings per share (cents)</b>	<b>(0.40)</b>	0.39
<b>Diluted earnings per share (cents)</b>	<b>(0.40)</b>	0.39

**6. EQUITY SECURITIES**

Movement in ordinary shares during the half year to 31 January were:

	January 2011		January 2010	
	Number of Shares	\$'000	Number of Shares	\$'000
(a) Movement in ordinary shares				
Balance at the beginning of the period	593,712,636	144,908	593,528,455	144,928
Issued during the period				
- share options exercised (\$0.20 per option)	5,310	1	20,710	7
Balance at the end of the period	<u>593,717,946</u>	<u>144,909</u>	<u>593,549,165</u>	<u>144,935</u>

Movement in listed options during the half year to 31 January were:

	January 2011 Number of options	January 2010 Number of options
Beginning of the period	74,031,284	73,725,203
Share options exercised	(5,310)	(20,710)
Share options expired	-	(73,704,493)
End of the period	<u>74,025,974</u>	-



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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2011 (continued)**

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**6. EQUITY SECURITIES (continued)**

Movement in unlisted options during the half year to 31 January were:

	<b>January 2011</b>	<b>January 2010</b>
	<b>Number of</b>	<b>Number of</b>
	<b>options</b>	<b>options</b>
Beginning of the period	-	4,880,000
Share options expired	-	(4,880,000)
End of the period	<u>-</u>	<u>-</u>

**7. DIVIDENDS**

No dividends have been paid or proposed during the half year (2010: Nil).

**8. RELATED PARTY TRANSACTIONS**

Arrangements with related parties continue to be in place and there have been no significant changes in these arrangements since 31 July 2010. For details on these arrangements, refer to the 31 July 2010 annual financial report.

**9. 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.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2011 (continued)**

**9. 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 half-years ended 31 January 2011 and the relevant previous corresponding periods.

**31 January 2011**

<b>Segment Revenue</b>	<b>Cromford</b>	<b>Segment</b>		<b>Total</b>
		<b>SME Investments</b>	<b>Other Investments</b>	
Revenue	13,455	2	1,031	14,488
<b>Segment Results</b>				
Results before non cash items	(2,966)	(8)	1,040	(1,934)
Equity accounted net profits	-	1,968	-	1,968
Unrealised asset revaluation	-	(119)	(48)	(167)
Depreciation	(810)	-	-	(810)
Loss on disposal of shares	-	-	(339)	(339)
Bad and doubtful debt expense	(25)	-	-	(25)
<b>Segment operating profit / (loss)</b>	<b>(3,801)</b>	<b>1,841</b>	<b>653</b>	<b>(1,307)</b>

**Reconciliation of segment operating profit / (loss) to operating profit before tax**

Management fees	(1,060)
Corporate administration costs	(321)
Operating profit before tax	<u>(2,688)</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2011 (continued)**

**9. FINANCIAL REPORTING BY SEGMENTS (continued)**

31 January 2011

Assets	Cromford	Segment		Total
		SME Investments	Other Investments	
Segment assets	30,152	5,602	30,670	66,424
Equity accounted investments	-	45,646	-	45,646
<b>Total segment assets</b>	<b>30,152</b>	<b>51,248</b>	<b>30,670</b>	<b>112,070</b>

**Reconciliation of segment assets to total assets**

Deferred tax assets	7,590
<b>Total assets</b>	<b>119,660</b>

31 January 2010

Segment Revenue	Cromford	Segment		Total
		SME Investments	Other Investments	
Revenue	10,995	625	1,001	12,621

**Segment Results**

Results before non cash items	(2,241)	(36)	1,002	(1,275)
Equity accounted net profits	-	1,696	-	1,696
Gain on disposal of assets	-	-	-	-
Unrealised asset revaluation	-	(118)	3,851	3,733
Gain on disposal of private equity	-	285	-	285
Reversal of impairment loss on long term receivables	-	901	-	901
Depreciation	(683)	(10)	-	(693)
<b>Segment operating loss</b>	<b>(2,924)</b>	<b>2,718</b>	<b>4,853</b>	<b>4,647</b>

**Reconciliation of segment operating profit**

Management fees	(1,100)
Corporate administration costs	(440)
<b>Operating profit before tax</b>	<b>3,107</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 JANUARY 2011 (continued)**

**9. FINANCIAL REPORTING BY SEGMENTS (continued)**

31 July 2010

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

**10. EVENTS SUBSEQUENT TO BALANCE DATE**

During February and March 2011, an additional investment of \$1,171,000 by way of a loan, was provided by the Company to Cromford Pty Limited.

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

**11. 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. As at balance date, this facility has been drawn down in excess of \$6,000,000, however, all covenants had been complied with at that time.





## **Souls Private Equity Limited Half Year ended 31 January 2011**

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### **DIRECTORS' DECLARATION**

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In accordance with a resolution of the directors of Souls Private Equity Limited, the directors declare that:

1. The financial statements and notes as set out on pages 11 to 24
  - (a) give a true and fair view of the consolidated entity's financial position as at 31 January 2011 and of its performance for the half year ended on that date, and
  - (b) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink, appearing to read "Robert D Millner", written over a horizontal line.

**Robert D Millner**  
**Director**

**Sydney**

**18 March 2011**

Grant Thornton Audit Pty Ltd  
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**Auditor's Independence Declaration  
To The Directors of Souls Private Equity Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Souls Private Equity Limited for the half-year ended 31 January 2011, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



A G Rigele  
Director - Audit & Assurance

Sydney, 18 March 2011

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

We have reviewed the accompanying half-year financial report of Souls Private Equity Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### **Directors' responsibility for the half-year financial report**

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 January 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Souls Private Equity Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

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

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Souls Private Equity Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 January 2011 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



A G Rigele  
Director - Audit & Assurance

Sydney, 18 March 2011