SOUTHERN EQUITY HOLDINGS LIMITED

ABN 48 008 031 034

ANNUAL REPORT

30 JUNE 2003

CORPORATE DIRECTORY

DIRECTORS

Colin J Barboutis (Chairman)
Gary C Castledine
James R W Hayward

SECRETARY

Neville J Bassett

REGISTERED OFFICE

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Perth WA 6000

PRINCIPAL OFFICE

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AUDITORS

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AUSTRALIAN STOCK EXCHANGE

Southern Equity Holdings Limited shares (SEQ) are listed on the Australian Stock Exchange Limited

CORPORATE MATTERS

The result for the year ended 30 June 2003 was a loss of $254,818 (2002: $737,100).

During the year a number of potential projects and investment prospects were considered with varying levels of due diligence conducted. When considered necessary, the Company has commissioned independent parties to undertake the due diligence reviews. With the exception of the proposed merger detailed below, projects reviewed during the year were either not considered appropriate for the Company or had not satisfied the necessary acceptance following due diligence.

On 22 November 2002 the Company announced that a letter of intent had been entered into for a proposed merger with Alchemist Healthcare Limited ("Alchemist"), a public unlisted company. To effect the merger, on 25 February 2003, the Company announced its intention to make an all scrip takeover bid for certain securities on issue in Alchemist. The bid was subject to several conditions.

On 10 April 2003 the Company announced that it had been notified by the Board of Alchemist that the bid condition relating to completion of the two acquisition agreements could no longer be fulfilled as one of the acquisition agreements would not be completed on its terms.

The Directors of Company determined not to waive the condition. Consequently, the proposed bid was withdrawn.

The Company's securities were suspended from quotation at its request in January 2001 as it intended changing its activities. The Company expects to remain suspended until it has made an appropriate investment or investments such that its level of operations is sufficient for ASX to lift the suspension. The Company expects the suspension to be lifted at that time.

The Company will continue to actively seek potential acquisitions to achieve re-quotation of the Company's securities. The Directors remain committed to making an appropriate investment to provide positive cash flow for the Company into the future and to this end are continually examining opportunities as they arise. The terms of such an investment would involve substantial dilution of the interests of existing shareholders through the issue of new shares as consideration for the business or assets acquired. The Directors are confident of finding a suitable investment in the near future.

During the year the Company completed new capital raisings of $335,000 (before expenses of the issue) and issued new shares on conversion of a converting financial instrument held at 30 June 2002. Particulars of the new issues made during the year are outlined in note 12.

DIRECTORS

The directors in office during the financial year and at the date of this report are as follows:

	Special Responsibilities in Parent Entity	Relevant Interest in Securities of Parent Entity	
Colin J Barboutis	Chairman	628,283	ordinary shares
Gary C Castledine	Non-Executive Director	647,741	ordinary shares
James R W Hayward	Non-Executive Director	3,956,635	ordinary shares
David W King (Resigned 24 October 2002)	Non-Executive Director		

Directors were in office from the beginning of the financial year until the date of this report unless otherwise stated.

The particulars of the qualifications, experience and special responsibilities of each director are as follows:

Colin Barboutis (Chairman)

Mr Barboutis was appointed a director on 11 December 2001. He has been involved in the finance and stockbroking industries for over 10 years, providing corporate advisory and private client services. Mr Barboutis is a Commissioner of Declarations and holds a Real Estate Licence (Perth), having worked in the real estate industry for a period of 4 years. He is a director of Greater Pacific Gold Limited.

Gary Castledine

Mr Castledine was appointed a director on 11 December 2001. Mr Castledine is a private client adviser with a national stockbroking firm and has many years experience of providing advice on corporate transactions to both investors and corporates.

James Hayward – LL.B, MBA (Cornell), FAICD

Mr Hayward was appointed a director on 1 December 1998. Mr Hayward is a merchant banker with many years experience in corporate mergers, acquisitions, divestitures, reconstructions and proxy contests both in Australia and the United States. Mr Hayward has been a director of various other listed public companies.

David King – BSc (Hons 1), MSc, PhD (Seismology), FAICD

.Dr King was appointed a director on 1 December 1998 and resigned on 20 October 2002. Dr King has been chief executive and director of listed public companies for over 10 years.

PRINCIPAL ACTIVITIES

The principal continuing activities during the year of entities within the consolidated entity was the investigation and pursuit of investment opportunities.

REVIEW OF OPERATIONS

A review of operations for the financial year and the results of those operations are contained within the Company Review.

CONSOLIDATED RESULTS

	2003	2002
	$	$
Consolidated loss after income tax for the financial year	(254,818)	(737,100)

DIVIDENDS

No dividends were paid during the year and no recommendation is made as to dividends.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year were as detailed in the Company Review.

In the opinion of the directors, there were no other significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not otherwise disclosed in this report or in the consolidated accounts.

EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year under review and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to significantly affect the operations of the consolidated entity, in subsequent financial years, other than as detailed in the Company Review.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company continues to search for a suitable investment or investments. Material about likely developments in the operations of the consolidated entity has not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

MEETINGS OF DIRECTORS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Board of Directors	
	Held	**Attended**
C Barboutis	13	13
G Castledine	13	13
J Hayward	13	13
D King	4	4

The Audit Committee did not meet separately during the year, but its business was carried out as part of meetings of the board.

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

Individual directors advise the board on remuneration policies and practices generally, and having regard to comparative information, performance and independent expert advice where appropriate, periodically review the level of directors' emoluments.

The board determines the level of directors fees within the maximum aggregate amount approved by the shareholders from time to time, currently $150,000 per year. Directors' fees of $1,000 per month per director are payable from 1 August 2002.

Mr Hayward and/or firms related to him are paid at the rate of $50,000 per annum to provide consulting services to the Company on a full time basis. Effective from 1 August 2002, consulting fees are also payable to companies associated with Messrs Barboutis and Castledine at the rate of $2,500 per month per director.

The chairman makes specific recommendations on remuneration packages and other terms of employment for executives. These are set at levels intended to attract and retain executives capable of managing the consolidated entity's operations and affairs. Due to the nature of the Company's operations, there are currently no executives.

Details of the nature and amount of each element of the emoluments of each director and executive officer of the Company during the year are set out below.

Emoluments of directors of Southern Equity Holdings Limited

	Annual Emoluments		**Long Term Emoluments**	
	Base Fee	Other	Superannuation	Other
	$	$	$	$
C Barboutis	38,500	-	-	-
G Castledine	38,500	-	-	-
J Hayward	61,000	-	-	-
D King	-	-	-	-

Emoluments of the five most highly paid executive officers of the company and the consolidated entity

The consolidated entity does not have any full time executive officers, other than directors as detailed above.

DIRECTORS AND AUDITORS INDEMNIFICATION

The company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or a related body corporate:

(a) indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses of successfully defending legal proceedings; or

(b) paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

SHARE OPTIONS

At the date of this report there were no unissued ordinary shares for which options were outstanding.

ENVIRONMENTAL REGULATIONS

The Company is not currently subject to any specific environmental regulation. There have not been any known significant breaches of any environmental regulations during the year under review and up until the date of this report.

LEGAL PROCEEDINGS

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of directors.

C J Barboutis
Director

Perth, 30 September 2003

The board is responsible for the overall corporate governance of the consolidated entity including strategic direction, confirming financial objectives, establishing and monitoring the achievement of targets, and reporting to shareholders. This statement sets out the main corporate governance practices that were in operation throughout the financial year, except where otherwise indicated.

Board of Directors

The majority of directors are non-executive directors, ensuring issues are resolved with independence and objectivity. Further details concerning individual directors are set out in the Directors' Report in this Annual Report.

The Company's constitution requires at least one third of the directors (excluding any managing director) to retire from office at the AGM. Such retiring directors may be eligible for re-election. The retirement age for directors as fixed by the Corporations Act is 72 years of age. The Company does not presently have a managing director.

The board is responsible for reviewing and setting the remuneration of all directors. This is done by reference to external consultants and remuneration paid to non-executive directors of similar listed companies.

Independent Professional Advice

Subject to the prior approval of the chairman, each director has the right to seek independent professional advice in furtherance of their duties, at the Company's expense, concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

Identifying and Managing Business Risks

The board has in place various arrangements to identify and manage areas of business risks. These include the use of board committees, procedures involving extensive due diligence before entering new investment opportunities, detailed and regular budgetary, financial and management reporting, and the use of external advisers.

The board is responsible for the Company's system of internal controls.

The board monitors the operational and financial aspects of the Company's activities and, through the Audit Committee, the board considers the recommendations and advice of external auditors and other external advisers on the operational and financial risks that face the Company.

Audit Committee

The Audit Committee consists of at least two non-executive directors of the Company. The current members of the Audit Committee are Mr Barboutis and Mr Castledine. Mr Bassett is secretary to the committee. The Audit Committee provides a forum for the effective communication between the board and external auditors. The responsibilities of the Audit Committee include:

- reviewing external audit reports to ensure any major deficiencies in controls or procedures are identified and prompt remedial action is taken;
- liaising with external auditors and ensuring that the annual statutory audit and half-year review are conducted in an effective manner;
- reviewing internal controls;
- reviewing annual and half-yearly financial reports prior to their approval by the board;
- monitoring compliance with policies, controls and accounting standards.

Ethical Standards

The Company's board and management pursue its objective of being a responsible corporate citizen by promoting high standards of corporate governance, ethics and conduct. This extends to such matters as responsibilities to shareholders and the community as well as relations with suppliers, financiers and the investment community at large.

STATEMENT OF FINANCIAL PERFORMANCE
YEAR ENDED 30 JUNE 2003

		Consolidated		Parent Entity	
	Note	2003 $	2002 $	2003 $	2002 $
Revenues from Ordinary Activities	2	**2,698**	131,540	**2,698**	56,540
Cost of sale of investments		**-**	(50,000)	**-**	(50,000)
Administration & operating expenses	3	**(219,449)**	(395,791)	**(13,690)**	(40,838)
Occupancy costs		**(10,830)**	(20,404)	**-**	-
Capital rasing costs					
– successful raisings		**-**	(33,348)	**-**	(33,348)
– unsuccessful raisings		**-**	(364,547)	**-**	-
Borrowing costs		**(27,237)**	(13,660)	**(27,237)**	(13,660)
Litigation costs		**-**	(110,890	**-**	-
Doubtful debts expenses		**-**	120,000	**(486,690)**	(697,364)
Loss from Ordinary Activities before Income Tax Expense		**(254,818)**	(737,100)	**(524,919)**	(778,670)
Income tax expense relating to ordinary activities	4	**-**	-	**-**	-
Loss from Ordinary Activities after Income Tax Expense		**(254,818)**	(737,100)	**(524,919)**	(778,670)
Total changes in equity other than those resulting from transactions with owners as owners	13	**(254,818)**	(737,100)	**(524,919)**	(778,670)
		Cents	Cents		
Basic earnings per share	14	**(2.2)**	(9.3)		
Diluted earnings per share	14	**(1.7)**	(7.9)		

The above statement of financial performance should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2003

	Note	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
CURRENT ASSETS					
Cash assets	5	**30,622**	95,440	**29,988**	94,806
Receivables	6	**110,992**	127,907	**296**	120,314
TOTAL CURRENT ASSETS		**141,614**	223,347	**30,284**	215,120
NON-CURRENT ASSETS					
Other financial assets	7	**-**	-	**16**	16
Property, plant and equipment	8	**2,296**	5,026	**-**	-
TOTAL NON-CURRENT ASSETS		**2,296**	5,026	**16**	16
TOTAL ASSETS		**143,910**	228,373	**30,300**	215,136
CURRENT LIABILITIES					
Borrowings	9	**200,000**	200,000	**200,000**	200,000
Payables	10	**169,054**	250,011	**41,897**	32,564
Provisions – employee entitlements	11	**-**	79,438	**-**	
TOTAL CURRENT LIABILITIES		**369,054**	529,449	**241,897**	232,564
TOTAL LIABILITIES		**369,054**	529,449	**241,897**	232,564
NET ASSETS		**(225,144)**	(301,076)	**(211,597)**	(17,428)
SHAREHOLDERS' EQUITY					
Contributed equity	12	**8,371,755**	8,041,005	**8,371,755**	8,041,005
Reserves	13	**180,257**	180,257	**180,257**	180,257
Accumulated losses	13	**(8,777,156)**	(8,522,338)	**(8,763,609)**	(8,238,690)
TOTAL SHAREHOLDERS' EQUITY		**(225,144)**	(301,076)	**(211,597)**	(17,428)

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2003

		Consolidated		Parent Entity	
	Note	2003 $	2002 $	2003 $	2002 $
		Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)	Inflows/ (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		-	-	-	-
Payments to suppliers and employees		**(518,266)**	(559,665)	**(31,576)**	(32,184)
Interest received		**2,698**	6,539	**2,698**	6,539
Other income		-	75,000	-	-
Net cash (used in) operating activities	20 (b)	**(515,568)**	(478,126)	**(28,878)**	(25,645)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant & equipment		-	(336)	-	-
Proceeds from sale of investments		-	50,001	-	50,001
Loans advanced to controlled entities		-	-	**(486,690)**	(817,364)
Advances repaid by other entities		**120,000**	-	**120,000**	-
Net cash provided by (used in) investing activities		**120,000**	49,665	**(366,690)**	(767,363)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		**335,000**	-	**335,000**	-
Payment of share issue costs		**(4,250)**	-	**(4,250)**	-
Capital raising costs					
- successful raisings		-	(33,348)	-	(33,348)
- unsuccessful raisings		-	(364,547)	-	-
Convertible Note and Advances received		-	290,000	-	290,000
Net cash provided by (used in) financing activities		**330,750**	(107,895)	**330,750**	256,652
Net increase (decrease) in cash held		**(64,818)**	(536,356)	**(64,818)**	(536,356)
Cash at beginning of the financial year		**95,440**	631,803	**94,806**	631,162
Effects of exchange rate changes on cash		-	(7)	-	-
Cash at end of the financial year	20 (a)	**30,622**	95,440	**29,988**	94,806

The above statements of cash flows should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Disclosure

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

Basis of accounting

The financial statements are prepared on the basis of historical costs, except for certain assets that are stated at valuation based on discounted cash flows. The accounting policies adopted are consistent with those of the previous financial year unless otherwise specified.

Going concern basis

The financial statements have been prepared on the going concern basis. The Directors believe that this basis of preparation is appropriate due to actions they have taken and continue to take to conserve resources while seeking to acquire a viable business.

Presentation of comparatives

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

Principles of Consolidation

The consolidated financial statements of the Company incorporate the assets and liabilities of the parent entity and all the entities it controlled at the end of the year and the results of itself and all the entities it controlled during the year as defined by the Corporations Act 2001. The Company and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Earnings per share

Basic earnings per share is determined by dividing the operating profit or loss after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit or loss after allowing for permanent differences. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of realisation. Where assets are revalued no provision for capital gains tax is made.

Cash definition

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of bank overdrafts.

Financial instruments

i) No use is currently made of derivative financial instruments in any entity in the consolidated entity.

ii) Trade and other creditors for goods and services provided to the consolidated entity are paid in the ordinary course of business.

iii) Borrowing costs are recognised as expenses in the period in which they are incurred.

The carrying value of all financial assets and liabilities is the same as the net fair value. No interest is applicable to any of these assets or liabilities except for cash at bank that was earning interest at the floating rate of approximately 2% at 30 June 2003.

Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. Any decrement in the carrying amount is recognised as an expense in arriving at the net profit or loss for the reporting period in which the recoverable amount write down occurs.

Investments

Investments held as current assets are marked to market at balance date with the unrealised gain or loss being taken to the profit and loss account. For listed investments "market" is taken to be the mid point between the buy and sell quotes at the end of the last business day of an accounting period.

Where there is a fall in the market price of an investment subsequent to balance date, no adjustment is made to the carrying value unless the directors are of the opinion that the fall has permanently reduced the recoverable amount.

Property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of plant and equipment over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which were unpaid at the reporting date. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee entitlements

Liabilities for wages and salaries, annual leave and other current employee entitlements are accrued at their nominal amounts calculated on the basis of current salary rates. Liabilities for other employee entitlements that are not expected to be paid or settled within 12 months of the reporting date are accrued in respect of all employees at the present values of future amounts expected to be paid.

Other equity securities

Where the number of shares deliverable by the Company to the holder of a converting security is set at the date that the cash is received from the holder, the security is classified as an equity instrument on initial recognition.

However, as the secured convertible note is now convertible at the option of the noteholder it is considered appropriate to classify the Note as debt.

The capitalised interest is expensed to borrowing costs and credited to current liabilities as it will be payable in cash when the Note converts.

As and when conditions for converting the Note to shares are met, that event will confirm its nature as equity and it will be changed to equity at that time.

Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Revenue recognition

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

Sale of Goods
Control of the goods has passed to the buyer.

Interest
Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

Dividends
Control of a right to receive consideration for the investment in assets is attained, usually evidenced by approval of the dividend at a meeting of shareholders.

	Note	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
2. OPERATING REVENUE					
Revenues from operating activities					
Revenue from sale of investments		-	50,001	-	50,001
Revenues from non-operating activities					
Interest received – other corporations		**2,698**	6,539	**2,698**	6,539
Reimbursement of costs		-	75,000	-	-
Total revenues from ordinary activities		**2,698**	131,540	**2,698**	56,540
3. EXPENSES AND LOSSES/(GAINS)					
(a) Expenses:					
Depreciation of non-current assets					
Plant & equipment		**2,730**	3,302	-	-
Operating lease minimum payments		-	5,580	-	-
Net foreign currency gain		-	(29)	-	-
Increase in employee entitlements provision		-	17,259	-	-
(b) Significant Expenses					
Provision for non-recoverability of loan		-	-	**(486,690)**	(697,364)
4. INCOME TAX					
The prima facie tax on loss from ordinary activities differs from the income tax provided in the accounts. The difference is reconciled as follows:					
Prima facie tax benefit on loss from ordinary activities at 30% (2002: 30%)		**(76,445)**	(221,130)	**(157,476)**	(223,601)
Tax effect of permanent differences:					
Entertainment		**14**	2,604	-	-
Litigation expenses		-	30,075	-	-
GST not recoverable		-	3,192	-	-
Other		-	(22,500)	-	-
Prima facie income tax benefit adjusted for permanent differences		**(76,431)**	(207,759)	**(157,476)**	(223,601)
Benefit not brought to account		**76,431**	207,759	**157,476**	223,601
Income tax attributable to loss from ordinary activities		-	-	-	-

Accumulated income tax losses carried forward in the consolidated entity at 30 June 2003 totalled $3,602,304 (30 June 2002 - $3,047,269) including $76,605 (30 June 2002 - $19,859) in the parent entity. Future income tax benefits of $1,080,691 at 30% (30 June 2002 $914,181 at 30%) arising from carry forward income tax losses in the consolidated entity were not brought to account at reporting date, as realisation of the benefits is not regarded as being virtually certain. Similarly $1,213,369 of tax benefits on $4,045,634 of capital losses carried forward, all in the parent entity, were not brought to account at 30 June 2002 or 2003 as realisation of the benefits is not regarded as being virtually certain.

Dividend Franking Account

As at 30 June 2003 the parent entity's Dividend Franking Account had a surplus of $12,341,837 franked at 30% (30 June 2002 $12,341,837 at 30%), representing $5,289,359 of tax paid (30 June 2002: $5,289,359).

Consolidated **Parent Entity**

	Note	2003 $	2002 $	2003 $	2002 $
5. CASH					
Cash at bank and on hand		**30,622**	95,440	**29,988**	94,806
6. RECEIVABLES					
Current					
Amounts receivable					
Controlled entities		**-**	-	**2,564,101**	2,077,411
Provision for non-recoverability		**-**	-	**(2,564,101)**	(2,077,411)
		-	-	**-**	-
Other receivables - other corporation		**-**	393,471	**-**	393,471
Provision for non-recoverability		**-**	(273,471)	**-**	(273,471)
Other debtors		**109,473**	314	**296**	314
Prepayments		**1,519**	7,593	**-**	-
		110,992	127,907	**296**	120,314

Terms and conditions relating to the above financial instruments:

(i) Other receivables are non-interest bearing and repayable in terms of settlement arrangements.

(ii) Other debtors are non-interest bearing and generally repayable within 30 days.

	Note	2003 $	2002 $	2003 $	2002 $
7. OTHER FINANCIAL ASSETS					
Non-Current					
Shares in controlled entities – at cost	17	**-**	-	**16**	16
		-	-	**16**	16
8. PROPERTY, PLANT AND EQUIPMENT					
Plant and equipment – at cost		**59,842**	59,842	**47,325**	47,325
Accumulated depreciation		**(57,546)**	(54,816)	**(47,325)**	(47,325)
Total written down amount		**2,296**	5,026	**-**	-
Reconciliation					
Carrying amount at beginning of year		**5,026**	7,992	**-**	-
Additions		**-**	336	**-**	-
Depreciation expense		**(2,730)**	(3,302)	**-**	-
Carrying amount at end of year		**2,296**	5,026	**-**	-
9. BORROWINGS					
Current					
Secured convertible note		**200,000**	200,000	**200,000**	200,000

On 5 December 2001 the Company entered into a Funding Agreement with Greater Pacific Gold Limited (Greater Pacific) and others. Pursuant to the Funding Agreement the Company issued Greater Pacific a $200,000 secured convertible note (Note) that, at the discretion of Greater Pacific, will convert into 2 million ordinary shares in the Company. The Note carries interest at the rate of 12% per annum, which is being capitalised and will be paid to the Noteholder when the principal is either converted or repaid.

The Note is secured by a deed of charge granting a first ranking fixed and floating charge over all the assets and undertakings of the Company both present and future.

		Consolidated		Parent Entity	
	Note	2003 $	2002 $	2003 $	2002 $
10. PAYABLES					
Current					
Trade creditors					
Other corporations		**68,940**	222,601	**1,000**	18,904
Director related entities		**59,217**	13,750	**-**	-
Interest payable on convertible note		**40,897**	13,660	**40,897**	13,660
		169,054	250,011	**41,897**	32,564

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

11. PROVISIONS

Current				
Employee entitlements	**-**	79,438	**-**	-
	Number	Number		
Average number of employees during the financial year	1	1		

12. CONTRIBUTED EQUITY

(a) Issued and paid up capital

Ordinary shares fully paid	**8,371,750**	7,951,000	**8,371,750**	7,951,000
Preference shares fully paid	**5**	5	**5**	5
	8,371,755	7,951,005	**8,371,755**	7,951,005
(b) Other equity capital				
Converting financial instruments	**-**	90,000	**-**	90,000
	8,371,755	8,041,005	**8,371,755**	8,041,005

(c) Movement in ordinary shares on issue	2003 Number	2003 $	2002 Number	2002 $
Balance at beginning of year	**7,951,000**	**7,951,000**	7,951,000	7,951,000
Issue at 6 cents – 13 September 2002	**1,500,000**	**90,000**	-	-
Issue at 10 cents – 13 September 2002	**2,500,000**	**250,000**	-	-
Issue at 8.5 cents – 24 January 2003	**1,000,000**	**85,000**	-	-
Expenses of issue	**-**	**(4,250)**	-	-
Balance at end of year	**12,951,000**	**8,371,750**	7,951,000	7,951,000

(d) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

The 5 non-redeemable preference shares were issued to Balmoral Corporation Limited following approval by the members of an ultimately failed merger proposal. The dividend payable on these shares is 5% per annum and is cumulative.

		Consolidated		Parent Entity	
	Note	2003 $	2002 $	2003 $	2002 $
13. RESERVES AND ACCUMULATED LOSSES					
Capital reconstruction reserve		**180,257**	180,257	**180,257**	180,257
Accumulated losses	(a)	**(8,777,156)**	(8,522,338)	**(8,763,609)**	(8,238,690)
(a) Accumulated Losses					
Balance at beginning of year		**(8,522,338)**	(7,785,238)	**(8,238,690)**	(7,460,020)
Net loss from ordinary activities		**(254,818)**	(737,100)	**(524,919)**	(778,670)
Balance at end of year		**(8,777,156)**	(8,522,338)	**(8,763,609)**	(8,238,690)
14. EARNINGS PER SHARE (EPS)					
Numerator used for basic & diluted EPS					
Loss for year		**(254,818)**	(737,100)		
Adjust for interest expensed on dilutive shares		**27,237**	13,660		
Adjusted earnings		**(227,581)**	(723,440)		
		No.	No.		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS		**11,572,918**	7,951,000		
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted EPS		**13,572,918**	9,103,917		
15. REMUNERATION OF DIRECTORS AND EXECUTIVES					
Remuneration of Directors					
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities		**138,000**	55,172		
Income paid or payable, or otherwise made available, to directors of Southern Equity Holdings Limited, directly or indirectly, from the entity or any related party:				**138,000**	55,172
The number of directors of Southern Equity Holdings Limited whose income (including superannuation contributions) falls within the following bands is:					
				Number	Number
$Nil - $9,999				**1**	5
$30,000 - $39,999				**2**	-
$50,000 - $59,999				**-**	1
$60,000 - $69,999				**1**	-

	Note	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Remuneration of Executives					
Income paid or payable, or otherwise made available, to executive officers by entities in the consolidated entity and related parties in connection with the management of affairs of the consolidated entity, whose remuneration is $100,000 or more		-	138,089		
Income paid or payable, or otherwise made available, to executive officers of the parent entity, by the parent entity and any related party for the management of the affairs of the parent entity and its controlled entities, whose income is $100,000 or more				-	138,089
The number of executive officers of Southern Equity Holdings Limited whose income (including superannuation contributions) falls within the following bands is:		Number	Number	Number	Number
$130,000 - $139,999		-	1	-	1

16. AUDITORS' REMUNERATION

Amounts, received or due and receivable by auditors for:				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	**11,000**	29,000	**2,500**	20,000
- other services in relation to the entity and any other entity in the consolidated entity	-	12,500	-	12,500
	11,000	41,500	**2,500**	32,500

17. INVESTMENT IN CONTROLLED ENTITIES

Controlled entity	Ordinary Shares Percentage Owned 2003 %	Ordinary Shares Percentage Owned 2002 %	Investment at cost 2003 $	Investment at cost 2002 $
Southern Equity Finance Pty Ltd	**100**	100	**2**	2
Southern Equity Management Services Pty Ltd	**100**	100	**2**	2
Armourtech Pacific Pty Ltd	**100**	100	**2**	2
SEQ Queensland Pty Ltd	**100**	100	**10**	10
			16	16

Controlled entities were not audited individually because they are small proprietary companies. All the above named entities were registered in Australia and operated only in Australia.

Southern Equity Holdings Limited is the ultimate parent entity of the consolidated entity.

18. RELATED PARTY DISCLOSURES

(a) The directors of Southern Equity Holdings Limited during the year were:

Colin J Barboutis
Gary C Castledine
James R W Hayward
David W King (Resigned 20 October 2002)

(b) In addition to directors' remuneration disclosed in note 15, the following related party transactions occurred during the financial period. These transactions were on normal commercial terms and conditions unless otherwise stated.

	Note	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
• Consulting and other services provided by firms associated with directors or former directors in addition to amounts included in directors' remuneration:					
J R W Hayward		-	148,270	-	-
J B Jarvis		-	2,408	-	-
• Advances made to the parent entity by persons and entities related to the following directors. These Advances were converted into ordinary shares on 13 September 2002 at an issue price of 6 cents per share as described in note 12.					
C J Barboutis		-	25,000	-	25,000
G C Castledine		-	15,000	-	15,000
J R W Hayward		-	20,000	-	20,000
D W King		-	10,000	-	10,000

(c) The wholly owned group consists of Southern Equity Holdings limited (the Company) and its wholly owned controlled entities as set out in note 17. The Company advanced and repaid loans and was provided with accounting and administrative assistance by other entities in the wholly owned group during the financial year. The accounting and administrative assistance was provided free of charge and the loans were interest free. The aggregate amount of loans to entities in the wholly owned group advanced during the financial year was $486,690 (2002: $817,364).

(d) Share Transactions of Directors
Interests in the shares of Southern Equity Holdings Limited held by directors of the reporting entity and their director-related entities, as at the reporting date was:

	2003 No.	2002 No.
Ordinary fully paid shares	5,232,659	4,263,169

During the year directors and their related entities acquired 1,166,667 ordinary shares pursuant to the conversion of advances made to the parent entity, as approved by shareholders on 13 September 2002. Directors and their related entities holding 197,177 ordinary shares resigned during the year.

19. SEGMENT INFORMATION

All the activity of the consolidated entity took place within the cash and equities segment within Australia.

	Note	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $

20. STATEMENT OF CASH FLOWS

(a) Reconciliation of cash for the purposes of this statement of cash flows, cash includes:

(i) cash on hand and in at call deposits with banks or financial institutions, net of bank overdrafts; and
(ii) investments in money market instruments.

Cash at the end of the year is shown in the balance sheet as:

	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Cash at bank and on hand	**30,622**	95,440	**29,888**	94,806

(b) Reconciliation of the net loss after tax to the net cash flow used in operations:

	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Loss from ordinary activities after income tax	**(254,818)**	(737,100)	**(524,919)**	(778,670)
Non-Cash Items				
Interest on Note capitalised	**27,237**	13,660	**27,237**	13,660
Depreciation	**2,730**	3,302	**-**	-
Costs of Note issue written off	**-**	33,348	**-**	33,348
Provision for doubtful debts	**-**	-	**486,690**	697,364
Reversal of provision – doubtful debt	**-**	(120,000)	**-**	-
Capital raising costs written off	**-**	364,547	**-**	-
Exchange rate adjustments	**-**	7	**-**	-
Profit on sale of investment	**-**	(1)	**-**	(1)
Changes in assets and liabilities				
(Increase)/decrease in receivables	**(103,085)**	(4,401)	**18**	(2,204)
(Decrease)/increase in payables	**(108,194)**	(48,747)	**(17,904)**	(6,450)
(Decrease)/increase in provisions	**(79,438)**	17,259	**-**	-
Net cash flows (used in) operating activities	**(515,568)**	(478,126)	**(28,878)**	(25,645)

21. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

2003

Financial Instrument	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Over 1 to 5 years	More than 5 years	Non-interest Bearing	Total	Weighted average effective interest rate
Financial Assets							
Cash	**29,988**	**-**	**-**	**-**	**634**	**30,622**	3.02%
Receivables	**-**	**-**	**-**	**-**	**110,992**	**110,992**	N/A
	29,988	**-**	**-**	**-**	**111,626**	**141,614**	
Financial Liabilities							
Trade & other creditors	**-**	**-**	**-**	**-**	**128,157**	**128,157**	N/A
Interest on Note	**40,897**	**-**	**-**	**-**	**-**	**40,897**	12.00%
Total financial liabilities	**40,897**	**-**	**-**	**-**	**128,157**	**169,054**	

2002

Financial Instrument	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Over 1 to 5 years	More than 5 years	Non-interest Bearing	Total	Weighted average effective interest rate
Financial Assets							
Cash	94,806	-	-	-	634	95,440	2.00%
Receivables – other	-	-	-	-	393,785	393,785	N/A
	94,806	-	-	-	394,419	489,225	
Financial Liabilities							
Trade & other creditors	-	-	-	-	236,351	236,351	N/A
Interest on Note	13,660	-	-	-	-	13,660	12.00%
Employee entitlements	-	-	-	-	79,438	79,438	N/A
Total financial liabilities	13,660	-	-	-	315,789	329,449	

N/A : Not applicable for non-interest bearing financial instruments.

The $200,000 Secured Convertible Note issued on 11 December 2001 carries interest at a rate of 12% per annum. This interest is to be capitalised until the Note is either converted to ordinary shares or redeemed by the noteholder.

The $90,000 Advances received in June 2002 carried interest at the rate of 10% per annum, which was payable only if shareholder approval for the share issue was not obtained. Shareholder approval to convert the Advances was obtained on 13 September 2002 and the shares were issued immediately thereafter.

(b) Net fair values of financial assets and liabilities

The aggregate net fair values of recognised financial assets and financial liabilities, at the balance date, are as follows:

	Total carrying amount as per the balance sheet		Aggregate net fair value	
	2003	**2002**	**2003**	**2002**
	$	**$**	**$**	**$**
Financial asset				
Cash	**30,622**	95,440	**30,622**	95,440
Receivables – other	**110,992**	393,785	**110,992**	120,314
	141,614	489,225	**141,614**	215,754
Financial liabilities				
Trade & other creditors	**128,157**	236,351	**128,157**	236,351
Interest on Note	**40,897**	13,660	**40,897**	13,660
Employee entitlements	**-**	79,438	**-**	79,438
Total financial liabilities	**169,054**	329,449	**169,054**	329,449

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities

Recognised financial instruments

Cash and cash equivalents: The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and payables: The carrying amount approximates fair value.

(c) Credit risk exposures

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount, net of any provision for doubtful debts, of those assets as indicated in the balance sheet.

Concentration of credit risk

The consolidated entity is not materially exposed to any individual overseas country or individual customer.

22. FINANCIAL POSITION AND PROSPECTS

The Directors remain committed to making an appropriate investment to provide positive cash flow for the Company into the future and to this end are continually examining opportunities as they arise. The terms of such an investment would involve substantial dilution of the interests of existing shareholders through the issue of new shares as consideration for the business or assets acquired. The Directors are confident of finding a suitable investment in the near future. The directors expect that a prospectus placement to raise working capital of at least $300,000 would be made at the same time as such an acquisition, in order to satisfy the ASX requirements for a sufficient spread of shareholders and to convert the secured Note.

The company has experienced operating losses and negative cash flows during the financial year ended 30 June 2003. The continuing viability of the Company and its ability to continue as a going concern and meet its debts and commitments as they fall due is critically dependent upon the Company being successful in making a suitable acquisition and/or successfully raising capital in the short term. In the event that an acquisition is not made or funds are not raised in the short term the continuing viability of the Company will depend on:

1. Receiving the continued support of its shareholders and creditors; and
2. Achieving sufficient future cash flows to enable its obligations to be met.

As a result of these matters, there exists significant uncertainty as to the ability of the Company to continue as a going concern and whether the Company will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report. Should that situation eventuate some further adjustments would be required to provide for costs of the appropriate form of administration. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report as at 30 June 2003. Accordingly no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

The Directors are monitoring the financial position and prospects of the Company on a continual basis and have and will continue to take such actions as are necessary to ensure the Company remains a going concern.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Southern Equity Holdings Limited;

The directors of the Company declare that:

(a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards and Corporations Regulations; and

(b) 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

C J Barboutis
Director

Perth, 30 September 2003

Hall Chadwick
Chartered Accountants & Business Advisers

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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF SOUTHERN EQUITY HOLDINGS LIMITED AND CONTROLLED ENTITIES

SCOPE

We have audited the financial report of Southern Equity Holdings Limited and controlled entities comprising the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to and forming part of the financial statements for the year ended 30 June 2003. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT REPORT

In our opinion, the financial report of Southern Equity Holdings Limited and controlled entities is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
  (ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements.

INHERENT UNCERTAINTY REGARDING CONTINUATION AS A GOING CONCERN

Without qualification to the statement above, attention is drawn to the following matter. The ability of the company to continue as a going concern is dependent upon the success of various capital raising initiatives currently undertaken by the directors as detailed in Note 1. As a result there is uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Hall Chadwick

HALL CHADWICK
Chartered Accountants

M Hillgrove

MICHAEL J HILLGROVE
Partner

DATED at PERTH this 30th day of September 2003

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HOLDINGS AS AT 22 SEPTEMBER 2003

Number of Securities Held	FULLY PAID SHARES No. of Holders	Non-redeemable preference shares
1 to 1,000	87	1
1,001 to 5,000	113	-
5,001 to 10,000	59	-
10,001 to 100,000	98	-
100,001 and over	19	-
Total Number of Holders	376	1
Number of holders of less than a marketable parcel	170	-
Percentage of the 20 Largest holders	33.48%	100.00%

Substantial Shareholder

	Number	%
Sengate Pty Ltd	3,145,850	24.29
Redclaw Enterprises Pty Ltd	647,741	5.00

Voting Rights

(a) Ordinary shares

On a show of hands, every ordinary 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 any share held by the shareholder.

(b) Non-redeemable preference shares

One vote for each share, but limited to matters affecting the rights of such shares.

20 Largest Holders of Securities as at 22 September 2003:

Fully Paid Ordinary Shares	No.	%
Sengate Pty Ltd	3,145,850	24.29
Redclaw Enterprises Pty Ltd	647,741	5.00
Nicholls Nominees Pty Ltd	500,000	3.86
Tracey Barboutis	416,667	3.22
Societe Cultive Marseilles Sarl Limited	400,000	3.09
Dexbold Pty Ltd	381,658	2.95
Avante Holdings Pty Ltd	341,367	2.64
Golden Venture Pty Ltd	300,000	2.32
Jamie and Fiona Grant	300,000	2.32
Elizabeth Faye Dodd	250,000	1.93
Sengate Pty Ltd	216,600	1.67
Goldenwire Investments Pty Ltd	211,616	1.63
Peter Howells	211,616	1.63
Mary Nicholls & John Peterson & Raymond Peterson (Est S Peterson A/C)	200,000	1.54
Intermin Advance Corporation Pty Ltd	186,125	1.44
Seistend Pty Ltd	166,667	1.29
Kapiri Holdings Pty Ltd	150,000	1.16
Atos Consulting Pty Ltd	110,000	0.85
John Fielding Limited	109,500	0.85
Andrew Bell	100,000	0.77
	8,345,407	64.45

The five issued non-redeemable preference shares are not quoted and are held by Balmoral Corporation Limited.