

# FORM: Half yearly/preliminary final report

Name of *issuer*

Pritchard Equity Limited

ACN or ARBN

100 517 404

Half yearly  
(tick)

☐

Preliminary  
final (tick)

☒

Half year/financial year ended  
(‘Current period’)

30<sup>th</sup> June 2008

## For announcement to the market

Extracts from this statement for announcement to the market (*see note 1*).

|  |      |                |    | \$A                           |
|--|------|----------------|----|-------------------------------|
| Operating Revenue (item 1.1)   | down | 20%            | To | 426,909                       |
| Operating Profit (loss) before abnormal items and tax  | down | 27%            | To | 327,271                       |
| Operating Profit (loss) for the period after tax but before minority equity interests<br>( <i>item 1.9</i> )   | down | 25%            | To | 349,557                       |
| Profit (loss) for the period attributable to security holders ( <i>item 1.11</i> )                             | down | 30%            | To | 321,375                       |
| Income Distributions   |      | Current period |    | Previous corresponding period |
|  |      |                |    |                               |
| Short details of any bonus or cash issue or other item(s) of importance not previously released to the market: |      |                |    |                               |

**Annual meeting***(Preliminary final statement only)*

The annual meeting will be held as follows:

Place

Date

Time

Approximate date the annual report will be available

|  |
|--|
|  |
|  |
|  |
|  |

**Compliance statement**

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

|  |  |
|--|--|
|  |  |
|--|--|

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.

3. This statement does/does not\* (*delete one*) give a true and fair view of the matters disclosed (see note 2).

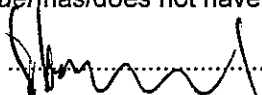
4. This statement is based on financial statements to which one of the following applies:

- |  |   |
|--|---|
| <input type="checkbox"/> The financial statements have been audited.   | <input type="checkbox"/> The financial statements have been subject to review by a registered auditor (or overseas equivalent). |
| <input checked="" type="checkbox"/> The financial statements are in the process of being audited or subject to review. | <input type="checkbox"/> The financial statements have <i>not</i> yet been audited or reviewed.                                 |

5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached/will follow immediately they are available\* (*delete one*). (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)

6. The *issuer* has/does not have\* (*delete one*) a formally constituted audit committee.

Sign here:



(Director/Company secretary)

Date:

12/9/2008

Print name:

Steve Pritchard

# PRITCHARD EQUITY LIMITED

## FINANCIAL HIGHLIGHTS

| Year ended 30 June  | 2008      | 2007      | 2006      |
|---|-----------|-----------|-----------|
| <b>Income Statement</b>   |           |           |           |
| Total income  | 426,909   | 536,564   | 269,589   |
| Total expenses  | 99,638    | 89,678    | 14,448    |
| Operating profit before income tax                              | 327,271   | 446,886   | 255,141   |
| Income tax expense/(Benefit)                                    | (22,286)  | (20,799)  | 1,547     |
| Operating profit after income tax                               | 349,557   | 467,685   | 253,594   |
| Minority interests  | 28,182    | 10,183    | 2,344     |
| Profit attributable to shareholders of Pritchard Equity Limited | 321,375   | 457,502   | 251,250   |
| <b>Balance Sheet</b>  |           |           |           |
| Total assets  | 2,371,536 | 2,367,549 | 1,675,939 |
| Total liabilities   | 264,509   | 297,730   | 204,104   |
| Total shareholders' equity                                      | 2,107,027 | 2,069,819 | 1,471,835 |
| Pritchard Equity Limited shareholders' equity                   | 1,980,771 | 1,919,002 | 1,343,012 |
| <b>Share Information</b>  |           |           |           |
| Basic earnings per ordinary share (cents per share)             | 22.82     | 33.41     | 18.35     |
| Growth in earnings per ordinary share (%)                       | (32)      | 82        | 47        |
| Net assets per ordinary share (cents per share)                 | 140       | 130       | 88.06     |
| Share prices at end of period                                   |           |           |           |
| — A Ordinary shares   | 1.10      | 1.10      | 85.0      |
| — B Ordinary shares   | 1.10      | 1.10      | 95.0      |
| — Preferred income equity securities                            | 100.00    | N/A       | N/A       |
| Issue capital (number of shares)                                |           |           |           |
| — A Ordinary shares   | 620,608   | 578,358   | 578,358   |
| — B Ordinary shares   | 831,378   | 540,128   | 540,128   |
| — C Ordinary shares   | N/A       | 250,000   | 250,000   |
| — Preferred income equity securities                            | 1,461     | N/A       | N/A       |
| <b>Key Measures</b>   |           |           |           |
| Return on average ordinary shareholders' equity (%)             | 19.3      | 28.0      | 25.2      |
| Return on average assets (%)                                    | 13.6      | 22.6      | 21.2      |
| Gearing Ratio (%)   | 1.8       | 9.8       | 8.5       |

# PRITCHARD EQUITY LIMITED

## CHAIRMAN'S COMMENTS

Your directors are pleased to be able to report that your company recorded a very solid performance despite the turbulent conditions that the global equity markets have experienced during the last financial year.

The consolidated net operating profit after tax for the year was \$321,375, which represents a return on shareholders equity of 19.34%, which we believe is very satisfactory when compared to other companies that operate in similar market segments to your company.

Net assets per ordinary share again increased by 7.7% and are now stand at \$1.40 per ordinary share compared to \$1.30 after adjusting for the bonus issue of preferred income equity securities that were issued in May to the holders of the ordinary shares.

### Preferred income equity securities

On 27 May 2008 the company made a bonus issue of preferred income equity securities to existing ordinary shareholders. This innovative security has a face value of \$100 and provides its holders with what we believe is a very attractive dividend of 10% per annum inclusive of franking credits. Holders also have the option after 5 years to convert it into A ordinary shares.

### Investment activity

In the first half of the current year, the Group made a conscious decision to reduce its investment portfolio and its external borrowings, as a consequence the group now had as at balance date approximately 26% of its assets in listed investments, 53% in unlisted investments, 17% in cash and 4% in other assets.

### Listed investments

Following the disposal of a significant proportion of its listed investment portfolio in early January 2008 the Group is now in the fortunate position of holding a significant proportion of its assets in cash which has placed it in an excellent position to take advantage of buying opportunities as they emerge.

At balance date the Group had investments of more than 5% of the issued capital in the following listed companies;

- Illuminator Investment Company Limited
- Property Fox No. 1 Limited

On 5 August 2008 the company launched an all scrip takeover offer for Property Fox No 1. Limited. Property Fox No. 1 Limited is a property investment company which was established in 2002 and listed on the National Stock Exchange of Australia Limited in 2007.

Property Fox No 1 Limited has been an underperforming company for many years. In the event that Pritchard Equity Limited obtains control of Property Fox No 1 Limited it intends to undertake a detailed review of the company and its operations with a view to disposing of any underperforming assets.

It is our belief that, by the application of our groups management skills and investment philosophies, we will be able to turn around the poor performance of Property Fox, to deliver maximum shareholder value for all shareholders in the longer term.

The Group, has also from time to time taken advantage of short term trading opportunities as they emerge.

### Unlisted investments

The Company's major unlisted investment is its 33.06% interest in Cameron Capital Limited, which is the holding company for Cameron Stockbrokers Limited. The down turn in the Australian equity markets saw the consolidated net operating profit of the Cameron Capital Limited group fall by 53% to \$661,594 compared to the very buoyant result of last year.

The Group maintained its strategic holding of 4.15% in the issued capital of the unlisted property investment company Penrose Club Holdings Limited. Penrose Club Holdings Limited owns a substantial parcel of land at Penrose in the Southern Highlands of New South Wales. It is our understanding that the Board of Penrose Club Holdings Limited has continued to progress and evaluate a number of business opportunities, some of which should come to fruition in the next 18 months or so.

# PRITCHARD EQUITY LIMITED

## Outlook

Whilst in the current turbulence in the financial markets has seen a number of interesting investing opportunities emerge, we have been adopting a cautious approach to the reinvestment of the Groups funds given the uncertain outlook for the economy.

The Group has entered the new financial year with a relatively high level of cash available to it and whilst Pritchard Equity Limited, will continue to seek out new opportunities and investigate new opportunities as they emerge, we intend to remain patient given the current economic environment and our belief that over the next 18 months we will see a significant number of opportunities emerge for those investors who are in a position to take advantage of them.

Steven Pritchard

Chairman

12 September 2008

# PRITCHARD EQUITY LIMITED

## INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

|  | Note | Consolidated   |                | Parent         |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2008           | 2007           | 2008           | 2007           |
|  |      | \$             | \$             | \$             | \$             |
| Income from investment portfolio                       | 2a   | 198,939        | 28,536         | (20,384)       | (27,105)       |
| Income from trading portfolio                          | 2b   | (2,860)        | 114,444        | -              | -              |
| Income from deposits                                   | 2c   | 11,951         | 8,606          | 3,389          | 2,936          |
| Share of net profit of associated company              |      | 218,723        | 378,588        | -              | -              |
| Other income   | 2d   | 156            | 6,390          | 217,881        | 131,957        |
| <b>Total income from ordinary activities</b>           |      | <b>426,909</b> | <b>536,564</b> | <b>200,886</b> | <b>107,788</b> |
| Administration expenses                                |      | 85,227         | 69,008         | 64,353         | 46,217         |
| Borrowing costs expense                                |      | 7,601          | 8,135          | -              | -              |
| Impairment of non-current assets                       |      | -              | 351            | -              | -              |
| Listing fees   |      | 6,810          | 12,184         | 6,810          | 12,184         |
| <b>Operating profit before income tax</b>              | 3    | <b>327,271</b> | <b>446,886</b> | <b>129,723</b> | <b>49,387</b>  |
| Income tax (expense)/benefit                           | 4    | <b>22,286</b>  | <b>20,799</b>  | <b>22,286</b>  | <b>20,799</b>  |
| <b>Operating profit after income tax</b>               |      | <b>349,557</b> | <b>467,685</b> | <b>152,009</b> | <b>70,186</b>  |
| Profit/(Loss) attributable to minority equity interest |      | 28,182         | 10,183         | -              | -              |
| <b>Profit attributable to members of the company</b>   |      | <b>321,375</b> | <b>457,502</b> | <b>152,009</b> | <b>70,186</b>  |
| <b>Overall Operations</b>                              |      |                |                |                |                |
| Basic earnings per share (cents per share)             | 7    | 22.82          | 33.41          |                |                |
| Diluted earnings per share (cents per share)           | 7    | 22.82          | 33.41          |                |                |

The accompanying notes form part of these financial statements.

# PRITCHARD EQUITY LIMITED

## BALANCE SHEET AS AT 30 JUNE 2008

|   | Note | Consolidated     |                  | Parent           |                  |
|---|------|------------------|------------------|------------------|------------------|
|   |      | 2008             | 2007             | 2008             | 2007             |
|   |      | \$               | \$               | \$               | \$               |
| <b>ASSETS</b>   |      |                  |                  |                  |                  |
| <b>CURRENT ASSETS</b>   |      |                  |                  |                  |                  |
| Cash and cash equivalents                                       | 8    | 411,643          | 50,666           | 105,035          | 9,675            |
| Receivables   | 9    | 15,522           | 94,766           | 240,174          | 129,156          |
| Trading Portfolio   | 10   | 62,726           | 139,977          | -                | -                |
| <b>TOTAL CURRENT ASSETS</b>                                     |      | <b>489,891</b>   | <b>285,409</b>   | <b>345,209</b>   | <b>138,831</b>   |
| <b>NON-CURRENT ASSETS</b>                                       |      |                  |                  |                  |                  |
| Investment portfolio  | 12   | 656,356          | 1,114,614        | 120,695          | 151,982          |
| Investments in associates accounted for using the equity method | 13   | 1,146,532        | 942,611          | 168,814          | 163,065          |
| Investments in controlled entities                              | 14   | -                | -                | 476,873          | 554,836          |
| Deferred tax assets   | 11   | 47,802           | 24,915           | 47,802           | 24,915           |
| Other Assets  | 15   | 30,955           | -                | 30,955           | -                |
| <b>TOTAL NON-CURRENT ASSETS</b>                                 |      | <b>1,881,645</b> | <b>2,082,140</b> | <b>845,139</b>   | <b>894,798</b>   |
| <b>TOTAL ASSETS</b>   |      | <b>2,371,536</b> | <b>2,367,549</b> | <b>1,190,348</b> | <b>1,033,629</b> |
| <b>LIABILITIES</b>  |      |                  |                  |                  |                  |
| <b>CURRENT LIABILITIES</b>                                      |      |                  |                  |                  |                  |
| Trade and other payables  | 16   | 84,599           | 51,965           | 59,955           | 30,716           |
| Short-term borrowings   | 17   | 37,673           | 225,842          | 789              | 56,363           |
| <b>TOTAL CURRENT LIABILITIES</b>                                |      | <b>122,272</b>   | <b>227,807</b>   | <b>60,744</b>    | <b>87,079</b>    |
| <b>NON-CURRENT LIABILITIES</b>                                  |      |                  |                  |                  |                  |
| Borrowings  | 17   | 142,237          | -                | 142,237          | -                |
| Deferred tax liabilities  | 11   | -                | 19,923           | -                | 19,923           |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                            |      | <b>142,237</b>   | <b>19,923</b>    | <b>142,237</b>   | <b>19,923</b>    |
| <b>TOTAL LIABILITIES</b>  |      | <b>264,509</b>   | <b>297,730</b>   | <b>202,981</b>   | <b>107,002</b>   |
| <b>NET ASSETS</b>   |      | <b>2,107,027</b> | <b>2,069,819</b> | <b>987,367</b>   | <b>926,627</b>   |
| <b>EQUITY</b>   |      |                  |                  |                  |                  |
| Contributed equity  | 18   | 728,260          | 787,997          | 728,260          | 787,997          |
| Reserves  | 19   | (35,219)         | 162,789          | 3,045            | 32,974           |
| Retained earnings   |      | 1,287,730        | 968,216          | 256,062          | 105,656          |
| Parent interest   |      | 1,980,771        | 1,919,002        | 987,367          | 926,627          |
| Minority equity interest  |      | 126,256          | 150,817          | -                | -                |
| <b>TOTAL EQUITY</b>   |      | <b>2,107,027</b> | <b>2,069,819</b> | <b>987,367</b>   | <b>926,627</b>   |

The accompanying notes form part of these financial statements.

# PRITCHARD EQUITY LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

|  | Issued<br>Capital | Asset<br>Revaluation<br>Reserve | Capital<br>Profits<br>Reserve | Retained<br>Profits | Total            |
|--|-------------------|---------------------------------|-------------------------------|---------------------|------------------|
| <b>Consolidated</b>                              |                   |                                 |                               |                     |                  |
| <b>Balance at 1 July 2006</b>                    | <b>794,576</b>    | <b>3,353</b>                    | <b>28,527</b>                 | <b>516,788</b>      | <b>1,343,244</b> |
| Transaction costs prior year                     | (6,579)           | -                               | -                             | -                   | (6,579)          |
| Profit for the year                              | -                 | -                               | -                             | 457,502             | 457,502          |
| Revaluation of non current assets (net of tax)   | -                 | 124,835                         | -                             | -                   | 124,835          |
| Transfer from retained profits to reserves       | -                 | -                               | 6,074                         | (6,074)             | -                |
| <b>Balance at 30 June 2007</b>                   | <b>787,997</b>    | <b>128,188</b>                  | <b>34,601</b>                 | <b>968,216</b>      | <b>1,919,002</b> |
| <b>Balance at 1 July 2007</b>                    | <b>787,997</b>    | <b>128,188</b>                  | <b>34,601</b>                 | <b>968,216</b>      | <b>1,919,002</b> |
| Shares issued during the year                    | 82,500            | -                               | -                             | -                   | 82,500           |
| Profit for the year                              | -                 | -                               | -                             | 321,375             | 321,375          |
| Revaluation of non current assets (net of tax)   | -                 | (173,480)                       | -                             | -                   | (173,480)        |
| Transfer from retained profits to reserves       | -                 | -                               | 130,530                       | (131,089)           | (559)            |
| Transfer to retained profits from reserves       | -                 | -                               | (155,057)                     | 155,057             | -                |
| Dividend Paid                                    | -                 | -                               | -                             | (25,829)            | (25,829)         |
| Debt component of compound financial instruments | (142,237)         | -                               | -                             | -                   | (142,237)        |
| <b>Balance at 30 June 2008</b>                   | <b>728,260</b>    | <b>(45,292)</b>                 | <b>10,074</b>                 | <b>1,287,730</b>    | <b>1,980,772</b> |
| <b>Parent</b>                                    |                   |                                 |                               |                     |                  |
| <b>Balance at 1 July 2006</b>                    | <b>794,576</b>    | <b>336</b>                      | <b>6,922</b>                  | <b>35,442</b>       | <b>837,276</b>   |
| Transaction costs prior year                     | (6,579)           | -                               | -                             | -                   | (6,579)          |
| Profit for the year                              | -                 | -                               | -                             | 70,186              | 70,186           |
| Revaluation of non current assets (net of tax)   | -                 | 25,744                          | -                             | -                   | 25,744           |
| Transfer from retained profits to reserves       | -                 | -                               | (28)                          | 28                  | -                |
| <b>Balance at 30 June 2007</b>                   | <b>787,997</b>    | <b>26,080</b>                   | <b>6,894</b>                  | <b>105,656</b>      | <b>926,627</b>   |
| <b>Balance at 1 July 2007</b>                    | <b>787,997</b>    | <b>26,080</b>                   | <b>6,894</b>                  | <b>105,656</b>      | <b>926,627</b>   |
| Shares issued during the year                    | 82,500            | -                               | -                             | -                   | 82,500           |
| Profit for the year                              | -                 | -                               | -                             | 152,009             | 152,009          |
| Revaluation of non current assets (net of tax)   | -                 | (30,974)                        | -                             | -                   | (30,974)         |
| Transfer from retained profits to reserves       | -                 | -                               | 1,045                         | (1,604)             | (559)            |
| Debt component of compound financial instruments | (142,237)         | -                               | -                             | -                   | (142,237)        |
| <b>Balance at 30 June 2008</b>                   | <b>728,260</b>    | <b>(4,894)</b>                  | <b>7,939</b>                  | <b>256,062</b>      | <b>987,366</b>   |

The accompanying notes form part of these financial statements.



# PRITCHARD EQUITY LIMITED

## CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

|   | Note | Consolidated   |               | Parent         |              |
|---|------|----------------|---------------|----------------|--------------|
|   |      | 2008           | 2007          | 2008           | 2007         |
|   |      | \$             | \$            | \$             | \$           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>         |      |                |               |                |              |
| Sales from trading portfolio                        |      | 217,497        | 229,963       | -              | -            |
| Purchases for trading portfolio                     |      | (63,637)       | (222,016)     | -              | -            |
| Interest received                                   |      | 11,913         | 7,120         | 3,335          | 2,936        |
| Dividends received                                  |      | 25,613         | -             | 175,686        | -            |
| Distributions received                              |      | 5,772          | -             | 42,273         | -            |
| Commissions received                                |      | 172            | 5,391         | -              | -            |
| Underwriting fees received                          |      | -              | 1,000         | -              | -            |
|   |      | 197,330        | 21,458        | 221,294        | 2,936        |
| Administration expenses                             |      | (95,845)       | (50,626)      | (78,263)       | (46,132)     |
| Bank charges  |      | (531)          | (538)         | (333)          | (357)        |
| Borrowing costs                                     |      | (7,547)        | (7,158)       | -              | -            |
| Other payments                                      |      | 11,091         | (10,093)      | 8,557          | (2,646)      |
| Income tax paid                                     |      | 153            | 8,713         | 37             | 8,713        |
| Net cash provided by (used in) operating activities | 21   | 104,651        | (38,244)      | 151,292        | (37,486)     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>         |      |                |               |                |              |
| Sales from investment portfolio                     |      | 741,697        | 236,807       | 105,127        | 7,756        |
| Purchases for investment portfolio                  |      | (345,069)      | (498,579)     | (66,893)       | (101,290)    |
| Dividends received                                  |      | -              | 244           | -              | -            |
| Net cash provided by (used in) investing activities |      | 396,628        | (261,528)     | 38,234         | (93,534)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>         |      |                |               |                |              |
| Proceeds from issue of shares                       |      | 82,500         | -             | 82,500         | -            |
| Proceeds from issue of equity in associate          |      | (8,449)        | 4,000         | -              | -            |
| Capital Raising Costs                               |      | -              | (26,456)      | -              | (26,456)     |
| Proceeds from borrowings                            |      | -              | 89,992        | (176,664)      | 63,456       |
| Repayment of borrowings                             |      | (214,352)      | -             | -              | (13,140)     |
| Net cash provided by (used in) financing activities |      | (140,301)      | (67,536)      | (94,164)       | 23,854       |
| Net increase (decrease) in cash held                |      | 360,977        | (232,236)     | 95,361         | (107,166)    |
| Cash at beginning of financial year                 |      | 50,666         | 282,902       | 9,675          | 116,841      |
| Cash at end of financial year                       | 8    | <b>411,643</b> | <b>50,666</b> | <b>105,036</b> | <b>9,675</b> |

The accompanying notes form part of these financial statements.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the consolidated entity of Pritchard Equity Limited. Pritchard Equity Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Pritchard Equity Limited as an individual entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Pritchard Equity Limited has not applied any Australian Accounting Standards or AASB interpretations that have been issued at balance date but are not yet operative for the year ended 30 June 2008 ("the inoperative standards"). The impact of the inoperative standards has been assessed and the impact has been identified as not being material. The Company only intends to adopt the inoperative standards at the date at which their adoption becomes mandatory.

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

#### **Basis of Preparation**

##### *Reporting Basis and Conventions*

The financial report has been prepared on an accruals basis and is based on historical costs 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.

#### **Accounting Policies**

##### **a. Principles of Consolidation**

A controlled entity is any entity Pritchard Equity Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 14 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

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

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

##### **b. Fair Value of Financial Assets and Liabilities**

The fair value of cash and cash equivalents, and non-interest bearing monetary financial assets and liabilities of the Consolidated entity approximates their carrying value.

##### **d. Holdings of Securities**

###### **(i) Balance Sheet classification**

The Consolidated entity has two portfolios of securities, the investment portfolio and the trading portfolio.

The investment portfolio relates to holdings of securities which the directors intend to retain on a long-term basis.

The trading portfolio comprises securities held for short term trading purposes.

The investment portfolio is classified as a 'non-current asset', whereas the trading portfolio is classified as a 'current asset'.

Ordinary securities within the investment portfolio are classified as 'assets available for sale', whilst securities within the trading portfolio are classified as 'assets measured at fair value through the Income Statement'.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### (ii) Valuation of investment portfolio

Securities, including listed and unlisted shares and notes and options, are initially brought to account at cost, which is the cost of acquisition including transaction costs, and are revalued to market values continuously. Increments and decrements on Ordinary Securities are taken to the Asset Revaluation Reserve while it has a credit balance in total, otherwise they are included in Profit from ordinary activities before income tax expense.

Where disposal of an investment occurs any revaluation increment or decrement relating to it, is transferred from the Asset Revaluation Reserve to the Income Statement.

#### (iii) Valuation of trading portfolio

Securities, including listed and unlisted shares and notes, are initially brought to account at cost which is the cost of acquisition including transaction costs and are revalued to market values continuously.

Increments and decrements on the value of securities in the trading portfolio are taken directly through the Income Statement.

#### (iv) Determination of market value

Market value for the purposes of valuing holdings of securities is determined by reference to market prices prevailing at balance date, where the securities are traded on an organised market. Where a security is not so traded, its fair value is determined by the Directors.

#### (v) Income from holdings of securities

Distributions relating to listed securities are recognised as income when those securities are quoted ex-distribution basis and distributions relating to unlisted securities are recognised as income when received. If the distributions are capital returns on ordinary securities the amount of the distribution is treated as an adjustment to the carry value of the securities.

#### d. Investments in Associates

Investments in associate companies are recognised in the consolidated financial statements by applying the equity method of accounting. The equity method of accounting recognises the group's share of post-acquisition reserves of its associates.

#### e. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments.

#### f. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

**g. Impairment of Assets**

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

**h. Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**i. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### NOTE 2: REVENUE

|   | Note | Consolidated   |                | Parent          |                 |
|---|------|----------------|----------------|-----------------|-----------------|
|   |      | 2008           | 2007           | 2008            | 2007            |
|   |      | \$             | \$             | \$              | \$              |
| <b>a. Income from Investment Portfolio</b>        |      |                |                |                 |                 |
| — dividends received                              |      | 29,231         | 46,674         | 3,662           | 2,035           |
| — trust distributions received                    |      | 8,324          | 5,069          | -               | -               |
| — net realised gains/(losses)                     |      | 187,034        | 5,893          | 1,604           | (40)            |
| — net unrealised fair value gains/(losses)        |      | (25,650)       | (29,100)       | (25,650)        | (29,100)        |
| <b>Total Income from Investment Portfolio</b>     |      | <b>198,939</b> | <b>28,536</b>  | <b>(20,384)</b> | <b>(27,105)</b> |
| <b>b. Income from Trading Portfolio</b>           |      |                |                |                 |                 |
| — sales revenue                                   |      | 137,303        | 310,597        | -               | -               |
| — cost of sales                                   |      | (140,163)      | (197,143)      | -               | -               |
| — net gains/(losses) from trading portfolio sales |      | (2,860)        | 113,454        | -               | -               |
| — dividends received                              |      | -              | 990            | -               | -               |
| <b>Total Income from trading portfolio</b>        |      | <b>(2,860)</b> | <b>114,444</b> | <b>-</b>        | <b>-</b>        |
| <b>c. Income from Deposits</b>                    |      |                |                |                 |                 |
| — interest received                               |      | 11,951         | 8,606          | 3,389           | 2,936           |
| <b>Total income from deposits</b>                 |      | <b>11,951</b>  | <b>8,606</b>   | <b>3,389</b>    | <b>2,936</b>    |
| <b>d. Other Income</b>                            |      |                |                |                 |                 |
| — commissions received                            |      | 156            | 5,390          | -               | -               |
| — dividends from associated companies             |      | -              | -              | 20,551          | 16,683          |
| — dividends from subsidiaries                     |      | -              | -              | 155,057         | 100,000         |
| — trust distributions from controlled entities    |      | -              | -              | 42,273          | 15,274          |
| — sub-underwriting Fees received                  |      | -              | 1,000          | -               | -               |
| <b>Total other income</b>                         |      | <b>156</b>     | <b>6,390</b>   | <b>217,881</b>  | <b>131,957</b>  |

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### NOTE 3: PROFIT FROM ORDINARY ACTIVITIES

|  | Note | Consolidated |        | Parent |        |
|--|------|--------------|--------|--------|--------|
|  |      | 2008         | 2007   | 2008   | 2007   |
|  |      | \$           | \$     | \$     | \$     |
| Profit from ordinary activities before income tax has been determined after: |      |              |        |        |        |
| <b>Expenses</b>  |      |              |        |        |        |
| Administration expenses  |      | 52,244       | 26,955 | 31,570 | 8,410  |
| Auditors remuneration  |      | 32,450       | 41,450 | 32,450 | 31,000 |
| Bank charges   |      | 533          | 603    | 333    | 357    |
| Borrowing costs  |      | 7,601        | 8,135  | -      | -      |
| Listing fees   |      | 6,810        | 12,184 | 6,810  | 12,184 |
| Impairment of non-current assets   |      | -            | 351    | -      | -      |

### NOTE 4: INCOME TAX EXPENSE

- a. The components of tax expense comprise:

|                        |    |                 |                 |                 |                 |
|------------------------|----|-----------------|-----------------|-----------------|-----------------|
| Current tax            |    | (18,797)        | (6,295)         | (18,797)        | (6,295)         |
| Deferred tax liability | 11 | (7,695)         | (8,730)         | (7,695)         | (8,730)         |
| Deferred tax asset     | 11 | 4,206           | (5,774)         | 4,206           | (5,774)         |
|                        |    | <u>(22,286)</u> | <u>(20,799)</u> | <u>(22,286)</u> | <u>(20,799)</u> |

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### NOTE 4: INCOME TAX EXPENSE (Continued)

- b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

|   | Consolidated    |                 | Parent          |                 |
|---|-----------------|-----------------|-----------------|-----------------|
|   | 2008            | 2007            | 2008            | 2007            |
|   | \$              | \$              | \$              | \$              |
| Prima facie tax payable on profit from ordinary activities before income tax at 30% (2007: 30%) |                 |                 |                 |                 |
| — Consolidated  | 98,182          | 134,066         | -               | -               |
| — Parent  | -               | -               | 38,917          | 14,816          |
| Less:   |                 |                 |                 |                 |
| Tax effect of:  |                 |                 |                 |                 |
| — tax offset for franked dividends  | 6,766           | 9,333           | 56,447          | 35,615          |
| — share of net profits of associated company netted directly                                    | 74,072          | 113,576         | -               | -               |
| — recoupment of unused prior year tax losses now recognised                                     | 36,021          | 23,245          | -               | -               |
| — Effect of revaluation of investments for tax purposes   | -               | 9,177           | -               | -               |
| — Over/(under) provision for income tax in prior years  | 4,757           | -               | 4,757           | -               |
| — tax losses not brought to account   | (1,148)         | 466             | -               | -               |
| Income tax/(Benefit) attributable to entity   | <b>(22,286)</b> | <b>(20,799)</b> | <b>(22,286)</b> | <b>(20,799)</b> |
|   | %               | %               | %               | %               |
| The applicable weighted average effective tax rates are as follows:                             | 0.0             | 0.0             | 0.0             | 0.0             |

### NOTE 5: AUDITORS' REMUNERATION

Remuneration of the auditor of the company for:

|  |               |               |               |               |
|--|---------------|---------------|---------------|---------------|
| — auditing or reviewing the financial report | 32,450        | 41,450        | 32,450        | 31,000        |
|  | <b>32,450</b> | <b>41,450</b> | <b>32,450</b> | <b>31,000</b> |

### NOTE 6: DIVIDENDS

#### Dividends paid or proposed

No dividends were paid during the year and the Directors do not recommend the payment of a final dividend.

#### Franking account

|                                     |                |                |                |               |
|-------------------------------------|----------------|----------------|----------------|---------------|
| Balance of franking account at year | <b>556,331</b> | <b>543,974</b> | <b>131,437</b> | <b>54,571</b> |
|-------------------------------------|----------------|----------------|----------------|---------------|

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### NOTE 7: EARNINGS PER SHARE

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2008<br>Number | 2007<br>Number |
| Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share   | 1,408,363      | 1,369,486      |
| Weighted average number of options outstanding   | 1,358,716      | 1,358,716      |
| Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive earnings per share  | 1,408,363      | 1,369,486      |
| <b>a. Basic and diluted earnings per share</b>   | \$             | \$             |
| Profit attributable to members of the Consolidated entity  | 321,375        | 457,502        |
|  | <b>Cents</b>   | <b>Cents</b>   |
| Basic earnings per share   | 22.82          | 33.41          |
| Diluted earnings per share   | 22.82          | 33.41          |
| <b>c. Classification of securities</b>   | <b>Number</b>  | <b>Number</b>  |
| The following potential ordinary shares are not dilutive and therefore are excluded from the weighted average number of ordinary shares for the purposes of dilutive earnings per share: |                |                |
| - Options outstanding  | 1,358,716      | 1,358,716      |

### NOTE 8: CASH AND CASH EQUIVALENTS

|                  | Consolidated   |               | Parent         |              |
|------------------|----------------|---------------|----------------|--------------|
|                  | 2008<br>\$     | 2007<br>\$    | 2008<br>\$     | 2007<br>\$   |
| Cash at bank     | 332,539        | 44,887        | 25,931         | 3,896        |
| Deposits at call | 79,104         | 5,779         | 79,104         | 5,779        |
|                  | <b>411,643</b> | <b>50,666</b> | <b>105,035</b> | <b>9,675</b> |

The effective interest rate on deposits at call was 6.73% (2007: 5.25%).

The credit risk exposure of the Consolidated entity in relation to cash and deposits is the carrying amount and any accrued unpaid interest.

#### Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

|                           |                |               |                |              |
|---------------------------|----------------|---------------|----------------|--------------|
| Cash and cash equivalents | 411,643        | 50,666        | 105,035        | 9,675        |
| Bank overdraft            | -              | -             | -              | -            |
|                           | <b>411,643</b> | <b>50,666</b> | <b>105,035</b> | <b>9,675</b> |



# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### NOTE 9: TRADE AND OTHER RECEIVABLES

|  | Consolidated  |               | Parent         |                |
|--|---------------|---------------|----------------|----------------|
|  | 2008          | 2007          | 2008           | 2007           |
|  | \$            | \$            | \$             | \$             |
| CURRENT                                      |               |               |                |                |
| Dividends and trust distributions receivable | -             | 1,766         | 3,236          | 15,274         |
| Goods and Services Tax Refund                | 821           | 4,593         | 750            | 3,536          |
| Withholding Tax                              | 514           | 55            | -              | -              |
| Other debtors                                | 14,187        | 88,352        | -              | 7,250          |
| Amounts receivable from:                     |               |               |                |                |
| — wholly-owned subsidiaries                  | -             | -             | 236,188        | 103,096        |
| Less: Impairment Provision                   | -             | -             | -              | -              |
|  | <b>15,522</b> | <b>94,766</b> | <b>240,174</b> | <b>129,156</b> |

Receivables are non-interest bearing and unsecured.

The credit risk exposure of the Company in relation to receivables is the carrying amount.

### NOTE 10: TRADING PORTFOLIO

#### CURRENT

Listed investments, at market value

|           |               |                |          |          |
|-----------|---------------|----------------|----------|----------|
| - Options | -             | -              | -        | -        |
| - Shares  | 62,726        | 139,977        | -        | -        |
|           | <b>62,726</b> | <b>139,977</b> | <b>-</b> | <b>-</b> |

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### NOTE 11: TAX

|   | Consolidated |            | Parent     |            |
|---|--------------|------------|------------|------------|
|   | 2008<br>\$   | 2007<br>\$ | 2008<br>\$ | 2007<br>\$ |
| <b>a. Liabilities</b>   |              |            |            |            |
| NON-CURRENT   |              |            |            |            |
| Deferred tax liability comprises:   |              |            |            |            |
| Revaluation adjustments taken directly to equity  | -            | 11,193     | -          | 11,193     |
| Fair value gain adjustments   | -            | 8,730      | -          | 8,730      |
| Total   | -            | 19,923     | -          | 19,923     |
| <b>b. Assets</b>  |              |            |            |            |
| Deferred tax assets comprise:   |              |            |            |            |
| Transaction costs on equity issue   | 6,626        | 9,939      | 6,626      | 9,939      |
| Deferred tax assets attributable to tax losses  | 30,383       | 2,102      | 30,383     | 2,102      |
| Revaluation adjustments taken directly to equity  | 2,097        | -          | 2,097      | -          |
| Impairment of non current assets  | 296          | 6,257      | 296        | 6,257      |
| Other Temporary Differences   | 8,400        | 6,617      | 8,400      | 6,617      |
|   | 47,802       | 24,915     | 47,802     | 24,915     |
| <b>c. Reconciliations</b>   |              |            |            |            |
| <b>i. Deferred Tax Liability</b>  |              |            |            |            |
| The movement in deferred tax liability for each temporary difference during the year is as follows: |              |            |            |            |
| Deferred capital gains tax  |              |            |            |            |
| Opening balance   | (6,824)      | 144        | (6,824)    | 144        |
| Revaluation adjustments taken directly to equity  | 6,824        | (6,968)    | 6,824      | (6,968)    |
| Closing balance   | -            | (6,824)    | -          | (6,824)    |
| Fair value gain adjustments   |              |            |            |            |
| Opening balance   | 19,923       | 18,017     | 19,923     | 18,017     |
| Charged to the income statement   | 7,695        | 8,730      | 7,695      | 8,730      |
| Other   | (27,618)     | -          | (27,618)   | -          |
| Closing balance   | -            | 26,747     | -          | 26,747     |
|   | -            | 19,923     | -          | 19,923     |

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### NOTE 11: TAX (Continued)

|  | Consolidated |         | Parent  |         |
|--|--------------|---------|---------|---------|
|  | 2008         | 2007    | 2008    | 2007    |
|  | \$           | \$      | \$      | \$      |
| <b>ii. Deferred Tax Assets</b>   |              |         |         |         |
| The movement in deferred tax assets for each temporary difference during the year is as follows: |              |         |         |         |
| Transaction costs on equity issue  |              |         |         |         |
| Opening balance  | 9,939        | 13,251  | 9,939   | 13,251  |
| Debited directly to equity   | (3,313)      | (3,312) | (3,313) | (3,312) |
| Closing balance  | 6,626        | 9,939   | 6,626   | 9,939   |
| Deferred tax assets attributable to tax losses   |              |         |         |         |
| Opening balance  | 2,102        | 1,128   | 2,102   | 1,128   |
| Credited to the income statement   | 28,281       | 974     | 28,281  | 974     |
| Closing balance  | 30,383       | 2,102   | 30,383  | 2,102   |
| Impairment of non current assets   |              |         |         |         |
| Opening balance  | 5,345        | 5,345   | 5,345   | 5,345   |
| Credited to the income statement   | (5,049)      | -       | (5,049) | -       |
| Closing balance  | 296          | 5,345   | 296     | 5,345   |
| Unrealised loss on investments   |              |         |         |         |
| Opening balance  | -            | -       | -       | -       |
| Credited to the reserve  | 2,097        | -       | 2,097   | -       |
| Closing balance  | 2,097        | -       | 2,097   | -       |
| Other temporary differences  |              |         |         |         |
| Opening balance  | 7,529        | -       | 7,529   | -       |
| Credited to the income statement   | 871          | 7,529   | 871     | 7,529   |
| Closing balance  | 8,400        | 6,617   | 8,400   | 6,617   |
|  | 47,802       | 24,915  | 47,802  | 24,915  |

- d.** Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1f occur

|                    |         |         |   |   |
|--------------------|---------|---------|---|---|
| - operating losses | 128,618 | 170,645 | - | - |
| - capital losses   | 645,738 | 775,223 | - | - |
|                    | 774,356 | 945,868 | - | - |

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### NOTE 12: INVESTMENT PORTFOLIO

|                                     | Consolidated          |                         | Parent                |                       |
|-------------------------------------|-----------------------|-------------------------|-----------------------|-----------------------|
|                                     | 2008<br>\$            | 2007<br>\$              | 2008<br>\$            | 2007<br>\$            |
| NON-CURRENT                         |                       |                         |                       |                       |
| Listed Investments, at fair value   |                       |                         |                       |                       |
| - Options                           | 2,750                 | -                       | -                     | -                     |
| - Shares & trust units              | 539,160               | 983,518                 | 120,694               | 126,332               |
|                                     | <u>541,910</u>        | <u>983,518</u>          | <u>120,694</u>        | <u>126,332</u>        |
| Unlisted Investments, at fair value |                       |                         |                       |                       |
| - Options                           | -                     | 26,650                  | -                     | 25,650                |
| - Shares & trust units              | 114,446               | 104,446                 | -                     | -                     |
|                                     | <u>114,446</u>        | <u>131,096</u>          | <u>-</u>              | <u>25,650</u>         |
|                                     | <b><u>656,356</u></b> | <b><u>1,114,614</u></b> | <b><u>120,694</u></b> | <b><u>151,982</u></b> |

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### NOTE 13: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests are held in the following associated company

| Name                    | Principal Activities | Country of Incorporation | Shares | Ownership Interest |           | Carry amount of investment |                |
|-------------------------|----------------------|--------------------------|--------|--------------------|-----------|----------------------------|----------------|
|                         |                      |                          |        | 2008<br>%          | 2007<br>% | 2008<br>\$                 | 2007<br>\$     |
| Unlisted:               |                      |                          |        |                    |           |                            |                |
| Cameron Capital Limited | Stockbroking         | Australia                | Ord    | 33.06              | 32.74     | 1,146,532                  | 942,611        |
|                         |                      |                          |        |                    |           | <b>1,146,532</b>           | <b>942,611</b> |

|  | Note | Consolidated     |                | Parent         |                |
|--|------|------------------|----------------|----------------|----------------|
|  |      | 2008<br>\$       | 2007<br>\$     | 2008<br>\$     | 2007<br>\$     |
| <b>a. Movements During the Year in Equity Accounted Investment in Associated Companies</b> |      |                  |                |                |                |
| Balance at beginning of the financial year   |      | 942,611          | 564,023        | 163,065        | 146,382        |
| Add: New investments during the year   |      | 5,749            | 16,683         | 5,749          | 16,683         |
| Share of associated company's profit after income tax                                      | 13b  | 218,723          | 378,588        | -              | -              |
| Less: Dividend revenue from associated company   |      | (20,551)         | (16,683)       | -              | -              |
| <b>Balance at end of the financial year</b>  |      | <b>1,146,532</b> | <b>942,611</b> | <b>168,814</b> | <b>163,065</b> |

**b. Equity Accounted Profits of Associates are Broken Down as follows:**

|   |                |                |
|---|----------------|----------------|
| Share of associate's profit before income tax expense | 309,638        | 540,840        |
| Share of associate's income tax expense               | (90,915)       | (162,252)      |
| <b>Share of associate's profit after income tax</b>   | <b>218,723</b> | <b>378,588</b> |

**c. Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates**

|  |                  |                   |
|--|------------------|-------------------|
| Current assets                               | 8,334,715        | 9,850,847         |
| Non-current assets                           | 1,197,008        | 610,495           |
| <b>Total assets</b>                          | <b>9,531,723</b> | <b>10,461,342</b> |
| Current liabilities                          | 5,700,589        | 7,342,112         |
| Non-current liabilities                      | 334,536          | 148,994           |
| <b>Total liabilities</b>                     | <b>6,035,125</b> | <b>7,491,106</b>  |
| <b>Net assets</b>                            | <b>3,496,598</b> | <b>2,970,236</b>  |
| Revenues                                     | 4,787,889        | 5,823,787         |
| <b>Profit after income tax of associates</b> | <b>661,595</b>   | <b>1,157,148</b>  |

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### NOTE 14: INVESTMENTS IN CONTROLLED ENTITIES

#### a. Controlled Entities Consolidated

|   | Country of Incorporation | Percentage Owned (%)* |      |
|---|--------------------------|-----------------------|------|
|   |                          | 2008                  | 2007 |
| Parent:   |                          |                       |      |
| Pritchard Equity Limited                              | Australia                |                       |      |
| J. H. Clack & Co. Proprietary Limited                 | Australia                | 100                   | 100  |
| Pritchard Equity Holdings Pty Limited                 | Australia                | 100                   | 100  |
| PEQ Hamilton Fund                                     | Australia                | 60                    | 60   |
| PEQ Estates Pty. Limited                              | Australia                | 100                   | 100  |
| Henley Underwriting & Investment Company Pty. Limited | Australia                | 100                   | 100  |
| PEQ Opportunities Fund                                | Australia                | 100                   | -    |
| The NSX Investment Trust                              | Australia                | 100                   | -    |
| PEQ Investment Holdings Pty Limited                   | Australia                | 100                   | -    |
| First Newcastle Pty. Limited                          | Australia                | 100                   | 100  |
| PEQ Nominees Pty. Limited                             | Australia                | 100                   | 100  |
| PEQ Investment Nominees Pty Limited                   | Australia                | 100                   | -    |
| The Newcastle Exchange Pty Limited                    | Australia                | 100                   | -    |

\* Percentage of voting power is in proportion to ownership

#### b. Acquisition of Controlled Entities

On 19 June 2007 the parent entity incorporated 100% owned subsidiary PEQ Estates Pty. Limited. At the date of incorporation PEQ Estates Pty. Limited had no assets.

On 22 January 2008 parent entity incorporated 100% owned subsidiary PEQ Investment Holdings Proprietary Limited. At the date of incorporation PEQ Investment Holdings Proprietary Limited had no assets.

On 22 January 2008 subsidiary PEQ Investment Holdings Proprietary Limited incorporated 100% owned subsidiary The Newcastle Exchange Pty Limited. At the date of incorporation The Newcastle Exchange Proprietary Limited had no assets.

On the 21 February 2008 subsidiary PEQ Investment Holdings Pty Limited incorporated 100% owned subsidiary PEQ Investment Nominees Pty Limited. At the date of incorporation PEQ Investment Holdings Pty Limited had no assets.

On the 22 February 2008 Henley Underwriting & Investment Company Pty Limited established the PEQ Opportunities Fund. At the date of establishment PEQ Opportunities Fund had no assets.

On the 15 May 2008 Pritchard Equity Limited incorporated 100% owned subsidiary Pritchard Equity Holdings Proprietary Limited. At the date of incorporation Pritchard Equity Holdings Proprietary Limited had no assets.

|                               | Consolidated |      | Parent         |                |
|-------------------------------|--------------|------|----------------|----------------|
|                               | 2008         | 2007 | 2008           | 2007           |
|                               | \$           | \$   | \$             | \$             |
| Unlisted investments, at cost |              |      |                |                |
| - Shares                      | -            | -    | 327,673        | 331,383        |
| - Trust units                 | -            | -    | 150,000        | 236,225        |
| Less: Impairment Provision    | -            | -    | (800)          | (12,772)       |
|                               | -            | -    | <b>476,873</b> | <b>554,836</b> |

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### NOTE 15: OTHER

|                      | Note | Consolidated  |          | Parent        |          |
|----------------------|------|---------------|----------|---------------|----------|
|                      |      | 2008          | 2007     | 2008          | 2007     |
|                      |      | \$            | \$       | \$            | \$       |
| Deferred expenditure |      | 30,955        | -        | 30,955        | -        |
|                      |      | <b>30,955</b> | <b>-</b> | <b>30,955</b> | <b>-</b> |

Deferred expenditure represents legal costs incurred by the company up until 30 June 2008 in respect of the takeover offer for Property Fox No. 1 Limited.

### NOTE 16: TRADE AND OTHER PAYABLES

#### CURRENT

##### Unsecured liabilities

|                 |               |               |               |               |
|-----------------|---------------|---------------|---------------|---------------|
| Trade payables  | 11,814        | 35,965        | 1,000         | 14,716        |
| Accrued charges | 72,785        | 16,000        | 58,955        | 16,000        |
|                 | <b>84,599</b> | <b>51,965</b> | <b>59,955</b> | <b>30,716</b> |

### NOTE 17: BORROWINGS

#### CURRENT

##### Unsecured

##### - Amounts loans payable to:

|                             |               |               |            |               |
|-----------------------------|---------------|---------------|------------|---------------|
| - other corporations        | 27,338        | 87,521        | -          | -             |
| - wholly-owned subsidiaries | -             | -             | 789        | 56,363        |
|                             | <b>27,338</b> | <b>87,521</b> | <b>789</b> | <b>56,363</b> |

##### Secured

|                         |     |               |                |            |               |
|-------------------------|-----|---------------|----------------|------------|---------------|
| - Short-term borrowings | 17a | 10,335        | 138,321        | -          | -             |
|                         |     | <b>37,673</b> | <b>225,842</b> | <b>789</b> | <b>56,363</b> |

#### NON CURRENT

##### Unsecured

|                                  |     |                |          |                |          |
|----------------------------------|-----|----------------|----------|----------------|----------|
| - Compound financial instruments | 17b | 142,237        | -        | 142,237        | -        |
|                                  |     | <b>142,237</b> | <b>-</b> | <b>142,237</b> | <b>-</b> |

- a.** Short-term borrowings are secured by listed securities held in the company's investment and trading portfolios and are repayable at on demand.

The carrying amounts of assets pledged as security is:

|                |                |          |          |
|----------------|----------------|----------|----------|
| <b>172,263</b> | <b>489,127</b> | <b>-</b> | <b>-</b> |
|----------------|----------------|----------|----------|

- b.** Compound financial securities comprise Preferred Income Equity Securities (Classification 97% debt) On the May 2008 the Company made a bonus issued of Preferred Income Equity Securities to the ordinary shareholders at a 23 May 2008 with a face value of \$100 each. As at the reporting date there were 1,461 Preferred Income Equity Securities on issue. Further details refer to Note 18(d).

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### NOTE 18: CONTRIBUTED EQUITY

|  | Consolidated   |                | Parent         |                |
|--|----------------|----------------|----------------|----------------|
|  | 2008           | 2007           | 2008           | 2007           |
|  | \$             | \$             | \$             | \$             |
| 620,608 (2007: 579,358) A ordinary shares fully paid | 331,985        | 354,235        | 331,985        | 354,235        |
| 831,378 (2007: 540,128) B ordinary shares fully paid | 392,412        | 351,262        | 392,412        | 351,262        |
| Nil (2007: 250,000) C ordinary shares fully paid     | -              | 82,500         | -              | 82,500         |
| 1,461 (2007: Nil) preferred income equity securities | 3,863          | -              | 3,863          | -              |
|  | <b>728,260</b> | <b>787,997</b> | <b>728,260</b> | <b>787,997</b> |

#### a. A ordinary shares

|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| At the beginning of reporting period                             | 354,235        | 357,524        | 354,235        | 357,524        |
| Shares issued during the year                                    |                |                |                |                |
| — 41,250 shares issued on 09 January 2008 @ 1.00                 | 41,250         | -              | 41,250         | -              |
| Bonus issue of preferred income equity securities on 27 May 2008 | (63,500)       | -              | (63,500)       | -              |
| Transaction costs relating to share issues                       | -              | (3,289)        | -              | (3,289)        |
| At reporting date  | <b>331,985</b> | <b>354,235</b> | <b>331,985</b> | <b>354,235</b> |

#### b. B ordinary shares

|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| At the beginning of reporting period                             | 351,262        | 354,552        | 351,262        | 354,552        |
| Shares issued during the year                                    |                |                |                |                |
| — Conversion of 82,500 ordinary C shares to B shares             | 82,500         | -              | 82,500         | -              |
| — 41,250 shares issued on 09 January 2008 @ \$1.00               | 41,250         | -              | 41,250         | -              |
| Bonus issue of preferred income equity securities on 27 May 2008 | (82,600)       | -              | (82,600)       | -              |
| Transaction costs relating to share issues                       | -              | (3,290)        | -              | (3,290)        |
| At reporting date  | <b>392,412</b> | <b>351,262</b> | <b>392,412</b> | <b>351,262</b> |

#### c. C ordinary shares

|  |          |               |          |               |
|--|----------|---------------|----------|---------------|
| At the beginning of reporting period                 | 82,500   | 82,500        | 82,500   | -             |
| Conversion of C ordinary shares to B Ordinary shares | (82,500) | -             | (82,500) | -             |
| At reporting date                                    | <b>-</b> | <b>82,500</b> | <b>-</b> | <b>82,500</b> |

All Ordinary shares rank equally inter se for all purposes of participation in profits or capital of the Company.

A Ordinary shares confer on their holder the right to receive notices, reports and accounts and to attend and speak, but not to vote at general meetings of the Company.

B Ordinary shares confer on their holder the right to receive notices, reports and accounts and to attend and speak and vote at general meetings of the Company.



# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### Note 18: CONTRIBUTED EQUITY (continued)

C Ordinary shares confer on their holder the right to receive notices, reports and accounts and to attend and speak and vote at general meetings of the Company and the right to convert one C Ordinary share into one B Ordinary share by notice in writing to the Company.

#### d. Preferred Income Equity Securities

|  |              |   |              |   |
|--|--------------|---|--------------|---|
| At the beginning of reporting period                               | -            | - | -            | - |
| Shares issued during the year                                      |              |   |              |   |
| — Bonus issue of preferred income equity securities on 27 May 2008 | 146,100      | - | 146,100      | - |
| — Transfer of debt component on 30 June 2008                       | (142,237)    | - | (142,237)    | - |
| At reporting date  | <b>3,863</b> | - | <b>3,863</b> | - |

The holders of preferred income equity securities are entitled to a cumulative preferential dividend of \$10 per annum (inclusive of any franking credits that would accrue to an Australian resident shareholder in respect of that dividend) accruing at the rate of \$5 for each 6 month period (or part of such period) ending on 30 June and 31 December each year during which the securities are on issue.

Holders of preferred income equity securities may request their conversion into A ordinary shares on 30 November 2013 or on 30 November of any subsequent year by giving written notice to the company on or before 15 November of the year in which the conversion is to take place and the company may convert preferred income equity securities into A ordinary shares at any time by giving 60 days written notice to security holders of the date on which the conversion is to take place.

The number of A ordinary shares issued on conversion is as follows where  $m$  preferred income equity securities will be converted into a corresponding holding of  $n = m \times 100 \times e / (a - i)$  A ordinary shares, where  $e$  is the total number of issued ordinary shares shown in the last audited accounts,  $a$  is the consolidated net assets of the group shown in the last audited accounts, expressed in dollars, and  $i$  is any minority equity interest shown in the last audited accounts, also expressed in dollars.

Subject to the *Corporations Act* and the NSX Listing Rules, the company may redeem preferred income equity securities at \$100 per security on 31 December 2013 or on 31 December of any subsequent year by giving three months written notice to security holders of its intention to redeem the securities.

The holders are entitled to a cumulative preferential dividend of \$10 per annum (inclusive of any franking credits that would accrue to an Australian resident shareholder in respect of that dividend) accruing at the rate of \$5 for each 6 month period (or part of such period) ending on 30 June and 31 December each year during which the securities are on issue.

On a winding up of the company or on a reduction of capital to receive \$100 for each security ahead of any payment to the holders of ordinary shares, but no other right to participate in surplus assets

#### e. Series 1 Options

As at 30 June 2008, the Company has 679,358 (2007: 679,358) Series 1 Options. A Series 1 Option entitles the holder upon the payment of the exercise price of \$1.25 to 1 A Ordinary share. Series 1 Options may be exercised at any time up to 10 December 2008 (inclusive) but not thereafter. As at the reporting date none of the options had been exercised.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### f. Series 2 Options

As at 30 June 2008, the Company has 339,679 (2007: 339,679) Series 2 Options. A Series 2 Option entitles the holder upon the payment of the exercise price of \$2.50 to 1 A Ordinary share. Series 2 Options may be exercised at any time up to 10 December 2010 (inclusive) but not thereafter. As at the reporting date none of the options had been exercised.

### g. Series 3 Options

As at 30 June 2008, the Company has 339,679 (2007: 339,679) Series 3 Options. A Series 3 Option entitles the holder upon the payment of the exercise price of \$5.00 to 1 A Ordinary share. Series 3 Options may be exercised at any time up to 10 December 2015 (inclusive) but not thereafter. As at the reporting date none of the options had been exercised.

## NOTE 19: RESERVES

|                           | Note | Consolidated    |                | Parent       |               |
|---------------------------|------|-----------------|----------------|--------------|---------------|
|                           |      | 2008            | 2007           | 2008         | 2007          |
|                           |      | \$              | \$             | \$           | \$            |
| Asset revaluation reserve | 19a  | (45,293)        | 128,188        | (4,894)      | 26,080        |
| Capital profits           | 19b  | 10,074          | 34,601         | 7,939        | 6,894         |
|                           |      | <b>(35,219)</b> | <b>162,789</b> | <b>3,045</b> | <b>32,974</b> |

## NOTE 19: RESERVES (continued)

### a. Asset revaluation reserve

#### Movements during the year

|                                       |                 |                |                |               |
|---------------------------------------|-----------------|----------------|----------------|---------------|
| Opening balance                       | 128,188         | 3,353          | 26,080         | 336           |
| Revaluation of non current assets     | (186,755)       | 135,867        | (44,248)       | 36,777        |
| Provision for tax on unrealised gains | 13,274          | (11,032)       | 13,274         | (11,032)      |
| Closing Balance                       | <b>(45,293)</b> | <b>128,188</b> | <b>(4,894)</b> | <b>26,080</b> |

The asset revaluation reserve records revaluations of non-current assets. Under certain circumstances dividends can be declared from this reserve.

### b. Capital Profits Reserve

#### Movements during the year

|                                |               |               |              |              |
|--------------------------------|---------------|---------------|--------------|--------------|
| Opening balance                | 34,601        | 28,527        | 6,894        | 6,922        |
| Transfer from retained profits | 130,530       | 6,074         | 1,045        | (28)         |
| Transfer to retained profits   | (155,057)     | -             | -            | -            |
| Closing balance                | <b>10,074</b> | <b>34,601</b> | <b>7,939</b> | <b>6,894</b> |

The capital profits reserve records realised capital gains upon sale of non-current assets. As the balance of this reserve relates to net realised gains it may be distributed as cash dividends at the discretion of Directors.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### NOTE 20: SEGMENT REPORTING

Pritchard Equity Limited, its controlled and associated entities carry on business of a strategic investment company and stockbroking within Australia.

| 2008    | Investments | Stockbroking | Total     |
|---------|-------------|--------------|-----------|
| Revenue | 208,186     | 218,723      | 426,909   |
| Results | 102,652     | 218,723      | 321,375   |
| Assets  | 1,225,004   | 1,146,532    | 2,371,536 |

| 2007    | Investments | Stockbroking | Total     |
|---------|-------------|--------------|-----------|
| Revenue | 157,976     | 378,588      | 536,564   |
| Results | 78,914      | 378,588      | 457,502   |
| Assets  | 1,424,936   | 942,611      | 2,367,549 |

### NOTE 21: CASH FLOW INFORMATION

|  | Consolidated |           | Parent   |           |
|--|--------------|-----------|----------|-----------|
|  | 2008         | 2007      | 2008     | 2007      |
|  | \$           | \$        | \$       | \$        |
| <b>a. Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>             |              |           |          |           |
| Profit after income tax  | 349,557      | 467,685   | 152,009  | 70,186    |
| Non-cash flows in profit   |              |           |          |           |
| Dividends re-invested  | (3,584)      | (29,989)  | (3,584)  | (133,992) |
| Impairment of non-current assets   | -            | -         | -        | -         |
| Loss/(gain) on acquisition of controlled entity  | -            | -         | -        | 40        |
| Net gain on disposal of investments  | (187,033)    | (5,893)   | (1,604)  | -         |
| Unrealised fair value (gain)/loss  | 25,650       | 29,182    | 25,650   | 29,100    |
| Write-downs to recoverable amount  | -            | -         | -        | -         |
| Share of associated companies net profit after income tax and dividends                        | (218,723)    | (378,588) | -        | -         |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries |              |           |          |           |
| (Increase)/decrease in trade and term receivables  | 77,899       | (24,230)  | -        | -         |
| (Increase)/decrease in the trading portfolio   | 77,251       | (105,506) | -        | -         |
| Increase/(decrease) in trade payables and accruals   | 2,925        | 27,927    | (469)    | 16,012    |
| Increase/(decrease) in income taxes payable  | (19,292)     | (18,832)  | (20,710) | (18,832)  |
| Cashflow from operations   | 104,650      | (38,244)  | 151,292  | (37,486)  |

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### NOTE 23: RELATED PARTY TRANSACTIONS

|  | Consolidated |        | Parent         |                 |
|--|--------------|--------|----------------|-----------------|
|  | 2008         | 2007   | 2008           | 2007            |
|  | \$           | \$     | \$             | \$              |
| Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. |              |        |                |                 |
| Transactions with related parties:   |              |        |                |                 |
| <b>a. Associated Company</b>   |              |        |                |                 |
| 30 June 2007 Cameron Capital Limited applied for and was allotted 4,000 units in the PEQ Hamilton Fund at \$1.00 per unit  | -            | 4,000  | -              | -               |
| 29 January 2008 Cameron Capital Limited redeemed 49,000 units in PEQ Hamilton Fund at \$1.00 per unit  | 49,000       | -      | -              | -               |
| 20 May 2008 Cameron Capital Limited redeemed 80,000 units in PEQ Hamilton Fund at \$1.00 per unit  | 80,000       | -      | -              | -               |
| 20 May 2008 Cameron Investment Holdings Pty Limited applied for and was allotted 100,000 units in PEQ Hamilton Fund at \$1.00 per unit                               | 100,000      | -      | -              | -               |
| <b>b. Key Management Personnel</b>   |              |        |                |                 |
| Accounting fees paid/payable to Rees Pritchard Pty. Limited  | 37,300       | 22,244 | -              | 6,019           |
| Brokerage paid to Pritchard & Partners Pty. Limited for stockbroking services  | 1,485        | 1,032  | -              | 44              |
| Brokerage paid to Cameron Stockbrokers Limited for stockbroking services   | 7,809        | 9,226  | -              | -               |
| <b>c. Loans and advances to subsidiaries</b>   |              |        |                |                 |
| Balance at beginning of year   |              |        | 118,370        | 8,459           |
| Advances   |              |        | 381,560        | 114,361         |
| Repayments   |              |        | (261,237)      | (4,450)         |
| Closing balance  |              |        | <u>238,693</u> | <u>118,370</u>  |
| <b>d. Loans and advances from subsidiaries</b>   |              |        |                |                 |
| Balance at beginning of year   |              |        | (53,440)       | -               |
| Advances   |              |        | (1,000)        | 100,000         |
| Repayments   |              |        | 54,170         | (153,440)       |
| Closing balance  |              |        | <u>(270)</u>   | <u>(53,440)</u> |

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

### NOTE 24: FINANCIAL RISK MANAGEMENT

Accounting Standards identify three types of risk associated with financial instruments (i.e. the Group's investments, receivables, payables and borrowings):

#### a. Credit Risk

The standard defines this as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk is managed as noted in the Notes to the financial statements with respect to cash and trade and other receivables. None of these assets are over-due or considered to be impaired.

#### b. Liquidity Risk

The standard defines this as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group monitors its cash-flow requirements and ensures that it has either cash or access to short term borrowing facilities sufficient to meet any payments.

A substantial proportion of the assets of the Group are in the form of readily tradeable securities which can be sold on-market if necessary.

#### c. Market Risk

The standard defines this as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price.

By its nature as the Group invests a substantial proportion of its assets in tradeable securities. The Group is always subject to market risk as it invests its capital in securities which are not risk free i.e. the market price of these securities can fluctuate.

A general fall in market prices of 5% and 10%, if spread equally over all assets in the investment portfolio would lead to a reduction in the Group's equity of \$30,029 and \$60,058 respectively.

The Asset Revaluation Reserve at 30 June 2008 was \$44,894 in debit. It would require an increase in the value of the investment portfolio of 6% to reverse this decrement in accordance with Accounting standards, any further falls in value would continue to be recognised in the equity as unrealised losses, thereby impacting the shareholders' equity of the Group.

The Group seeks to minimise market risk by ensuring that it is not in the opinion of the Board, overly exposed to one company or one particular sector of the market. The relative weightings of the individual securities and relevant market sectors are reviewed regularly and risk can be managed by reducing exposure where appropriate. The Group does not have set parameters as to a minimum or maximum amount of the portfolio that can be invested in a single company or sector.

The Group's investment by sector is as below:

|                        | 2008          | 2007          |
|------------------------|---------------|---------------|
|                        | %             | %             |
| Energy                 | -             | 0.77          |
| Materials              | 12.34         | 21.18         |
| Capital Goods          | 4.11          | 1.08          |
| Commercial             | 2.61          | 2.49          |
| Transportation         | 0.97          | -             |
| Media                  | 0.83          | 1.12          |
| Healthcare             | -             | 1.86          |
| Banks                  | -             | 3.64          |
| Diversified Financials | 54.60         | 64.75         |
| Real Estate            | 21.43         | 1.61          |
| Utilities              | 3.11          | 1.51          |
|                        | <u>100.00</u> | <u>100.00</u> |

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

Securities representing over 5 per cent of the combined investment and trading portfolio at 30 June 2008 were:

|  | Portfolio % |
|--|-------------|
| Illuminator Investment Company Limited | 31.5        |

### d. Interest Rate Risk

The consolidated entity is exposed to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The effective average of interest rates on

- (a) short term borrowings was 10.65% (2007: 8.57)
- (b) long term borrowings was 7% (2007: Nil).

### NOTE 25: COMPANY DETAILS

The registered office and principle place of business of Pritchard Equity Limited is:

10 Murray Street  
Hamilton. New South Wales 2303

# PRITCHARD EQUITY LIMITED

## DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 9 to 32, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the company and consolidated entity;
2. the executive directors have each declared that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view;
3. in the director's 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.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

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

**Steven Shane Pritchard**

Director

**Enzo Pirillo**

Director

Dated this 12th day of September 2008.