

# 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’)

30th June 2012

## For announcement to the market

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

				\$A
Operating Revenue (item 1.1)	Down	68%	to	23,769
Operating loss before abnormal items and tax	Up	217%	to	(343,374)
Operating loss before realised gains /(losses) on the investment portfolio	Down	35%	to	(54,544)
Loss for the period attributable to security holders (item 1.11)	Down	25%	to	(51,434)
<b>Income Distributions</b>		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

TBA

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 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:

- ☒ The financial statements have been audited. ☐ The financial statements have been subject to review by a registered auditor (or overseas equivalent).
- ☐ The financial statements are in the process of being audited or subject to review. ☐ The financial statements have *not* 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.
6. The ~~issuer~~ has a formally constituted audit committee.

Sign here: \_\_\_\_\_  
(Director)

Date: 13 Sept 2012

Print name: Steven Pritchard

**PRITCHARD EQUITY LIMITED**

**ELEVENTH ANNUAL REPORT**

**2012**

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# **PRITCHARD EQUITY LIMITED**

## **OUR VALUES AND OBJECTIVES**

- While our Company is a corporation, our philosophy is that of a partnership. We do not view the Company itself as the ultimate owner of assets, but instead as a conduit through which shareholders own the assets.
- We do not measure the Company's performance by its revenue or its size, but by the growth of the intrinsic value of its shares. Our long-term financial goal is to maximise this growth by investing in businesses that generate cash and earn above average returns on the capital invested in them.
- We maintain a conservative approach to borrowing, and will reject investment opportunities that present themselves, rather than over extend our statement of financial position.
- We are sensitive to our fiduciary obligations to our suppliers and creditors, and to our many long term shareholders, some of whom have committed significant portions of their investment funds to our care.
- We will be candid in reporting to shareholders, and will tell them everything about the business that we believe they would like to know.

# PRITCHARD EQUITY LIMITED

## FINANCIAL HIGHLIGHTS

Year ended 30 June	2012	2011	2010	2009	2008
	\$	\$	\$	\$	\$
<b>Income Statement</b>					
Total income	23,769	74,612	95,663	10,353	239,875
Total expenses	(367,143)	(182,838)	(182,395)	(200,399)	(99,638)
Operating (loss)/profit before income tax	(343,374)	(108,226)	(86,732)	(190,046)	140,237
Income tax benefit/(expense)	288,830	24,756	15,152	13,486	22,286
Operating profit after income tax	(54,544)	(83,470)	(71,580)	(176,560)	162,523
Minority interests	3,110	(4,775)	(1,667)	(1,321)	(28,182)
Discontinued operations	-	19,845	17,850	-	-
Impairment revaluation charge	-	-	-	(18,470)	-
(Loss)/profit attributable to shareholders of Pritchard Equity Limited	(51,434)	(44,710)	(59,543)	(133,096)	321,375
<b>Statement of Financial Position</b>					
Total assets	2,313,393	2,367,275	2,525,262	2,600,474	2,371,536
Total liabilities	522,019	452,157	495,834	453,470	264,509
Total shareholders' equity	1,791,374	1,915,118	2,029,428	2,147,004	2,107,027
Pritchard Equity Limited shareholders' equity	1,746,751	1,864,250	1,875,983	2,003,334	1,980,771
<b>Share Information</b>					
Basic earnings per ordinary share (cents per share)	(3.12)	(4.19)	(3.65)	(8.64)	22.82
Growth in earnings per ordinary share (%)	26	25	71	(155)	(32)
Net assets per ordinary share (cents per share)	109	116	124	132	140
Share price at end of period					
— A Ordinary shares	1.125	1.125	1.125	1.10	1.10
— B Ordinary shares	1.10	1.10	1.10	1.10	1.10
— Preferred income equity securities	100.00	100.00	100.00	100.00	100.00
Issued capital (number of shares)					
— A Ordinary shares	791,968	791,968	791,968	791,968	620,608
— B Ordinary shares	854,378	854,378	839,378	839,378	831,378
— C Ordinary shares	N/A	N/A	N/A	N/A	N/A
— Preferred income equity securities	2,699	2,699	2,699	2,699	1,461
<b>Key Measures</b>					
Return on average ordinary shareholders' equity (%)	(2.78)	(2.3)	(3.6)	(9.8)	19.3
Return on average assets (%)	(2.2)	(1.8)	(2.3)	(7.9)	13.6
Gearing ratio (%)	5.9	4.4	5.6	4.6	1.8

# PRITCHARD EQUITY LIMITED

## EXECUTIVE CHAIRMAN'S LETTER

Dear Fellow Shareholders

Our company has again incurred a loss.

Despite our optimism last year, that business and market conditions would improve, this has proved subsequently not to be the case.

### Results

The group recorded a consolidated net operating loss after tax for the year of \$54,544 which is down from \$83,470 in the prior year.

The loss is equivalent to 3.12 cents per share, compared to a loss of 4.19 cents per share last year.

Net assets per ordinary share fell by 6% to \$1.09 per ordinary share.

The group's level of gearing remains low at 5.9%, reflecting your directors' belief that current conditions are not conducive to increasing the level of borrowings to acquire additional assets.

### Investment activity

The company has continued its cautious approach to making new investments during the year.

As at balance date the group had approximately 26% of its assets in listed investments, 61% in unlisted investments, 3% in cash and 10% in other assets.

### Listed investments

We continued to carefully manage our portfolio of listed investments and took advantage of new investment opportunities as they arose. Details of the current holdings of investments are disclosed in Note 25 of the Financial Report.

### Unlisted investments

#### Hamilton Capital Proprietary Limited ([www.hamiltoncapital.com.au](http://www.hamiltoncapital.com.au))

The group's major unlisted investment is its 32.08% interest in Hamilton Capital Proprietary Limited (previously Cameron Capital Limited), which is the holding company for Cameron Stockbrokers Limited and Hamilton Asset Management Limited. Hamilton Capital Proprietary Limited's consolidated loss increased from \$6,744 in the previous year financial year to \$141,708 for the current year.

On the 16 August 2012, Cameron Stockbrokers Limited and BBY Limited agreed to merge the business of the Sydney office of Cameron Stockbrokers Limited with BBY Limited. It is expected that this merger will be completed towards the middle of October 2012.

As foreshadowed in last years annual report, Hamilton Asset Management Limited released a product disclosure statement for the Hamilton Investment Fund – Multi Asset Portfolio.

The Multi Asset Portfolio is a diversified portfolio, consisting of the following asset classes;

Asset Class	Benchmark %
Cash	10
Fixed interest	25
Equities	15
Real estate	7.5
Natural resources	7.5
Swiss franc assets	10
Gold & silver	25
<b>Total</b>	<b>100</b>

# PRITCHARD EQUITY LIMITED

Hamilton Asset Management Limited is currently finalising a marketing strategy to increase the distribution of the fund and to increase the funds under management.

## **FijiStock Brokers Limited ([www.fijistockbrokers.com.fj](http://www.fijistockbrokers.com.fj))**

FijiStock Brokers Limited again incurred a loss, but given the state of the world equity markets, this is not surprising.

FijiStock Brokers Limited continues to publish its weekly newsletter, and its representatives presented at a number of investment seminars in Fiji.

## **Penrose Club Holdings Limited**

The group increased its holding in Penrose Club Holdings Limited during the year from 4.15% to 7.54% of the issued capital of the unlisted property investment company Penrose Club Holdings Limited. Penrose owns a substantial parcel of land in the Southern Highlands of New South Wales. Progress in releasing value from this asset has been slower than expected. However the board of Penrose continues to explore a number of opportunities to maximise the returns to shareholders from this asset.

## **South Pacific Stock Exchange Limited ([www.spse.com.fj](http://www.spse.com.fj))**

Given the current situation with world financial markets the performance of the South Pacific Stock Exchange Limited (12.5% owned by the group) was satisfactory.

## **Tyrex Solutions Proprietary Limited ([www.tyrex.com.au](http://www.tyrex.com.au))**

Tyrex Solutions Proprietary Limited has been operating for more than 30 years providing sustainable solutions for businesses and householders by using recycled rubber to produce a range of ramps, safety and commercial products.

The group owns approximately 16% of the issued capital of Tyrex.

Tyrex recorded a lower than budgeted profit for the year due principally to the additional costs incurred in relocating its premises and the development of its website.

Customers can now order and purchase a number of Tyrex products via its re launched website.

## **Outlook**

We continue to maintain a strong balance sheet which provides us with the flexibility to take advantage of undervalued investment opportunities as they arise.



Steven Pritchard  
Chairman  
13 September 2012



# PRITCHARD EQUITY LIMITED

## DIRECTORS' REPORT

Your directors present their report on the group consisting of Pritchard Equity Limited and its controlled entities for the financial year ended 30 June 2012. In order to comply with the provisions of the *Corporations Act*, the directors report as follows:

### Directors

The names of directors in office at any time during or since the end of the financial year are:

- Steven Shane Pritchard
- Enzo Pirillo
- Gordon Bradley Elkington

The directors have been in office from the start of the financial year to the date of this report.

### Company Secretary

Enzo Pirillo held the position of company secretary at the end of the financial year. Details of Mr Pirillo's qualifications are contained in the Information on Directors.

### Principal Activities

During the year, the principal activity of the group was the making of medium and long term investments in both listed and unlisted investments.

There were no significant changes in the nature of the company's principal activities during the financial year.

### Dividends Paid or Recommended

A final fully franked preferred income equity securities dividend for 30 June 2011 was paid on 30 September 2011. An interim fully franked preferred income equity securities dividend for 31 December 2011 was paid on 30 March 2012 and a final fully franked preferred income equity securities dividend declared for 30 June 2012 is payable on 28 September 2012.

### Operating Results and Review of Operations

The consolidated net loss after providing for income tax and eliminating minority equity interests was \$51,434 compared to a loss of \$68,400 last year. A loss of \$183,806 from the group's associate Hamilton Capital Proprietary Limited compared to a loss of \$6,744 last year was the primary reason for the consolidated net operating loss.

### Financial Position

The net assets of the group as at 30 June 2012 were \$1,791,374 compared to \$1,915,118 as at 30 June 2011, a decrease of \$123,744.

The group continues to maintain a strong liquidity position, and currently holds cash and readily realisable assets of \$597,272. During the year the group increased its short term borrowings from \$83,378 to \$105,158.

### Significant Changes in State of Affairs

The directors are not aware of any other significant changes in the operations of the group, or the environment in which it operates, that will adversely affect the results of the group in subsequent years.

### After Balance Date Events

Other than as disclosed in Note 26 to the financial statements, no matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

### Future Developments, Prospects and Business Strategies

The group will continue to pursue its investment objectives for the long-term benefit of members. This will require the continued review of the investment strategy that is in place, and may require some changes to that strategy.

Further information on likely developments in the operations of the group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the group.

# PRITCHARD EQUITY LIMITED

## Environmental Issues

The group's operations are not regulated by any significant environmental regulation under Commonwealth or State law.

## Information on Directors

<b>Steven Shane Pritchard</b>	—	Chairman (Executive)
Qualifications	—	B Com, CPA, F Fin
		Previously a member of the Stock Exchange of Newcastle Limited
Experience	—	Chairman and director since 10 May 2002
Interest in shares and options	—	391,480 A Ordinary shares
		546,000 B Ordinary shares
		103,740 Series 3 Options
		1,019 Preferred Income Equity Securities
Special responsibilities	—	Member of the Audit Committee
		Director of Henley Underwriting & Investment Company Pty Limited and Hamilton Capital Proprietary Limited
Directorships held in other listed entities	—	Current chairman and director of Hamilton Securities Limited (since 14 July 2010), Illuminator Investment Company Limited (since 22 December 2003), current director of Florin Mining Investment Company Limited (since 29 September 2004), Winpar Holdings Limited (since 4 July 2004), and The South Pacific Stock Exchange Limited (since )
<b>Enzo Pirillo</b>	—	Director (Executive) and Company Secretary
Qualifications	—	B Com, CPA, F Fin
Experience	—	Director and company secretary since 14 September 2005
Interest in shares and options	—	2,000 A Ordinary shares
		6,000 B Ordinary shares
		25,500 Series 3 Options
		3 Preferred Income Equity Securities
Special Responsibilities	—	Member of the Audit Committee
		Director of Henley Underwriting & Investment Company Pty Limited and Hamilton Capital Proprietary Limited
<b>Gordon Bradley Elkington</b>	—	Director (Non-Executive)
Qualifications	—	B Sc, M Sc, Ph D, LLM
Experience	—	Director since 12 December 2005
Interest in shares and options	—	29,360 A Ordinary shares
		20,200 B Ordinary shares
		20,100 Series 3 Options
		45 Preferred Income Equity Securities
Special Responsibilities	—	Member of the Audit Committee
Directorships held in other listed entities	—	Director of Stokes (Australasia) Limited (since 24 April 2003), Hamilton Securities Limited (since 14 July 2010) and Winpar Holdings Limited (since 1994)

# PRITCHARD EQUITY LIMITED

## Meetings of Directors

During the financial year, four meetings of directors (including committees) were held. Attendances were as follows:

	DIRECTORS MEETINGS		AUDIT COMMITTEE MEETINGS	
	Number held	Number attended	Number held	Number attended
Steven Shane Pritchard	4	4	-	-
Enzo Pirillo	4	4	-	-
Gordon Elkington	4	4	-	-

## Shares under Option

Options have been issued in relation to A ordinary shares as follows.

Date of issue	Expiry date	Number	Exercise price
24 April 2007	10 December 2015	339,679	\$5.00

## Indemnifying Officers or Auditor

During or since the end of the financial year the company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums in relation to any officer or auditor.

## Proceedings on Behalf of Company

No person has applied for leave of the 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.

## Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2012 has been received and is found on page 8 of the report.

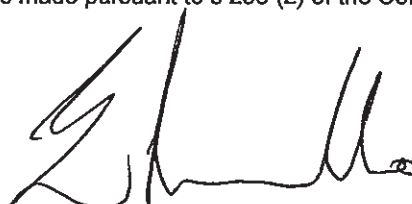
Signed in accordance with a resolution of the Directors made pursuant to s 298 (2) of the Corporations Act 2001.



Steven Shane Pritchard

Director

13 September 2012



Enzo Pirillo

Director

# PRITCHARD EQUITY LIMITED

## REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Pritchard Equity Limited, and for the executives receiving the highest remuneration.

### Remuneration policy

All issues in relation to the remuneration of both executive directors and non-executive directors are dealt with by the board of the company.

The constitution of Pritchard Equity Limited requires the approval by shareholders in general meeting of a maximum amount of remuneration per year to be allocated among non-executive directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the board takes account of the time demands made on directors, together with such factors as the general level of fees paid to directors. The amount of remuneration currently approved by shareholders for non-executive directors is a maximum of \$80,000 per annum.

Non-executive directors hold office until such time as they retire, resign or are removed from office in accordance with the constitution of the company. Non-executive directors do not receive any performance based remuneration.

### Details of remuneration

The company has only two executives, Steven Pritchard and Enzo Pirillo (2011: two executives), both of whom are directors of the company.

Details of the remuneration for each director of the company are as follows.

2012	Salary and Fees	Superannuation contributions	Share based remuneration	Total
Steven Pritchard	\$ -	\$ -	\$ -	\$ -
Enzo Pirillo	-	-	-	-
Gordon Elkington	-	-	-	-

2011	Salary and Fees	Superannuation Contributions	Share based remuneration	Total
Steven Pritchard	\$ -	\$ -	\$ 5,000	\$ 5,000
Enzo Pirillo	-	-	5,000	5,000
Gordon Elkington	-	-	5,000	5,000

**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF  
PRITCHARD EQUITY LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Pritchard Equity Limited.

As lead audit partner for the audit of the Pritchard Equity Limited financial report for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- i. the independence requirements of the Corporations Act 2001 in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

*Nexia Forsythes*

NEXIA FORSYTHES

*D. Gallery*

David Gallery  
Partner  
Chartered Accountants  
Newcastle, 13 September 2012



# PRITCHARD EQUITY LIMITED

## CORPORATE GOVERNANCE STATEMENT

The Board has the responsibility of ensuring that the Company is properly managed so as to protect and enhance the interests of shareholders, consistently with the Company's meeting its obligations to all parties with which it interacts. To this end, the Board has adopted what it believes to be appropriate corporate governance policies and practices, having regard to its size and the nature of its activities.

The main corporate governance policies are summarised below.

### **Appointment and retirement of non-executive directors**

It is the Board's policy to determine the terms of the appointment and retirement of non-executive directors on a case by case basis, and in conformity with the requirements of the Listing Rules and the *Corporations Act*.

### **Director qualifications**

In choosing directors, the company seeks to appoint those individuals who have a significant personal or family ownership interest in the company's ordinary shares. These persons must also have high integrity, business skills, shareholder orientation and a genuine interest in the company.

### **Board size**

The board presently consists of three members, two of whom are executive directors. Under the company's constitution, the board must consist of not less than three members and not more than 10. The board periodically reviews the number of its members, having regard to the nature and extent of the company's operations.

### **Directors' responsibilities**

The basic responsibility of the directors is to exercise their business judgment to act in what they believe to be the best interests of the company and its shareholders, and to conduct themselves in accordance with their fiduciary duties.

### **Directors' access to independent professional advice**

It is the board's policy that any committees established by the board should:

- be entitled to obtain independent professional or other advice at the company's cost, unless the board determines otherwise;
- be entitled to obtain such resources and information from the company, its employees and advisers, as they may require; and
- operate in accordance with any terms of reference established by the board.

### **Board meetings**

The Chairman of the Board is responsible for establishing the agenda for each Board meeting. Each director is free to suggest items for inclusion on the agenda and to raise at any board meeting subjects that are not on the agenda. At least once each year the board reviews the company's long term plans and the principal issues that the Company will face in the future.

### **Audit committee**

The board has established an audit committee, which meets with the external auditors at least once a year. The Audit Committee addresses the financial and compliance responsibilities of the board, and monitors in particular:

- the adequacy of the company's internal controls and procedures to ensure compliance with all applicable legal obligations;
- the adequacy of financial risk management processes; and
- any reports prepared by the external auditor.

# PRITCHARD EQUITY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Note	Consolidated		Parent	
		2012	2011	2012	2011
		\$	\$	\$	\$
Income from investment portfolio	3a	32,888	28,173	4,970	6,264
Income from trading portfolio	3b	(34,479)	15,797	-	-
Income from deposits	3c	3,548	6,029	7	433
Income from the provision of services	3d	21,812	24,610	-	-
Other income	3e	-	3	1,647	12,045
<b>Total income from ordinary activities</b>		<b>23,769</b>	<b>74,612</b>	<b>6,624</b>	<b>18,742</b>
Share of net loss of associated company		183,806	6,744	-	-
Auditors remuneration		41,475	39,855	35,030	33,750
Bank charges		1,017	1,317	327	310
Depreciation expense		3,306	3,676	-	-
Employee expenses		10,787	11,384	-	-
Finance costs		3,220	2,652	-	12
Listing fees		8,419	6,396	8,419	6,396
Net realised foreign exchange loss		7,236	641	-	-
Share registry fees		10,135	14,570	10,135	14,570
Administration expenses		71,496	95,603	23,776	37,592
Impairment provision		26,246	-	94,097	92,011
<b>Operating loss before income tax</b>		<b>(343,374)</b>	<b>(108,226)</b>	<b>(165,160)</b>	<b>(165,899)</b>
Income tax benefit	4b	288,830	24,756	49,834	52,325
<b>Operating loss after income tax</b>		<b>(54,544)</b>	<b>(83,470)</b>	<b>(115,326)</b>	<b>(113,574)</b>
Loss/ (profit) attributable to non-controlling interest		3,110	(4,775)	-	-
Profit attributable to discontinued operations	25	-	19,845	-	-
<b>Operating loss attributable to members of the company</b>		<b>(51,434)</b>	<b>(68,400)</b>	<b>(115,326)</b>	<b>(113,574)</b>
Other comprehensive income					
Net (devaluation) / revaluation of non-current assets		(37,332)	45,567	(29,979)	2,997
Net realised (losses)/gains on sale of long-term investments		(8,608)	23,690	4,979	-
Foreign currency translation		(1,232)	(8,697)	-	-
Total other comprehensive income for the year		(47,172)	60,560	(25,000)	2,997
<b>Total comprehensive income for the year</b>		<b>(98,606)</b>	<b>(7,840)</b>	<b>(140,326)</b>	<b>(110,577)</b>
<b>Overall Operations</b>					
Basic earnings per share (cents per share)	7	(3.12)	(4.19)		
Diluted earnings per share (cents per share)	7	(3.12)	(4.19)		

The accompanying notes form part of these financial statements.

# PRITCHARD EQUITY LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	Consolidated		Parent	
		2012	2011	2012	2011
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	8	70,694	237,673	551	5,271
Trade and other receivables	9	53,639	42,087	172,599	287,980
Trading portfolio	10	51,359	81,820	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>175,692</b>	<b>361,580</b>	<b>173,150</b>	<b>293,251</b>
<b>NON-CURRENT ASSETS</b>					
Investment portfolio	11	830,681	827,625	192,230	223,213
Investments in associates accounted for using the equity method	12(a)	858,395	1,042,201	168,814	168,814
Investments in controlled entities		-	-	423,177	457,027
Plant and equipment	13	2,689	4,811	-	-
Goodwill	14	-	14,778	-	-
Deferred tax assets	15	445,936	116,280	206,565	143,883
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,137,701</b>	<b>2,005,695</b>	<b>990,786</b>	<b>992,937</b>
<b>TOTAL ASSETS</b>		<b>2,313,393</b>	<b>2,367,275</b>	<b>1,163,936</b>	<b>1,286,188</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Trade and other payables	16	152,157	104,942	67,432	34,005
Borrowings	17	105,158	83,378	43,830	40,290
Provision for tax		(1,755)	(1,900)	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>255,560</b>	<b>186,420</b>	<b>111,262</b>	<b>74,295</b>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	17	265,737	265,737	265,737	265,737
Deferred tax liabilities	15	722	-	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>266,459</b>	<b>265,737</b>	<b>265,737</b>	<b>265,737</b>
<b>TOTAL LIABILITIES</b>		<b>522,019</b>	<b>452,157</b>	<b>376,999</b>	<b>340,032</b>
<b>NET ASSETS</b>		<b>1,791,374</b>	<b>1,915,118</b>	<b>786,937</b>	<b>946,156</b>
<b>EQUITY</b>					
Issued capital	18	947,960	947,960	947,960	947,960
Reserves	19	(101,410)	(59,593)	(12,423)	17,556
Retained earnings		900,201	975,883	(148,600)	(19,360)
Equity attributable to equity holders of the parent		1,746,751	1,864,250	786,937	946,156
Minority equity interest		44,623	50,868	-	-
<b>TOTAL EQUITY</b>		<b>1,791,374</b>	<b>1,915,118</b>	<b>786,937</b>	<b>946,156</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 2012

	Issued Capital	Foreign Currency Reserve	Asset Revaluation Reserve	Capital Profits Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$
<b>Consolidated</b>						
<b>Balance at 1 July 2010 as reported</b>	<b>932,960</b>		<b>- (155,189)</b>	<b>46,678</b>	<b>1,051,534</b>	<b>1,875,983</b>
Loss for the year	-	-	-	-	(68,400)	(68,400)
Other comprehensive income						
Revaluation of non current assets (net of tax)	-	-	45,567	-	-	45,567
Net capital gains for the year	-	-	-	-	23,690	23,690
Foreign currency exchange reserve	-	(8,697)	-	-	-	(8,697)
Total other comprehensive income	-	(8,697)	45,567	-	23,690	60,560
Total comprehensive income for the period	-	(8,697)	45,567	-	(44,710)	(7,840)
Shares issued during the year	15,000	-	-	-	-	15,000
Transfer from retained profits to reserves	-	-	-	12,048	(12,048)	-
Dividend/distributions paid	-	-	-	-	(18,893)	(18,893)
<b>Balance at 30 June 2011</b>	<b>947,960</b>	<b>(8,697)</b>	<b>(109,622)</b>	<b>58,726</b>	<b>975,883</b>	<b>1,864,250</b>
<b>Balance at 1 July 2011 as reported</b>	<b>947,960</b>	<b>(8,697)</b>	<b>(109,622)</b>	<b>58,726</b>	<b>975,883</b>	<b>1,864,250</b>
Loss for the year	-	-	-	-	(51,434)	(51,434)
Other comprehensive income						
Revaluation of non current assets (net of tax)	-	-	(37,332)	-	-	(37,332)
Net capital gains for the year	-	-	-	-	(8,608)	(8,608)
Foreign currency exchange reserve	-	(1,232)	-	-	-	(1,232)
Total other comprehensive income	-	(1,232)	(37,332)	-	(8,608)	(47,172)
Total comprehensive income for the period	-	(1,232)	(37,332)	-	(60,042)	(98,606)
Transfer from retained profits to reserves	-	-	-	(3,253)	3,253	-
Dividend/distributions paid	-	-	-	-	(18,893)	(18,893)
<b>Balance at 30 June 2012</b>	<b>947,960</b>	<b>(9,929)</b>	<b>(146,954)</b>	<b>55,473</b>	<b>900,201</b>	<b>1,746,751</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 2012

	Issued Capital	Asset Revaluation Reserve	Capital Profits Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$
<b>Parent</b>					
<b>Balance at 1 July 2010</b>	<b>932,960</b>	<b>(41,038)</b>	<b>55,597</b>	<b>113,107</b>	<b>1,060,626</b>
Loss for the year	-	-	-	(113,574)	(113,574)
Other comprehensive income					
Revaluation of non current assets (net of tax)	-	2,997	-	-	2,997
Total other comprehensive income	-	2,997	-	-	2,997
Total comprehensive income for the period	-	2,997	-	(113,574)	(110,577)
Shares issued during the year	15,000	-	-	-	15,000
Dividend/distributions paid	-	-	-	(18,893)	(18,893)
<b>Balance at 30 June 2011</b>	<b>947,960</b>	<b>(38,041)</b>	<b>55,597</b>	<b>(19,360)</b>	<b>946,156</b>
<b>Balance at 1 July 2011</b>	<b>947,960</b>	<b>(38,041)</b>	<b>55,597</b>	<b>(19,360)</b>	<b>946,156</b>
Loss for the year	-	-	-	(115,326)	(115,326)
Other comprehensive income					
Revaluation of non current assets (net of tax)	-	(29,979)	-	-	(29,979)
Net capital gains for the year	-	-	-	4,979	4,979
Total other comprehensive income	-	(29,979)	-	4,979	(25,000)
Total comprehensive income for the period	-	(29,979)	-	(110,347)	(140,326)
Dividend/distributions paid	-	-	-	(18,893)	(18,893)
<b>Balance at 30 June 2012</b>	<b>947,960</b>	<b>(68,020)</b>	<b>55,597</b>	<b>(148,600)</b>	<b>786,937</b>

The accompanying notes form part of these financial statements.

# PRITCHARD EQUITY LIMITED

## STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Note	Consolidated		Parent	
		2012	2011	2012	2011
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Sales from trading portfolio		4,518	159,313	-	-
Purchases for trading portfolio		(5,708)	(79,757)	-	-
Brokerage received		12,772	16,257	-	-
Interest received		17,209	20,033	7	433
Dividends received		3,546	7,405	-	-
Distributions received		5,135	7,215	2,215	7,125
Commissions received		-	3	-	-
Other receipts		16,531	17,341	6,147	7,867
		54,003	147,810	8,369	15,425
Administration expenses		(124,750)	(177,457)	(50,860)	(102,464)
Bank charges		(1,017)	(1,250)	(327)	(310)
Finance costs		(3,220)	(6,609)	-	(12)
Income tax paid		(134)	(150)	-	850
Net cash used in operating activities	21a	(75,118)	(37,656)	(42,818)	(86,511)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Sales from investment portfolio		314,679	365,371	56,139	60,000
Purchases for investment portfolio		(422,031)	(185,253)	(56,139)	-
Purchases of other assets		(934)	(4,554)	-	-
Net cash (used in)/provided by investing activities		(108,286)	175,564	-	60,000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		-	15,000	-	15,000
Deferred expenditure		(4,662)	(21,079)	-	-
Dividends/distributions paid		(18,893)	(18,893)	(18,893)	(18,893)
Proceeds from borrowings		82,662	116,740	104,052	90,565
Repayment of borrowings		(42,221)	(100,458)	(47,061)	(51,602)
Net cash (used in)/provided by financing activities		16,886	(8,690)	38,098	35,070
Net increase in cash held		(166,518)	129,218	(4,720)	8,559
Cash at beginning of financial year		237,673	114,667	5,271	(3,288)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(461)	(6,212)	-	-
Cash at end of financial year	8	<b>70,694</b>	<b>237,673</b>	<b>551</b>	<b>5,271</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 2012

#### 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. This financial report has been authorised for issue on the date of the Directors Declaration.

The financial report covers the separate financial statements of the company and the consolidated financial statements of the Group.

Pritchard Equity Limited is a listed public company, incorporated and domiciled in Australia.

Australia Accounting Standards include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ("IFRS").

The Group 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 2012 ("the inoperative standards"). The inoperative standards are outlined below.

- AASB 13 *Fair value Measurement* (effective date 1 January 2013).
- AAS 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective date 1 July 2013).
- AASB 2011-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* (effective date 1 January 2013).
- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* (effective date 1 July 2012).

The adoption of the various Australian Accounting Standards and Interpretations in issue but not yet effective will not impact the Group's accounting policies. However, the pronouncements will result in changes to information currently disclosed in the financial statements. The Group does not intend to adopt any of these pronouncements before their effective dates.

#### Basis of Preparation

##### *Reporting Basis and Conventions*

The financial statements are prepared using the valuation methods described below for holdings of securities. All other items have been treated in accordance with the historical cost convention.

All amounts are presented in Australian dollars, unless otherwise noted.

The financial statements were authorised for issue by the directors on 13 September 2012.

#### a. Principles of Consolidation

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

A list of controlled entities is contained in Note 2 to the financial statements.

All controlled entities have a June financial year-end.

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

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.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### **b. Associate Accounting Policy**

Associates are entities over which the Company has significant influence but not control, generally accompanied by a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost in the Company's financial statements.

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

The fair value of cash and cash equivalents, borrowings and non-interest monetary financial assets and liabilities of the Group approximate their carrying value.

The fair value for assets that are actively traded on a market 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.

##### **d. Income from the Provision of Services**

Revenue arising from brokerage commissions and fee income are recognised by the Group on an accruals basis as and when services have been provided.

##### **e. Cash and Cash Equivalents**

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

##### **f. Plant and Equipment**

Plant and equipment is included at cost less accumulated depreciation and any impairment in value. All plant and equipment is depreciated over its estimated useful life, commencing from the time assets are held ready for use.

The depreciation rates for each class of asset are as follows:

Furniture and fittings 12 – 33%

Office equipment 20 – 40%.

##### **g. Goodwill**

Goodwill on acquisition is initially measured at cost, being the excess of the costs of the business combination over the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment, annually, or more frequently if events or changed circumstances indicate that the carrying amount is impaired.

##### **h. Foreign Currency Transactions and Balances**

Foreign currency transactions during the year are converted to Australian currency using the exchange rates applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of foreign exchange ruling at that date.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### i. Holdings of Securities

##### (i) Statement of Financial Position classification

The Group has two discrete portfolios of securities: the investment portfolio and the trading portfolio. The purchase and the sale of securities are accounted for at the date of trade.

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.

Securities within the investment portfolio are classified as "financial assets measured at fair value through other comprehensive income", and are designated as such upon initial recognition, whereas securities held in the trading portfolio are classified as measured at fair value through profit or loss in accordance with AASB 9".

The designation of securities within the investment portfolio as "financial assets measured at fair value through other comprehensive income" is consistent with the Director's view of these assets as being held for the long term for both capital growth and for the provision to the Group of dividends and distribution of income rather than to make a profit from their sale, which is the purpose of securities held in the trading portfolio.

##### (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 equity instruments are recognised as other comprehensive income and taken to the Asset Revaluation Reserve.

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

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

Distributions relating to listed securities are recognised as income when those securities are quoted ex-distribution, 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 carrying value of the securities.

#### j. Excess of current liabilities over current assets

At 30 June 2012, the Group's current liabilities (\$255,560) exceed its current assets (\$175,692) by \$79,868. Notwithstanding the deficiency, the financial statements have been prepared on a going concern basis which contemplates the realisation of assets and the extinguishment of liabilities in the ordinary course of business.

The directors will realise a portion of the Group's investment portfolio to enable it to meet any debts as and when they fall due and payable if required. It is on this basis that the Group has prepared its financial statements on a going concern basis.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

#### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**k. 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 when that outflow can be reliably measured.

**l. Taxation**

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 are in place or are substantially in place at the balance date.

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, where 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 and on the basis that no adverse change will occur in income taxation legislation and in the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**m. Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (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 statement of financial position 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.

**n. Critical accounting judgements and key sources of estimation uncertainty**

The Group makes estimates and assumptions concerning the future. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. In accordance with AASB 112 Income Taxes, deferred tax assets have been recognised for Capital Gains Tax (CGT) on the unrealised gain in the Investment Portfolio at current tax rates.

As the directors do not intend to dispose of the portfolio, this tax asset may not be crystallised. In addition, the tax liability that arises on disposal of these securities may be impacted by changes in tax legislation relating to treatment of capital gains and the rate of taxation applicable to such gains at the time of disposal.

The Group has recognised deferred tax assets in relation to carried forward revenue and capital losses and deductible temporary differences as disclosed in Note 15. The Group recognises these assets only if the Group considers it is probable that future taxable amounts will be available to utilise these temporary differences and losses. The Group intends to not dispose of portfolio assets until there are gains on the investments which the Directors believe will be sufficient to recoup the deferred tax assets.

**o. Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Board has been identified as the chief operating decision-maker, as it is responsible for allocating resources and assessing performance of the operating segments.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

#### NOTE 2: CONTROLLED ENTITIES

##### a. Composition of Consolidated Group

The consolidated financial statements include the following controlled entities. The financial years of all controlled entities are the same as that of the parent entity.

	Country of incorporation	Percentage owned (%)*	
		2012	2011
Parent			
Pritchard Equity Limited	Australia	100	100
Henley Underwriting & Investment Company Pty Limited	Australia	100	100
Newcastle Securities & General Trust	Australia	100	100
The NSX Investment Trust	Australia	100	100
J. H. Clack & Co. Pty Limited	Australia	100	100
PEQ Estates Pty Limited	Australia	100	100
PEQ Hamilton Fund	Australia	60	60
PEQ Investment Holdings Pty Limited	Australia	100	100
First Newcastle Pty Limited	Australia	100	100
Fleet Funds Management Pty Limited	Australia	100	100
PEQ Nominees Pty Limited	Australia	100	100
PEQ Investment Nominees Pty Limited	Australia	100	100
Pritchard Asset Management Pty Limited	Australia	100	100
The Newcastle Exchange Pty Limited	Australia	100	100
Pritchard Equity Holdings Pty Limited	Australia	100	100
The South Pacific Investment Company Limited	Australia	100	100
FijiStock Brokers Limited	Fiji	80	80

\* Percentage of voting power is in proportion to ownership



# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

### NOTE 3: REVENUE

	Note	Consolidated		Parent	
		2012	2011	2012	2011
		\$	\$	\$	\$
<b>a. Income from investment portfolio</b>					
— dividends received		27,515	20,460	3,322	3,239
— trust distributions received		5,373	7,713	1,648	3,025
<b>Total Income from investment portfolio</b>		<b>32,888</b>	<b>28,173</b>	<b>4,970</b>	<b>6,264</b>
<b>b. Income from trading portfolio</b>					
— sales revenue		4,525	159,468	-	-
— cost of sales		(39,004)	(143,671)	-	-
— net (loss).profit from trading portfolio		(34,479)	15,797	-	-
<b>Total Income from trading portfolio</b>		<b>(34,479)</b>	<b>15,797</b>	<b>-</b>	<b>-</b>
<b>c. Income from deposits</b>					
— interest received		3,548	6,029	7	433
<b>Total Income from deposits</b>		<b>3,548</b>	<b>6,029</b>	<b>7</b>	<b>433</b>
<b>d. Income from the provision of services</b>					
— brokerage received		12,772	16,257	-	-
— other income received		9,040	8,353	-	-
<b>Total Income from the provision of services</b>		<b>21,812</b>	<b>24,610</b>	<b>-</b>	<b>-</b>
<b>e. Other Income</b>					
— commissions received		-	3	-	-
— trust distributions from controlled entities		-	-	1,647	12,045
<b>Total Other income</b>		<b>-</b>	<b>3</b>	<b>1,647</b>	<b>12,045</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

### NOTE 4: INCOME TAX EXPENSE

	Note	Consolidated		Parent	
		2012	2011	2012	2011
		\$	\$	\$	\$
<b>a.</b> The components of tax expense comprise:					
Current tax		40,104	(48,194)	12,847	(103,366)
Deferred tax liability	15	722	-	-	-
Deferred tax asset	15	(329,656)	23,438	(62,681)	51,041
		<b>(288,830)</b>	<b>(24,756)</b>	<b>(49,834)</b>	<b>(52,325)</b>
<b>b.</b> The prima facie tax on loss from ordinary activities before income benefit is reconciled to the income tax as follows:					
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2011: 30%)					
— Consolidated		(103,012)	(32,468)	-	-
— Parent		-	-	(49,548)	(49,769)
Less:					
Tax effect of:					
— tax offset for franked dividends		6,427	575	1,948	2,556
— under provision for tax previous year		251,466	-	(336)	-
— accrued charges		(93)	605	-	-
— share of net losses of associated company netted directly		(55,142)	(2,023)	-	-
— recoupment of unused prior year tax losses now recognised		1,037	10,574	-	-
— effect of revaluation of investments for tax purposes		(296)	(6,559)	-	-
— Difference in tax/accounting distribution		984	3,905	168	-
— Realised losses on investment portfolio		(1,962)	(2,443)	(1,494)	-
— tax losses not brought to account		(16,603)	(12,346)	-	-
Income tax benefit attributable to entity		<b>(288,830)</b>	<b>(24,756)</b>	<b>(49,834)</b>	<b>(52,325)</b>
Amounts recognised directly through other comprehensive income					
Increase/(decrease) in deferred tax assets relating to capital gains/(losses) tax on the movement in unrealised gains in the investment portfolio					
		40,104	(1,284)	12,847	(1,284)

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

### NOTE 5: AUDITORS' REMUNERATION

	Note	Consolidated		Parent	
		2012	2011	2012	2011
		\$	\$	\$	\$
Remuneration of the auditor of the company for					
— auditing the financial report		41,475	39,855	35,030	33,750

### NOTE 6: DIVIDENDS

#### a. Dividend Paid

Half yearly fully franked preferred income equity securities dividend of \$3.50 per share paid on 30 September 2011	9,446	9,446	9,446	9,446
Half yearly fully franked preferred income equity securities dividend of \$3.50 per share paid on 30 March 2012	9,447	9,447	9,447	9,447
	18,893	18,893	18,893	18,893

#### b. Dividends declared

Half yearly fully franked preferred income equity securities dividend of \$3.50 per share payable on 28 September 2012 (2011: 30 September 2011). This dividend has not been brought to account in the financial statements for the year ended 30 June 2012 (2011: 30 June 2011), but will be recognised in subsequent financial reports

9,446	9,446	9,446	9,446
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#### c. Franking account

Impact on franking account balance of dividends not recognised

558,664	559,584	124,466	129,780
(4,048)	(4,048)	(4,048)	(4,048)

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

#### NOTE 7: EARNINGS PER SHARE

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	1,646,346	1,631,428
Weighted average number of options outstanding	339,679	679,358
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive earnings per share	1,646,346	1,631,428
<b>a. Basic and diluted earnings per share</b>	<b>\$</b>	<b>\$</b>
(Loss)/Profit attributable to members of the Group	(51,434)	(68,400)
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(3.12)	(4.19)
Diluted earnings per share	(3.12)	(4.19)
<b>b. Classification of securities</b>	<b>2012</b>	<b>2011</b>
	<b>Number</b>	<b>Number</b>
The following potential ordinary shares are not dilutive and are excluded from the weighted average number of ordinary shares for the purposes of dilutive earnings per share:		
- Options outstanding	339,679	679,358

#### NOTE 8: CASH AND CASH EQUIVALENTS

<b>Note</b>	<b>Consolidated</b>		<b>Parent</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash at bank	59,268	226,244	(233)	4,487
Deposits at call	784	784	784	784
Term deposit	10,642	10,645	-	-
	<b>70,694</b>	<b>237,673</b>	<b>551</b>	<b>5,271</b>

The effective interest rate on deposits at call was 3.50% (2011: 4.75%).

The credit risk exposure of the Group 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 statement of financial position as follows:

Cash and cash equivalents	70,694	237,673	551	5,271
	<b>70,694</b>	<b>237,673</b>	<b>551</b>	<b>5,271</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

### NOTE 9: TRADE AND OTHER RECEIVABLES

	Note	Consolidated		Parent	
		2012	2011	2012	2011
		\$	\$	\$	\$
CURRENT					
Dividends and trust distributions receivable		3,287	7,324	14,990	14,682
Goods and services tax refund		3,420	274	2,674	274
Deferred expenditure		26,343	21,078	-	-
Other debtors		7,936	7,944	291	1,908
Accrued income		3,508	-	-	-
<b>Amounts receivable from:</b>					
— Wholly-owned subsidiaries		-	-	145,499	265,649
— Other corporations		9,145	5,467	9,145	5,467
		<b>53,639</b>	<b>42,087</b>	<b>172,599</b>	<b>287,980</b>

Receivables are non-interest bearing and unsecured.

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

### NOTE 10: TRADING PORTFOLIO

#### CURRENT

Listed investments, at market value

- Shares	<b>51,359</b>	<b>81,820</b>	-	-
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### NOTE 11: INVESTMENT PORTFOLIO

#### NON-CURRENT

Listed Investments, at fair value

- Options	-	-	-	-
- Shares and trust units	475,219	530,489	102,548	116,279
	<b>475,219</b>	<b>530,489</b>	<b>102,548</b>	<b>116,279</b>

Unlisted Investments, at fair value

- Shares and trust units	355,462	297,136	89,682	106,934
	<b>830,681</b>	<b>827,625</b>	<b>192,230</b>	<b>223,213</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

### NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests are held in the following associated company

Name	Principal activities	Country of incorporation	Class of shares	Ownership interest		Carrying amount of interest	
				2012	2011	2012	2011
Unlisted:				%	%	\$	\$
Hamilton Capital Pty Limited	Stockbroking	Australia	Ordinary	32.08	32.08	858,395	1,042,201
						858,395	1,042,201

	Note	Consolidated		Parent	
		2012	2011	2012	2011
		\$	\$	\$	\$
<b>a. Movements during the year in equity accounted investment in associated companies</b>					
Balance at beginning of the financial year		1,042,201	1,048,945	168,814	168,814
<b>Add:</b> New investments during the year		-	-	-	-
Share of associated company's profit after income tax	13b	-	-	-	-
Dividend revenue from associated company		-	-	-	-
<b>Less</b> Share of associated company's loss after income tax	13b	(183,806)	(6,744)	-	-
<b>Balance at end of the financial year</b>		<b>858,395</b>	<b>1,042,201</b>	<b>168,814</b>	<b>168,814</b>

**b. Equity accounted (losses)/profits of associates are broken down as follows:**

Share of associate's loss before income tax benefit	(266,174)	(11,447)
Share of associate's income tax benefit	82,368	4,703
<b>Share of associate's loss after income tax</b>	<b>(183,806)</b>	<b>(6,744)</b>

**c. Summarised presentation of aggregate assets, liabilities and performance of associates**

Current assets	5,239,568	6,289,528
Non-current assets	1,645,269	1,478,547
<b>Total assets</b>	<b>6,884,837</b>	<b>7,768,075</b>
Current liabilities	4,142,981	4,524,241
Non-current liabilities	67,919	38,005
<b>Total liabilities</b>	<b>4,210,900</b>	<b>4,562,246</b>
<b>Net assets</b>	<b>2,673,937</b>	<b>3,205,829</b>
Revenues	2,684,193	4,175,431
<b>Loss after income tax of associates</b>	<b>(572,961)</b>	<b>(21,022)</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

### NOTE 13: PLANT AND EQUIPMENT

	Note	Consolidated		Parent	
		2012 \$	2011 \$	2012 \$	2011 \$
<b>Plant and equipment</b>					
At cost		23,912	22,443	-	-
Accumulated depreciation		(21,223)	(17,632)	-	-
		<b>2,689</b>	<b>4,811</b>	-	-

#### Reconciliation

Plant and equipment					
Carrying amount at the beginning of the year		4,811	8,487	-	-
Additions		1,184	-	-	-
Disposals		-	-	-	-
Depreciation		(3,306)	(3,676)	-	-
Carrying amount at the end of the year		<b>2,689</b>	<b>4,811</b>	-	-

### NOTE 14: GOODWILL

#### Goodwill

At cost		14,778	14,778	-	-
Accumulated amortisation impairment		(14,778)	-	-	-
		<b>-</b>	<b>14,778</b>	-	-

#### Reconciliation

Goodwill					
Carrying amount at the beginning of the year		14,778	14,778	-	-
Additions		-	-	-	-
Amortisation impairment		(14,778)	-	-	-
Carrying amount at the end of the year		<b>-</b>	<b>14,778</b>	-	-

### NOTE 15: TAX

#### a. Liabilities

##### NON-CURRENT

Deferred tax liability comprises:

Other temporary differences		722	-	-	-
Total		<b>722</b>	<b>-</b>	<b>-</b>	<b>-</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

### NOTE 15: TAX (CONTINUED)

	Note	Consolidated		Parent	
		2012	2011	2012	2011
		\$	\$	\$	\$
<b>b. Assets</b>					
Deferred tax assets comprise:					
Transaction costs on equity issue		-	-	-	-
Deferred tax assets attributable to tax losses		189,517	90,282	110,201	90,282
Revaluation adjustments taken directly to other comprehensive income		56,407	16,303	29,150	16,303
Impairment of non current assets		3,440	296	56,129	27,899
Other temporary differences		196,572	9,399	11,085	9,399
		<b>445,936</b>	<b>116,280</b>	<b>206,565</b>	<b>143,883</b>
<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:					
<b>Deferred capital gains tax</b>					
Opening balance		-	-	-	-
Credited to the income statements		722	-	-	-
Closing balance		722	-	-	-
<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		-	-	-	-
Debited directly to equity		-	-	-	-
Closing balance		-	-	-	-
Deferred tax assets attributable to tax losses					
Opening balance		90,282	65,758	90,282	65,758
Credited to the Income Statement		99,235	25,524	19,919	24,524
Closing balance		189,517	90,282	110,201	90,282
Impairment of non current assets					
Opening balance		296	296	27,899	296
Credited to the Income Statement		3,144	-	28,230	27,603
Closing balance		3,440	296	56,129	27,899



# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

### NOTE 15: TAX (CONTINUED)

	Note	Consolidated		Parent	
		2012	2011	2012	2011
		\$	\$	\$	\$
Unrealised loss on investments					
Opening balance		16,303	17,952	16,303	17,952
Credited to the reserve		40,104	(1,649)	12,847	(1,649)
Closing balance		56,407	16,303	29,150	16,303
Other temporary differences					
Opening balance		9,399	8,836	9,399	8,836
Credited to the Income Statement		187,173	563	1,686	563
Closing balance		196,572	9,399	11,085	9,399
		<b>445,936</b>	<b>116,280</b>	<b>206,565</b>	<b>143,883</b>

### NOTE 16: TRADE AND OTHER PAYABLES

#### CURRENT

##### Unsecured liabilities

Trade payables	113,207	58,422	30,482	4,055
Accrued charges	38,950	46,520	36,950	29,950
	<b>152,157</b>	<b>104,942</b>	<b>67,432</b>	<b>34,005</b>

### NOTE 17: BORROWINGS

#### CURRENT

##### Unsecured

##### - Loans payable to:

- other corporations	95,691	35,368	-	-
- wholly-owned subsidiaries	-	-	43,830	40,290
	<b>95,691</b>	<b>35,368</b>	<b>43,830</b>	<b>40,290</b>

##### Secured

- Short-term borrowings	17a	9,467	48,010	-	-
		9,467	48,010	-	-
		<b>105,158</b>	<b>83,378</b>	<b>43,830</b>	<b>40,290</b>

- a. Short-term borrowings are secured by listed securities held in the company's investment and trading portfolios and are repayable on demand. The carrying amounts of assets pledged as security is:

<b>56,918</b>	<b>124,457</b>	<b>-</b>	<b>-</b>
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# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

### NOTE 17: BORROWINGS (CONTINUED)

	Note	Consolidated		Parent	
		2012	2011	2012	2011
		\$	\$	\$	\$
NON CURRENT					
Unsecured					
- Compound financial instruments	18c	265,737	265,737	265,737	265,737

### NOTE 18: ISSUED CAPITAL

791,968 (2011: 791,968) A ordinary shares fully paid	18a	527,885	527,885	527,885	527,885
854,378 (2011: 854,378) B ordinary shares fully paid	18b	416,212	416,212	416,212	416,212
2,699 (2011: 2,699) Preferred income equity securities	18c	3,863	3,863	3,863	3,863
		<b>947,960</b>	<b>947,960</b>	<b>947,960</b>	<b>947,960</b>

#### a. A ordinary shares

At the beginning of reporting period	527,885	527,885	527,885	527,885
At reporting date	<b>527,885</b>	<b>527,885</b>	<b>527,885</b>	<b>527,885</b>

#### b. B ordinary shares

At the beginning of reporting period	416,212	401,212	416,212	401,212
Shares issued during the year				
- 15,000 shares issued to the directors in lieu of directors fees	-	15,000	-	15,000
At reporting date	<b>416,212</b>	<b>416,212</b>	<b>416,212</b>	<b>416,212</b>

All ordinary shares rank equally inter se for the 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 2012

	Note	Consolidated		Parent	
		2012	2011	2012	2011
		\$	\$	\$	\$
<b>c. Preferred Income Equity Securities</b>					
At the beginning of reporting period		3,863	3,863	3,863	3,863
At reporting date		<b>3,863</b>	<b>3,863</b>	<b>3,863</b>	<b>3,863</b>

#### NOTE 18: CONTRIBUTED EQUITY (CONTINUED)

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.

On conversion, a holding of  $m$  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.

On a winding up of the Company or on a reduction of capital a holder of preferred income equity securities will be entitled 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

#### d. Series 3 Options

As at 30 June 2012, the Company has on issue 339,679 (2011: 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 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 2012

### NOTE 19: RESERVES

	Note	Consolidated		Parent	
		2012	2011	2012	2011
		\$	\$	\$	\$
Asset revaluation reserve	19a	(146,954)	(109,622)	(68,020)	(38,041)
Capital profits	19b	55,473	58,726	55,597	55,597
Foreign exchange reserve	19c	(9,929)	(8,697)	-	-
		<b>(101,410)</b>	<b>(59,593)</b>	<b>(12,423)</b>	<b>17,556</b>

#### a. Asset revaluation reserve

##### Movements during the year

Opening balance	(109,622)	(155,189)	(38,041)	(41,038)
Revaluation of non current assets	(77,437)	46,851	(42,827)	4,281
Provision for tax on unrealised losses/(gains)	40,105	(1,284)	12,848	(1,284)
Closing balance	<b>(146,954)</b>	<b>(109,622)</b>	<b>(68,020)</b>	<b>(38,041)</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	58,726	46,678	55,597	55,597
Transfer from retained profits	-	12,048	-	-
Transfer to retained profits	(3,253)	-	-	-
Closing balance	<b>55,473</b>	<b>58,726</b>	<b>55,597</b>	<b>55,597</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 the Directors.

#### c. Foreign exchange reserve

##### Movements during the year

Opening balance	(8,697)	-	-	-
Transfer to retained profits	(1,232)	(8,697)	-	-
Closing balance	<b>(9,929)</b>	<b>(8,697)</b>	<b>-</b>	<b>-</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

#### NOTE 20: FINANCIAL INSTRUMENTS

##### (a) Financial Risk Management

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

##### **Credit Risk**

This is 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.

##### **Liquidity Risk**

This is 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 available sufficient to meet any payments.

The Group's inward cash-flows depend upon the level of distributions received and the sale of securities. The Group's major cash outflow is the purchase of securities, the level of which is manageable by the Board. Furthermore, a substantial proportion of the Group's assets is in the form of readily tradeable securities which can be sold if necessary. The current financial liabilities are shown in Notes 16 and 17.

##### **Market Risk**

This is 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% or 10%, if spread equally over all assets in the investment and trading portfolios would lead to a reduction in the Group's equity of \$26,329 or \$52,658 respectively.

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 follows:

	2012	2011
	%	%
Materials	6.35	8.66
Capital goods	12.10	9.02
Energy	4.20	9.44
Commercial	0.33	12.19
Media	2.00	1.48
Food and beverage	8.31	4.38
Diversified financials	49.77	51.70
Real estate	16.94	3.13
	<b>100.00</b>	<b>100.00</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

#### NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

Securities representing over 5 per cent of the combined investment and trading portfolio at 30 June 2012 were:

	Portfolio %
Penrose Club Holdings Limited	19.23
Illuminator Investment Company Limited	16.72
VB Holdings Limited	7.01
Hamilton Investment Fund – Multi Strategy Portfolio	5.89
Tyrex Solutions Unit Trust	5.67
Imperial Pacific Limited	5.52

No other security represents over 5 per cent of the Group's investment and trading portfolios.

#### Interest Rate Risk

The Group is exposed to interest rate risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings. The effective average of interest rates on:

- (a) short term borrowings was 8.79% (2011: 9.74%)
- (b) long term borrowings was 7% (2011: 7%).

As at the 30 June 2012 the Group's interest bearing short term borrowings totalled \$105,158. Given the amount of borrowings involved the Group does not believe they are subject to any material interest rate risks.

#### Currency Risk

A proportion of the Group's assets are exposed to movements in the value of foreign currencies relative to the Australian dollar. Considering the quantum of the assets in absolute terms as well as relative terms compared to the Groups total assets it is not cost-effective to hedge against foreign currency fluctuations.

#### (b) Fair Value Measurement

The company has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) inputs for the asset or liabilities that are not based on observable market data (unobservable inputs) (level 3).

	Level 1	Level 2	Level 3	Total
30 June 2012	\$	\$	\$	\$
Financial assets at fair value through other comprehensive income				
Investment portfolio	830,681	-	-	830,681
Financial assets at fair value through profit or loss				
Trading portfolio	51,359	-	-	51,359
Total	882,040	-	-	882,040

Comparative information has not been provided as permitted by the transitional provisions of the new rules.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

#### NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of valuation methods and makes assumptions that are based on market conditions existing at the end of each reporting period. These instruments are included in level 2.

#### NOTE 21: CASH FLOW INFORMATION

	Note	Consolidated		Parent	
		2012 \$	2011 \$	2012 \$	2011 \$
<b>a. Reconciliation of cash flow from operations with (loss)/profit after income tax</b>					
(Loss)/Profit after income tax		(54,544)	(44,710)	(115,326)	(113,574)
Non-cash flows in profit					
Dividends re-invested		(5,547)	(5,099)	(4,092)	(3,629)
Net gain on disposal of investments		-	(23,690)	-	-
Write-downs to recoverable amount		3,306	3,676	-	92,011
Impairment of non-current assets		26,246	-	94,097	-
Share of associated companies net loss/(profit) after income tax and dividends		183,806	(5,582)	-	-
(Increase)/decrease in trade and other receivables		(3,865)	(3,961)	(1,091)	(7,121)
(Increase)/decrease in the trading portfolio		30,461	63,941	-	-
Increase/(decrease) in trade payables and accruals		33,705	3,426	33,429	(2,723)
Increase/(decrease) in foreign currencies		(111)	(970)	-	-
Increase/(decrease) in taxes payable		(288,575)	(24,687)	(49,835)	(51,475)
<b>Cash flow from operations</b>		<b>(75,118)</b>	<b>(37,656)</b>	<b>(42,818)</b>	<b>(86,511)</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

#### NOTE 22: SEGMENT REPORTING

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

##### Description of segments

The board makes the strategic resource allocations for the Group. The Group has therefore determined the operating segments based on the reports reviewed by the Board, which are used to make strategic decisions. The Board is responsible for the Group's entire portfolio of investments and considers the business to have a single operating segment. The Board's asset allocation decisions are based on a single, integrated investment strategy, and the Group's performance is evaluated on an overall basis. The Group invests in equity securities and other instruments to provide shareholders with attractive investment returns through access to a steady stream of fully franked dividends and enhancement of capital invested.

2012	Investments	Financial Services	Total
	\$	\$	\$
Revenue	23,769	-	23,769
Results	132,372	(183,806)	(51,434)
Assets	1,454,998	858,395	2,313,393

2011	Investments	Financial Services	Total
	\$	\$	\$
Revenue	74,612	-	74,612
Results	(37,966)	(6,744)	(44,710)
Assets	1,325,074	1,042,201	2,367,275

#### NOTE 23: RELATED PARTY TRANSACTIONS

Consolidated		Parent	
2012	2011	2012	2011
\$	\$	\$	\$

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:

##### Related party

Accounting fees paid/payable to Rees Pritchard Pty Limited	39,403	46,402	20,064	19,049
Brokerage paid to Cameron Stockbrokers Limited for stockbroking services	1,533	5,447	-	-
Share registry fees paid to Newcastle Capital Markets Registries Pty Limited	10,134	14,570	10,134	14,570



# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

### NOTE 23: RELATED PARTY TRANSACTIONS (CONTINUED)

	Parent	
	2012	2011
	\$	\$
<b>Loans and advances to subsidiaries</b>		
Balance at beginning of year	265,649	304,574
Advances	265,906	68,293
Repayments	(322,849)	(107,218)
Impairment adjustment	(63,207)	-
Closing balance	<b>145,499</b>	<b>265,649</b>
<b>Loans and advances from subsidiaries</b>		
Balance at beginning of year	(40,290)	(1,186)
Advances	(161,575)	(49,322)
Repayments	158,035	10,218
Closing balance	<b>(43,830)</b>	<b>(40,290)</b>

### NOTE 24: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AT 30 JUNE 2012

Listed below are those securities held in the investment portfolio that are revalued at fair value through other comprehensive income. They do not include securities held in the trading portfolio. Individual holdings in the portfolio may change during the course of the year.

	Consolidated		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Australian Equities</b>				
APN Regional Property Fund	4,750	-	-	-
Bell IXL Investments Limited	7,000	7,000	-	-
BHP Billiton Limited	-	10,950	-	-
Capilano Honey Limited	30,750	17,250	-	-
Capral Limited	1,048	2,137	-	-
Costa Exchange Limited	-	12,750	-	-
Embelton Limited	23,400	18,000	-	-
Emerging Leaders Investments Limited	-	-	-	-
Fleet Multi Strategy Fund	37,774	50,000	37,774	50,000
Fleet Professional Investors Fund	-	56,934	-	56,934
Geopacific Resources NL	2,800	4,000	-	-
Geopacific Resources NL Options Exp 19-01-13	100	-	-	-
Hamilton Investment Fund – Multi Strategy Portfolio	51,908	-	51,908	-
Hamilton Securities Limited A Class Non Voting	3,150	3,150	-	-
Hamilton Securities Limited B Class Voting	5,600	16,000	-	-
Hamilton Securities Limited B Class Options Exp 30-11-19	527	-	-	-
Hastings High Yield Fund	-	-	-	-

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

#### NOTE 24: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AT 30 JUNE 2012 (CONTINUED)

	Consolidated		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Australian Equities</b>				
Illuminator Investment Company Limited	147,475	167,221	102,548	116,279
Imperial Pacific Limited (previously Belmont Holdings Limited)	48,658	48,219	-	-
Incitec Pivot Limited	-	19,300	-	-
IShares MSCI Bric Index Fund	17,235	22,075	-	-
Linden and Conway	10,170	10,170	-	-
Linden and Conway 9% Fixed cumulative preference shares	249	249	-	-
London City Equities Limited	4,400	5,000	-	-
Macquarie Radio Network Limited	6,600	12,500	-	-
Marbletrend Group Limited	12,320	14,000	-	-
Miclyn Express Offshore Limited	-	6,399	-	-
Newcastle Securities & General Trust	-	50,000	-	-
NSX Limited	-	1	-	-
Penrose Club Holdings Limited	169,613	104,445	-	-
Peter Macgregor Investments Limited	-	-	-	-
PEQ Continuation Fund	10,000	10,000	-	-
Rio Tinto Limited	-	-	-	-
Sietel Limited	15,000	20,000	-	-
Sietel Limited 5.0% Cum. Preference	7,072	7,175	-	-
Stokes (Australasia) Limited	28,000	50,000	-	-
Vanguard Australian shares Index ETF Fund	26,560	-	-	-
Tyrex Solutions Unit Trust	50,000	-	-	-
Woodside Petroleum Limited	-	41,000	-	-
	<b>722,159</b>	<b>785,925</b>	<b>192,230</b>	<b>223,213</b>

#### International Equities

Amalgamated Telecom Holdings Limited	745	1,788	-	-
Atlantic & Pacific Packaging Company Limited	756	-	-	-
Blue Lagoon Cruises Limited	3,587	3,588	-	-
Communications Fiji Limited	1,176	974	-	-
Fiji Care Insurance Limited	798	798	-	-
Fiji Television Limited	2,767	-	-	-
Fosters Group Pacific Limited	12,984	9,847	-	-
Kontiki Grou Fund Limited	154	240	-	-
RB Patel Group Limited	559	506	-	-
South Pacific Stock Exchange Limited	22,161	22,168	-	-
Toyota Tsusho (South Sea) Limited	995	995	-	-

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

#### NOTE 24: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AT 30 JUNE 2012 (CONTINUED)

	Consolidated		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>International Equities</b>				
VB Holdings Limited	61,840	796	-	-
	<b>108,522</b>	<b>41,700</b>	-	-
<b>Total Equities</b>	<b>830,681</b>	<b>827,625</b>	<b>192,230</b>	<b>223,213</b>

#### NOTE 25: DISCONTINUED OPERATIONS

On 31 March 2011, the Group redeemed the units it held in the PEQ Opportunities Fund. The proceeds from the redemption of the units were equivalent to the carrying amount of the units and accordingly no gains or impairment losses were recognised. The comparative profit and loss has been re-presented to include those operations classified as discontinued in the current year.

#### Profit for the year from discontinued operations

##### Income

Investment income	-	3,543	-	-
Income from deposits	-	294	-	-
Realised gains on investment portfolio	-	18,472	-	-
<b>Total income</b>	-	<b>22,309</b>	-	-

##### Expenses

Administration expenses	-	486	-	-
Finance costs	-	1,978	-	-
<b>Total expenses</b>	-	<b>2,464</b>	-	-
<b>Profit for the year from discontinued operations</b>	-	<b>19,845</b>	-	-

#### Cash flows from discontinued operations

Net cash inflows from operating activities	-	1,655	-	-
Net cash inflows from investing activities	-	200,083	-	-
Net cash outflows from financing activities	-	(76,786)	-	-
	-	<b>124,952</b>	-	-

#### Analysis of assets and liabilities over which control was lost

##### Current assets

Trade and other receivables	-	106,363	-	-
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##### Non current assets

Investment portfolio	-	102,514	-	-
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##### Current liabilities

Trade and other payables	-	1,862	-	-
Borrowings	-	107,015	-	-

<b>Net assets disposed of</b>	-	<b>100,000</b>	-	-
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# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

#### NOTE 26: SUBSEQUENT EVENTS TO REPORTING DATE

On the 16 August 2012, Cameron Stockbrokers Limited and BBY Limited agreed to merge the business of the Sydney office of Cameron Stockbrokers Limited with BBY Limited. It is expected that this merger will be completed towards the middle of October 2012. At the date of this report, the terms of the sale agreement prohibit an estimation of the financial effect of the transaction.

No other matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

#### NOTE 27: CONTINGENT LIABILITIES AND ASSETS

The company has provided a letter of financial support to its subsidiaries, The South Pacific Investment Company Limited and Newcastle Investment Corporation Limited.

The financial support extends to the following:

- 1) That the company will continue to provide financial support to The South Pacific Investment Company Limited and Newcastle Investment Corporation Limited so as to enable the settlement of any market obligations where a client fails to provide payment; and
- 2) That the company will not call upon any loan advanced to The South Pacific Investment Company Limited and Newcastle Investment Corporation Limited until such time as it is able to settle its obligations to the company in the ordinary course of business.

The financial support shall remain in force until The South Pacific Investment Company Limited and Newcastle Investment Corporation is financially viable to meet these liabilities in the ordinary course of operations.

There were no other contingent assets or liabilities as at 30 June 2012 (2011: Nil)

#### NOTE 28: COMPANY DETAILS

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

10 Murray Street

Hamilton

New South Wales 2303

# PRITCHARD EQUITY LIMITED

## DIRECTORS' DECLARATION

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;
- c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company; and
- d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the Corporations Act 2001.



Steven Shane Pritchard  
Director



Enzo Pirillo  
Director

Dated this 13th day of September 2012

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
PRITCHARD EQUITY LIMITED**

We have audited the accompanying financial report of Pritchard Equity Limited, which comprises the statement of financial position as at 30 June 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration 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.

***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes complies with International Financial Reporting Standards.

***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.





**Independence**

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

**Auditor's opinion**

In our opinion:

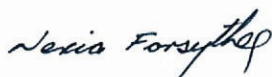
- (a) the financial report of Pritchard Equity Limited is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the remuneration report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion**

In our opinion the remuneration report of Pritchard Equity Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.



NEXIA FORSYTHES



David Gallery  
Partner  
Chartered Accountants  
Newcastle, 13 September 2012



# PRITCHARD EQUITY LIMITED

## STOCK EXCHANGE INFORMATION

### Top 20 A Ordinary Shareholders as at 9 August 2012.

Shareholder	Shares	% of Issued
Pritchard & Company Pty Limited	185,169	23.38
Pritchards Continuation Proprietary Limited	168,000	21.21
Mrs Margaret Jane Pritchard	50,000	6.31
The Investment Company of Australia Proprietary Limited	43,000	5.43
Dr Gordon Bradley Elkington	29,360	3.71
Fuggle Nominees Pty Limited	25,000	3.16
Newcastle Capital Markets Registries Pty Limited	25,000	3.16
Mr John Weston Seaforth Mackenzie	23,330	2.95
Bell IXL Investments Limited	22,500	2.84
Illuminator Investment Company Limited	20,000	2.53
Wilcorp No. 41 Pty Limited	19,168	2.42
Abelia Grove Pty Limited	17,230	2.18
Longbow Croft Capital Pty Limited	14,500	1.83
Mrs Milly Elkington	13,200	1.67
Banivory Pty Limited	8,600	1.09
Mr Steven Shane Pritchard	7,918	1.00
Steven Pritchard Investments Pty Limited	7,000	0.88
Community and Regional Investment Company Pty Limited	5,000	0.63
Mr John Richard Gilbert and Mrs Janet Patricia Gilbert	5,000	0.63
Jarfem Pty Limited	5,000	0.63
	693,975	87.63

### Number of A ordinary shares held

1 – 1,000  
1,001 – 5,000  
5,001 – 10,000  
10,001 – 50,000  
50,001 – 100,000  
100,001 and over

### Number of Shareholders

31  
36  
3  
12  
0  
2



# PRITCHARD EQUITY LIMITED

## STOCK EXCHANGE INFORMATION

### Top 20 B Ordinary Shareholders as at 9 August 2012.

Shareholder	Shares	% of Issued
Pritchard & Company Pty Limited	199,000	23.29
Pritchards Continuation Pty Limited	150,000	17.56
Pritchards Continuation Pty Limited	150,000	17.56
The Investment Company of Australia Proprietary Limited	35,000	4.10
Fuggle Nominees Pty Limited	25,000	2.93
Mrs Margaret Jane Pritchard	25,000	2.93
Mr Steven Shane Pritchard	25,000	2.93
Mr John Weston Seaforth Mackenzie	23,330	2.73
Bell IXL Investments Limited	22,500	2.63
Dr Gordon Bradley Elkington	20,200	2.36
Wilcorp No 41 Pty Limited	19,168	2.24
Abelia Grove Pty Limited	17,230	2.02
Longbow Croft Capital Pty Limited	13,500	1.58
Newcastle Capital Markets Registries Pty Limited	12,500	1.46
Illuminator Investment Company Limited	10,000	1.17
Banivory Pty Limited	8,600	1.01
Mr John Richard Gilbert and Mrs Jane Patricia Gilbert	5,000	0.59
Jarfem Pty Limited	5,000	0.59
Mr Enzo Pirillo	5,000	0.59
	771,028	90.27

### Number of B ordinary shares held

### Number of Shareholders

1 – 1,000	35
1,001 – 5,000	23
5,001 – 10,000	2
10,001 – 50,000	12
50,001 – 100,000	0
100,001 and over	3

# PRITCHARD EQUITY LIMITED

## STOCK EXCHANGE INFORMATION

### Top 20 Preferred Income Equity Security holders as at 9 August 2012.

Share holder	Shares	% of Issued
Pritchard & Company Pty Limited	470	17.41
Pritchards Continuation Pty Limited	468	17.34
Rocco Sciarrone	136	5.04
The Investment Company of Australia Proprietary Limited	78	2.89
Mrs Margaret Jane Pritchard	75	2.78
Richard Benjamin Cook & Kim Elizabeth Cook	68	2.52
Dean Frances Coupland & Keitha Kim Coupland	68	2.52
David Redfern Investments Pty Limited	68	2.52
Diane Gardner	68	2.52
Anthony Illingworth	68	2.52
LA Milt Pty Limited	68	2.52
Tammy Mitchum & Ray Mitchum	68	2.52
Margaret Diane Murphy	68	2.52
Dianne Muriel Stewart	68	2.52
Mark Jon Tovey	68	2.52
WBD Enterprises Pty Limited	68	2.52
Mrs Grace Wolstenholme	68	2.52
Mr Douglas Robert Graham Neild	52	1.93
Fuggle Nominees Pty Limited	50	1.85
Mr John Weston Seaforth Mackenzie	47	1.74
	2,192	81.22

### Number of Preferred Income Equity Securities held

### Number of Security holders

1 – 1,000	84
1,001 – 5,000	-
5,001 – 10,000	-
10,001 – 50,000	-
50,001 – 100,000	-
100,001 and over	-

# PRITCHARD EQUITY LIMITED

## STOCK EXCHANGE INFORMATION

### Top 20 Series 3 Option holders as at 9 August 2012.

Option holder	Options	% of Issued
Pritchard & Company Pty Limited	58,500	17.22
Pritchards Continuation Proprietary Limited	38,615	11.37
Mrs Margaret Jane Pritchard	27,500	8.10
Mr Enzo Pirillo	25,000	7.36
Cameron Securities Pty Limited	17,500	5.15
Dr Gordon Bradley Elkington	12,500	3.68
RFC Investment Holdings Pty Limited	12,500	3.68
Mr John Weston Seaforth Mackenzie	11,665	3.43
Wilcorp No 41 Pty Limited	9,584	2.82
Abelia Grove Pty Limited	8,615	2.54
Mr Brett Andrew Hall	8,000	2.36
Dr Gordon Bradley Elkington	7,600	2.24
Mr Daniel DiStefano	7,500	2.21
Mrs Anna Pirillo	7,500	2.21
Mr Barry James Preston	7,500	2.21
Newcastle Capital Markets Registries Pty Limited	6,250	1.84
Bell IXL Investments Limited	5,625	1.66
Banivory Pty Limited	4,800	1.41
Illuminator Investment Company Limited	3,125	0.92
Kate Crockett	2,500	0.74
	282,379	83.13

### Number of Series 2 options held

1 – 1,000  
1,001 – 5,000  
5,001 – 10,000  
10,001 – 50,000  
50,001 – 100,000  
100,001 and over

### Number of Option holders

39  
22  
9  
7  
1  
-

### Substantial Shareholders

As at 9 August 2012 the names and holdings of substantial shareholders as disclosed in notices received by the Company are as follows:

Substantial Shareholder	B Ordinary shares	% of total
Steven Shane Pritchard	541,000	64.45

# PRITCHARD EQUITY LIMITED

## CORPORATE DIRECTORY

### Directors

Steven Shane Pritchard – Executive Chairman  
Enzo Pirillo  
Gordon Bradley Elkington

### Secretary

Enzo Pirillo

### Principal Place of Business and Registered Office

10 Murray Street  
Hamilton NSW 2303  
Telephone (02) 4920 2877  
Facsimile (02) 4920 2878

### Accountants

Rees Pritchard Pty Limited  
10 Murray Street  
Hamilton NSW 2303  
Telephone (02) 4920 2877  
Facsimile (02) 4920 2878

### Auditors

Nexia Forsythes  
Level 29  
264 George Street  
Sydney NSW 2000  
Telephone (02) 9251 4600  
Facsimile (02) 9251 7138

### Solicitors

Baker & McKenzie  
Level 27, AMP Centre  
50 Bridge Street  
Sydney NSW 1223  
Telephone (02) 9225 0200  
Facsimile (02) 9225 1595

### Share Registry

Newcastle Capital Markets Registries Pty Limited  
10 Murray Street  
Hamilton NSW 2303  
Telephone (02) 4920 2877  
Facsimile (02) 4920 2878

### Stockbroker and Nominated Advisers

Pritchard & Partners Pty Limited  
10 Murray Street  
Hamilton NSW 2303  
Telephone (02) 4920 2877  
Facsimile (02) 4920 2878

### Stockbroker

Cameron Stockbrokers Limited  
Level 6  
10 Spring Street  
Sydney NSW 2000  
Telephone (02) 8225 5100  
Facsimile (02) 9232 7272