

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 2017

For announcement to the market

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

Extracts from this statement for announcement to the market (see note 1).				\$A
Operating Revenue (item 1.1)	Up	28%	To	530,413
Operating Profit (loss) before abnormal items and tax	Up	259%	To	309,057
Operating Profit (loss) for the period after tax but before minority equity interests (item 1.9)	Up	317%	To	208,417
Profit (loss) for the period attributable to security holders (item 1.11)	Up	374%	To	208,432
Income Distributions		Current period	Previous corresponding period	
Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				

Annual meeting*(Preliminary final statement only)*

The annual meeting will be held as follows:

Place

Date

Time

Approximate date the annual report will be available

Compliance statement

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

Identify other standards used

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2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.
3. This statement does/~~does not~~* (*delete one*) give a true and fair view of the matters disclosed (see note 2).
4. This statement is based on financial statements to which one of the following applies:

- ☒ 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, details of any qualifications are attached/will follow immediately they are available* (*delete one*). (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)

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

Sign here:

Date: 13/9/2017

(Director/Company secretary)

Print name: Steven P. Liu



PRITCHARD EQUITY LIMITED

SIXTEENTH ANNUAL REPORT

2017

Pritchard Equity Limited ABN 80 100 517 404

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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 overextend our 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	2017	2016	2015	2014	2013
	\$	\$	\$	\$	\$
Income Statement					
Total income	530,413	412,890	179,448	95,840	47,064
Total expenses	(221,356)	(326,812)	(207,246)	(203,142)	(476,121)
Operating profit / (loss) before income tax	309,057	86,078	(27,798)	(107,302)	(429,057)
Income tax benefit/ (expense)	(100,640)	(36,150)	2,533	(2,559)	50,677
Operating profit/ (loss) after income tax	208,417	49,928	(25,265)	(109,861)	(378,380)
Minority interests	15	(5,962)	12,929	(14,861)	3,814
Discontinued operations	-	-	-	(21,215)	2,352
Profit / (loss) attributable to shareholders of Pritchard Equity Limited	208,432	43,966	(12,336)	(145,937)	(372,214)
Statement of Financial Position					
Total assets	291,560,556	74,466,672	33,978,018	1,907,780	1,942,436
Total liabilities	289,692,838	72,850,534	32,424,556	347,951	519,871
Total shareholders' equity	1,867,718	1,616,138	1,553,462	1,556,088	1,422,565
Pritchard Equity Limited shareholders' equity	1,866,003	1,614,544	1,557,668	1,546,964	1,384,571
Share Information					
Basic earnings per ordinary share (cents per share)	10.95	2.31	(0.65)	(7.85)	(22.61)
Growth in earnings per ordinary share (%)	374	455	92	65	(625)
Net assets per ordinary share (cents per share)	98	85	82	82	86
Share price at end of period					
— A Ordinary shares	0.30	0.30	1.125	1.125	1.125
— B Ordinary shares	0.30	0.30	1.10	1.10	1.10
— Preferred income equity securities	-	-	-	-	100.00
Issued capital (number of shares)					
— A Ordinary shares	1,048,373	1,048,373	1,048,373	1,048,373	791,968
— B Ordinary shares	869,378	854,378	854,378	854,378	854,378
— Preferred income equity securities	-	-	-	-	2,699
Key Measures					
Return on average ordinary shareholders' equity (%)	11.97	2.77	(0.79)	(9.80)	(23.16)
Return on average assets (%)	0.11	0.08	(0.07)	(7.6)	(17.5)
Gearing ratio (%)	5.3	9.2	12.2	12.8	9.2

PRITCHARD EQUITY LIMITED

EXECUTIVE CHAIRMAN'S LETTER

Dear Fellow Shareholders

We are pleased to announce a record operating profit for the year of \$208,417.

Results

The group recorded a consolidated net operating profit after tax for the year of \$208,417 compared to a profit of \$49,928 last year.

The profit is equivalent to 10.95 cents per share, in comparison to a profit of 2.31 cents per share last year.

Net assets per ordinary share increased to \$0.98 per ordinary share compared to \$0.85 per ordinary share last year.

The group's level of gearing continues to remain low at 5.3% (after excluding the limited recourse borrowings in the structured finance business), reflecting your directors' continuing 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.

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.

Structured Finance

The structured finance business continued to grow and recorded revenue of \$345,831 compared to \$131,243 last year. We believe that the revenue from this business will continue to grow over the next few years.

We are also looking at developing a number of new products that we will make available to qualifying wholesale investors.

Unlisted investments

Hamilton Capital Proprietary Limited (www.hamiltonam.com.au)

The group's major unlisted investment is its 39.36% interest in Hamilton Capital Pty Limited, which is the holding company for Hamilton Asset Management Limited.

Hamilton Capital Proprietary Limited's equity accounted contribution to our results for the current year was a profit of \$6,282, compared to a loss in the prior year of \$66,986.

During the year, Hamilton Asset Management Limited was appointed the Trustee of several new funds. Growth in funds under management is expected to result in an improved operating performance of Hamilton Asset Management Limited in coming years.

Hamilton Asset Management Limited is continuing to look at a number of new initiatives to enable it to increase its funds under management.

FijiStock Brokers Limited (www.fijistockbrokers.com.fj)

FijiStock Brokers Limited is the oldest stock broking firm in Fiji and is a member of the South Pacific Stock Exchange Limited.

Following the implementation of a number of new initiatives during the year, FijiStock Brokers Limited recorded a small operating loss for the year.

An increasing number of Fijian residents are seeking investment opportunities in Australia, which has resulted in increased enquiries with Fijistock Brokers Limited as to how Fijian residents can invest in Australia.

Penrose Club Holdings Limited

The group continues to maintain its holding in Penrose Club Holdings Limited (Penrose) which is an unlisted property investment company. Penrose sold its major asset during the year for \$2,900,000 inclusive of goods and

PRITCHARD EQUITY LIMITED

Penrose Club Holdings Limited

The group continues to maintain its holding in Penrose Club Holdings Limited (Penrose) which is an unlisted property investment company. Penrose sold its major asset during the year for \$2,900,000 inclusive of goods and services tax. The proceeds from this sale have been invested in short term deposits with various authorised deposit taking institutions.

South Pacific Stock Exchange Limited (www.spse.com.fj)

The performance of the South Pacific Stock Exchange Limited which is 12.5% owned by the group remained satisfactory.

Tyrex Solutions Pty Limited (www.tyrex.com.au)

Tyrex Solutions Pty Limited ("Tyrex") 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 and other safety and commercial products.

Tyrex's turnover continued to grow, which required an increased investment in the business to be able to service the increased demand for Tyrex's products. As forecast in last years report Tyrex returned to profitability in the current year.

Outlook

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



Steven Pritchard
Chairman
11 September 2017

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 2017. 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 acquisition of medium and long term investments in both listed and unlisted investments.

The group offered a number of structured finance products that it has made available to qualifying investors.

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

Dividends Paid or Recommended

No dividends were paid during the year.

Operating Results and Review of Operations

The consolidated net profit after providing for income tax and eliminating minority equity interests was \$208,432 compared to a profit of \$43,966 last year.

Financial Position

The net assets of the group as at 30 June 2017 were \$1,867,718 compared to \$1,616,138 as at 30 June 2016, an increase of \$251,580.

The group continues to maintain a strong liquidity position, and currently holds cash and readily realisable assets of \$1,696,670.

Significant Changes in State of Affairs

Other than stated elsewhere in this report there were no significant changes in the operations of the group, or the environment in which it operates, during the financial year.

After Balance Date Events

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.

Environmental Issues

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

PRITCHARD EQUITY LIMITED

Information on Directors

Steven Shane Pritchard	—	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	—	653,880 A Ordinary shares 603,000 B Ordinary shares
Special responsibilities	—	Member of the Audit Committee Director of Henley Underwriting & Investment Company Pty Limited, Hamilton Capital Pty Limited and The South Pacific Stock Exchange Limited (since 15 April 2010).
Directorships held in other listed entities	—	Current chairman and director of Hamilton Securities Limited (since 14 July 2009), Illuminator Investment Company Limited (since 22 December 2003), current director of Florin Mining Investment Company Limited (since 29 September 2004), and Winpar Holdings Limited (since 4 July 2003),
Enzo Pirillo	—	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	—	2,285 A Ordinary shares 11,000 B Ordinary shares
Special Responsibilities	—	Member of the Audit Committee Director of Henley Underwriting & Investment Company Pty Limited, Florin Mining Investment Company Limited and Hamilton Capital Proprietary Limited
Gordon Bradley Elkington	—	Director (Non-Executive)
Qualifications	—	B Sc, M Sc, Ph D, LLM
Experience	—	Director since 12 December 2005
Interest in shares and options	—	33,635 A Ordinary shares 25,200 B Ordinary shares
Special Responsibilities	—	Member of the Audit Committee
Directorships held in other listed entities	—	Director of Hamilton Securities Limited (since 14 July 2009) and Winpar Holdings Limited (since 30 December 1993)

PRITCHARD EQUITY LIMITED

Meetings of Directors

During the financial year, seven 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	6	6	1	1
Enzo Pirillo	6	6	1	1
Gordon Elkington	6	6	1	1

Indemnifying Officers or Auditor

The company has not given an indemnity or entered into during or since the end of the financial year 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.

Non- audit services

Details of the auditor's remuneration for auditing the company's accounts are set out in note 5 to the accounts. No amounts have been paid or payable to the auditors for non-audit services.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2017 has been received and is found on page 8 of this 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

11 September 2017

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 (2016: two executives), both of whom are directors of the company.

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

2017	Salary and Fees	Superannuation contributions	Share based remuneration	Total
	\$	\$	\$	\$
Steven Pritchard	-	-	1,500	1,500
Enzo Pirillo	-	-	1,500	1,500
Gordon Elkington	-	-	1,500	1,500

2016	Salary and Fees	Superannuation Contributions	Share based remuneration	Total
	\$	\$	\$	\$
Steven Pritchard	-	-	-	-
Enzo Pirillo	-	-	-	-
Gordon Elkington	-	-	-	-

Pritchard Equity Limited

ACN: 100 517 404

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Pritchard Equity Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.



PKF



MARTIN MATTHEWS
PARTNER

11 SEPTEMBER 2017
NEWCASTLE, NSW

PKF(NS) Audit & Assurance Limited Partnership Sydney

ABN 91 850 861 839
Liability limited by a scheme
approved under Professional
Standards Legislation

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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 ten. The board periodically reviews the number of its directors, 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Consolidated Year to 30 June 2017			Consolidated Year to 30 June 2016		
		Revenue	Capital	Total	Revenue	Capital	Total
		\$	\$	\$	\$	\$	\$
Income from investment portfolio	3a	24,771	-	24,771	16,370	-	16,370
Income from trading portfolio	3b	4,064	-	4,064	(6,839)	-	(6,839)
Income from deposits	3c	17,493	-	17,493	12,830	-	12,830
Income from the provision of services	3d	138,254	-	138,254	259,286	-	259,286
Income from structured finance products	3e	345,831	-	345,831	131,243	-	131,243
Total income from ordinary activities		530,413	-	530,413	412,890	-	412,890
Share of net (profit)/ loss of associated company		(6,282)	-	(6,282)	66,986	-	66,986
Auditors remuneration		39,661	-	39,661	28,871	-	28,871
Bank charges		1,910	-	1,910	1,436	-	1,436
Depreciation expense		1,689	-	1,689	1,484	-	1,484
Employee expenses		51,502	-	51,502	54,078	-	54,078
Finance costs		2,020	-	2,020	1,160	-	1,160
Listing fees		10,942	-	10,942	9,599	-	9,599
Net realised foreign exchange gain		-	-	-	(59)	-	(59)
Share registry fees		8,426	-	8,426	9,281	-	9,281
Administration expenses		111,488	-	111,488	153,976	-	153,976
Operating profit before income tax		309,057	-	309,057	86,078	-	86,078
Income tax expense	4a	(100,640)	-	(100,640)	(36,150)	-	(36,150)
Operating profit after income tax		208,417	-	208,417	49,928	-	49,928
Profit/ (loss) attributable to non-controlling interest		15	-	15	(5,962)	-	(5,962)
Operating profit attributable to members of the company		208,432	-	208,432	43,966	-	43,966
Other comprehensive income							
Items that will not be reclassified subsequently to profit or loss							
Net revaluation of non-current assets		-	36,173	36,173	-	(11,783)	(11,783)
Net realised gains on sale of long-term investments		-	6,748	6,748	-	17,999	17,999
Foreign currency translation		-	(4,394)	(4,394)	-	6,694	6,694
Total other comprehensive income for the year		-	38,527	38,527	-	12,910	12,910
Total comprehensive income for the year		208,432	38,527	246,959	43,966	12,910	56,876

Overall Operations

Basic earnings per share (cents per share)	7	10.95	2.31
Diluted earnings per share (cents per share)	7	10.95	2.31

The accompanying notes form part of these financial statements.

PRITCHARD EQUITY LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	Consolidated 2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	1,200,052	661,374
Trade and other receivables	9	6,226,920	1,964,209
Trading portfolio	10	18,597	14,084
Income tax receivable		3,802	3,058
Financial assets	11	63,305,430	22,900,000
TOTAL CURRENT ASSETS		70,754,801	25,542,725
NON-CURRENT ASSETS			
Investment portfolio	12	915,393	862,143
Investments in associates accounted for using the equity method	13(a)	465,497	459,215
Trade and other receivables	9	5,409,446	1,979,336
Financial assets	11	213,662,898	44,900,000
Plant and equipment	14	1,633	1,147
Goodwill	15	-	-
Deferred tax assets	16	350,888	722,106
TOTAL NON-CURRENT ASSETS		220,805,755	48,923,947
TOTAL ASSETS		291,560,556	74,466,672
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	6,747,299	2,300,162
Borrowings	18	63,404,165	23,048,736
TOTAL CURRENT LIABILITIES		70,151,464	25,348,898
NON-CURRENT LIABILITIES			
Trade and other payables	17	5,878,301	2,333,587
Borrowings	18	213,662,898	44,900,000
Deferred tax liabilities	16	175	268,049
TOTAL NON-CURRENT LIABILITIES		219,541,374	47,501,636
TOTAL LIABILITIES		289,692,838	72,850,534
NET ASSETS		1,867,718	1,616,138
EQUITY			
Issued capital	19	1,218,197	1,213,697
Reserves	20	29,131	1,399
Retained earnings		618,675	399,448
Equity attributable to equity holders of the parent		1,866,003	1,614,544
Minority equity interest		1,715	1,594
TOTAL EQUITY		1,867,718	1,616,138

The accompanying notes form part of these financial statements.

PRITCHARD EQUITY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Issued Capital	Foreign Currency Reserve	Asset Revaluation Reserve	Capital Profits Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$
Consolidated						
Balance at 1 July 2015 as reported	1,213,697	36,727	(92,180)	55,473	343,951	1,557,668
Profit for the year	-	-	-	-	43,966	43,966
Other comprehensive income						
Revaluation of non current assets (net of tax)	-	-	(11,783)	-	-	(11,783)
Net capital gains for the year	-	-	-	-	17,999	17,999
Foreign currency exchange reserve	-	13,162	-	-	(6,468)	6,694
Total other comprehensive income	-	13,162	(11,783)	-	11,531	12,910
Total comprehensive income for the year	-	13,162	(11,783)	-	55,497	56,876
Balance at 30 June 2016	1,213,697	49,889	(103,963)	55,473	399,448	1,614,544
Balance at 1 July 2016 as reported	1,213,697	49,889	(103,963)	55,473	399,448	1,614,544
Shares issued during the year	4,500	-	-	-	-	4,500
Profit for the year	-	-	-	-	208,432	208,432
Other comprehensive income						
Revaluation of non current assets (net of tax)	-	-	36,173	-	-	36,173
Net capital gains for the year	-	-	-	-	6,748	6,748
Foreign currency exchange reserve	-	(8,441)	-	-	4,047	(4,394)
Total other comprehensive income	-	(8,441)	36,173	-	10,795	38,527
Total comprehensive income for the year	-	(8,441)	36,173	-	219,227	246,959
Balance at 30 June 2017	1,218,197	41,448	(67,790)	55,473	618,675	1,866,003

The accompanying notes form part of these financial statements.

PRITCHARD EQUITY LIMITED

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Consolidated	
		2017	2016
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		99,792	-
Sales from trading portfolio		1,875	3,249
Purchases for trading portfolio		(2,325)	-
Brokerage received		74,043	94,874
Interest received		6,083,914	2,539,730
Dividends received		12,038	10,066
Distributions received		1,949	7,156
Other fees received		25,667	53,900
Withholding tax received		286,305	158,200
Other receipts		100,331	109,122
		<hr/>	<hr/>
		6,683,589	2,976,297
Administration expenses		(216,199)	(301,337)
Bank charges		(1,910)	(1,436)
Finance costs		(5,711,765)	(2,358,361)
Withholding tax paid		(149,843)	-
Income tax paid		(7,010)	(145)
		<hr/>	<hr/>
Net cash provided by operating activities	22a	596,862	315,018
CASH FLOWS FROM INVESTING ACTIVITIES			
Sales from investment portfolio		15,203	54,954
Purchases for investment portfolio		(21,756)	(105,998)
Purchases of other assets		(2,070)	(71)
		<hr/>	<hr/>
Loans and advances		(69,947,328)	(38,340,000)
		<hr/>	<hr/>
Net cash used in investing activities		(69,955,951)	(38,391,115)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		74,888,119	38,341,780
Repayment of borrowings		(4,988,366)	(49,862)
		<hr/>	<hr/>
Net cash provided by financing activities		69,899,753	38,291,918
		<hr/>	<hr/>
Net increase in cash held		540,664	215,821
Cash at beginning of financial year		661,374	443,593
		<hr/>	<hr/>
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,986)	1,960
		<hr/>	<hr/>
Cash at end of financial year	8	1,200,052	661,374

The accompanying notes form part of these financial statements.

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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 2017 ("the inoperative standards"), except for AASB 9. The impact of the inoperative standards has been assessed and the impact has been identified as not being material. The Group only intends to adopt inoperative standards at the date at which their adoption becomes mandatory.

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 11 September 2017.

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 30 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.

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.

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Income from deposits

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

f. 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.

g. Trade and other receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'trade and other receivables'.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

h. 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%.

i. 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.

j. 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 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Holdings of Securities

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.

(i) 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 Profit or Loss and Other Comprehensive Income.

(ii) 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.

(iii) 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.

l. Borrowings

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

m. 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.

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. 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.

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

p. 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 liabilities 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 16. 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.

q. 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 2017

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 (%)*	
		2017	2016
Parent			
Pritchard Equity Limited	Australia	100	100
Henley Underwriting & Investment Company Pty Limited	Australia	100	100
The NSX Investment Trust	Australia	100	100
PEQ Investment Holdings Pty Limited	Australia	100	100
First Newcastle Pty Limited	Australia	100	100
PEQ Investment Nominees Pty Limited	Australia	100	100
The Newcastle Exchange 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 2017

NOTE 3: REVENUE

	Consolidated	
	2017	2016
	\$	\$
a. Income from investment portfolio		
— dividends received	17,909	13,368
— trust distributions received	6,862	3,002
Total Income from investment portfolio	24,771	16,370
b. Income from trading portfolio		
— sales revenue	1,875	3,284
— cost of sales	2,189	(10,123)
— net profit/ (loss) from trading portfolio	4,064	(6,839)
Total Income from trading portfolio	4,064	(6,839)
c. Income from deposits		
— interest received	17,493	12,830
Total Income from deposits	17,493	12,830
d. Income from the provision of services		
— brokerage received	73,879	94,875
— other income received	64,375	164,411
Total Income from the provision of services	138,254	259,286
e. Income from structured finance products		
— fees received	91,200	-
— interest received	7,943,179	3,444,824
— interest paid	(5,389,807)	(2,346,146)
— acquisition fees	(2,298,741)	(967,435)
Total Income from structured finance products	345,831	131,243

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 4: INCOME TAX EXPENSE

	Note	Consolidated	
		2017	2016
		\$	\$
a.			
The components of tax expense comprise:			
Prior year adjustment		(6,849)	3,682
Deferred tax liability	16	267,874	(266,628)
Deferred tax asset	16	(361,665)	226,796
		(100,640)	(36,150)
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 profit from ordinary activities before income tax at 30% (2016: 30%)			
— Consolidated		92,717	25,823
Less:			
Tax effect of:			
— tax offset for franked dividends		3,770	3,139
— under provision for tax previous year		(6,849)	3,682
— Impairment charge		(5,690)	-
— share of net profit losses of associated company netted directly		1,885	(20,095)
— recoupment of unused prior year tax losses now recognised		1,731	8,778
— Difference in tax/accounting distribution		(589)	(120)
— Realised losses on investment portfolio		(2,024)	(5,400)
— tax losses not brought to account		(157)	(311)
Income tax expense attributable to entity		100,640	36,150
Amounts recognised directly through other comprehensive income			
c.			
Increase in deferred tax assets relating to capital gains tax on the movement in unrealised gains/ losses in the investment portfolio		9,608	10,763

NOTE 5: AUDITORS' REMUNERATION

Remuneration of the auditor of the company for

— auditing the financial report	39,661	28,871
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PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 6: DIVIDENDS

	Consolidated	
	2017	2016
	\$	\$
a. Dividend Paid		
No dividends paid (2016: no dividends paid)	-	-
b. Dividends declared		
No dividends declared (2016: no dividends declared).	-	-
c. Franking account	562,696	556,643
Impact on franking account balance of dividends not recognised	-	-

NOTE 7: EARNINGS PER SHARE

	Consolidated	
	2017	2016
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	1,903,984	1,902,751
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive earnings per share	1,903,984	1,902,751
a. Basic and diluted earnings per share	\$	\$
Profit attributable to members of the Group	208,432	43,966
	Cents	Cents
Basic earnings per share	10.95	2.31
Diluted earnings per share	10.95	2.31

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 8: CASH AND CASH EQUIVALENTS

	Note	Consolidated	
		2017	2016
		\$	\$
Cash at bank		570,001	367,387
Deposits at call		422,390	281,043
Term deposit		207,661	12,944
		1,200,052	661,374

The effective interest rate on deposits at call was 1.65% (2016: 1.65%).

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 statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	1,200,052	661,374
	1,200,052	661,374

NOTE 9: TRADE AND OTHER RECEIVABLES

CURRENT

Dividends and trust distributions receivable	21,733	18,955
Goods and services tax refund	13,350	3,188
Other debtors	139,786	29,457
Accrued income	1,358,289	893,497
Loan acquisition fees prepaid	4,693,762	1,019,112
	6,226,920	1,964,209

NON CURRENT

Loan acquisition fees prepaid	5,409,446	1,979,336
	5,409,446	1,979,336

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	18,597	14,084
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PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 11: FINANCIAL ASSETS

	Consolidated	
	2017	2016
	\$	\$
CURRENT		
- Unsecured notes	63,305,430	22,900,000
	63,305,430	22,900,000
a The interest payable on the unsecured notes is fixed for the term of the notes. These notes have been pledged as security to the holders of the limited recourse secured notes. Refer Note 18b.		
NON CURRENT		
Secured		
- Loans and advances	213,662,898	44,900,000
	213,662,898	44,900,000
b. The interest payable on the loans and advances is fixed for the term of the loans and advances. The loans and advances are secured over by the holders interests in various managed investments schemes. These loans and advances have been pledged as security to the holders of the limited recourse secured notes. Refer Note 18c.		

NOTE 12: INVESTMENT PORTFOLIO

NON-CURRENT

Listed Investments, at fair value

- Shares and trust units	478,021	435,026
	478,021	435,026

Unlisted Investments, at fair value

- Shares and trust units	437,372	427,117
	915,393	862,143

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 13: 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	
				2017 %	2016 %	2017 \$	2016 \$
Unlisted:							
Hamilton Capital Pty Limited	Investing	Australia	Ordinary	39.36	39.36	465,497	459,215
						465,497	459,215

	Note	Consolidated	
		2017 \$	2016 \$
a. Movements during the year in equity accounted investment in associated companies			
Balance at beginning of the financial year		459,215	526,013
Add: New investments during the year		-	188
Share of associated company's profit/ (loss) after income tax	13b	6,282	(66,986)
Balance at end of the financial year		465,497	459,215
b. Equity accounted (losses)/profits of associates are broken down as follows:			
Share of associate's profit/ (loss) before income tax benefit		7,534	(68,639)
Share of associate's income tax (expense)/ benefit		(1,252)	1,653
Share of associate's profit/ (loss) after income tax		6,282	(66,986)
c. Summarised presentation of aggregate assets, liabilities and performance of associates			
Current assets		2,194,390	420,041
Non-current assets		965,676	913,992
Total assets		3,160,066	1,334,033
Current liabilities		1,943,842	191,934
Non-current liabilities		14,133	2,686
Total liabilities		1,957,975	194,620
Net assets		1,202,091	1,139,413
Revenues		953,084	101,137
Profit/ (loss) after income tax of associates		15,960	(170,232)

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 14: PLANT AND EQUIPMENT

	Consolidated	
	2017	2016
	\$	\$
Plant and equipment		
At cost	29,481	27,411
Accumulated depreciation	(27,848)	(26,264)
	1,633	1,147
Reconciliation		
Plant and equipment		
Carrying amount at the beginning of the year	1,147	2,467
Additions	2,070	71
Depreciation	(1,689)	(1,484)
Foreign exchange difference	105	93
Carrying amount at the end of the year	1,633	1,147

NOTE 15: GOODWILL

Goodwill		
At cost	14,778	14,778
Provision for impairment	(14,778)	(14,778)
	-	-
Reconciliation		
Goodwill		
Carrying amount at the beginning of the year	-	-
Provision for impairment	-	-
Carrying amount at the end of the year	-	-

NOTE 16: TAX

a. Liabilities

NON-CURRENT

Deferred tax liability comprises:

Other temporary differences	175	268,049
Total	175	268,049

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 16: TAX (CONTINUED)

	Consolidated	
	2017	2016
	\$	\$
b. Assets		
Deferred tax assets comprise:		
Deferred tax assets attributable to realised capital losses	181,840	183,860
Deferred tax assets attributable to tax losses	115,600	218,557
Impairment of non current assets	-	-
Revaluation adjustments taken directly to other comprehensive income	40,917	50,525
Other temporary differences	12,531	269,164
	350,888	722,106
c. Reconciliations		
i. Deferred Tax Liability		
The movement in deferred tax liability for each temporary difference during the year is as follows:		
Other temporary differences		
Opening balance	268,049	1,420
Credited to the income statement	(267,874)	266,629
Closing balance	175	268,049
ii. Deferred Tax Assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Deferred tax assets attributable to realised capital losses		
Opening balance	183,860	189,462
Credited to the income statement	(2,020)	(5,602)
Closing balance	181,840	183,860
Deferred tax assets attributable to tax losses		
Opening balance	218,557	240,565
Credited to the income statement	(102,957)	(22,008)
Closing balance	115,600	218,557
Impairment of non current assets		
Opening balance	-	126
Credited to the income statement	-	(126)
Closing balance	-	-

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 16: TAX (CONTINUED)

	Consolidated	
	2017	2016
	\$	\$
Unrealised loss on investments		
Opening balance	50,525	39,763
Credited to the reserve	(9,608)	10,762
Closing balance	40,917	50,525
Other temporary differences		
Opening balance	269,164	10,805
Credited to the income statement	(256,633)	258,359
Closing balance	12,531	269,164
	350,888	722,106

NOTE 17: TRADE AND OTHER PAYABLES

CURRENT

Trade payables	176,016	81,651
Accrued charges	1,361,269	907,543
Prepaid interest	4,870,555	1,108,504
Withholding tax	339,459	202,464
	6,747,299	2,300,162

NON CURRENT

Prepaid interest	5,695,728	2,150,481
Withholding tax	182,573	183,106
	5,878,301	2,333,587

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 18: BORROWINGS

	Note	Consolidated	
		2017	2016
		\$	\$
CURRENT			
Unsecured			
- Loans payable to:			
- other corporations		89,283	139,283
		89,283	139,283
Secured			
- Short-term borrowings	18a	9,452	9,453
- Limited Recourse Secured Notes	18b	63,305,430	22,900,000
		63,314,882	22,909,453
		63,404,165	23,048,736

- 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:

55,849	50,957
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- b. The limited recourse secured notes are secured over unsecured notes. The liability to pay interest and the repayment of the principal on these notes is limited to the receipt of interest and principal, if any, from the issuer of the unsecured notes. Refer Note 11a.

NON CURRENT

Secured

- Limited Recourse Secured Notes	18c	213,662,898	44,900,000
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- c. The limited recourse secured notes are secured over loans and advances to third parties. The liability to pay interest and the repayment of the principal on these notes is limited to the receipt of interest and principal, if any, from the borrowers. Refer Note 11b.

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 19: ISSUED CAPITAL

	Note	Consolidated	
		2017	2016
		\$	\$
1,048,373 (2016: 1,048,373) A ordinary shares fully paid	19a	797,485	797,485
869,378 (2016: 854,378) B ordinary shares fully paid	19b	420,712	416,212
		1,218,197	1,213,697
a. A ordinary shares			
At the beginning of reporting period		797,485	797,485
At reporting date		797,485	797,485
b. B ordinary shares			
At the beginning of reporting period		416,212	416,212
Shares issued during the year		4,500	-
At reporting date		420,712	416,212

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 2017

NOTE 20: RESERVES

	Note	Consolidated	
		2017	2016
		\$	\$
Asset revaluation reserve	20a	(67,790)	(103,963)
Capital profits	20b	55,473	55,473
Foreign exchange reserve	20c	41,448	49,889
		29,131	1,399

a. Asset revaluation reserve

Movements during the year

Opening balance	(103,963)	(92,180)
Revaluation of non current assets	45,781	(22,546)
Provision for tax on unrealised (gains)/ losses	(9,608)	10,763
Closing balance	(67,790)	(103,963)

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	55,473	55,473
Closing balance	55,473	55,473

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	49,889	36,727
Transfer to retained profits	(8,441)	13,162
Closing balance	41,448	49,889

NOTE 21: 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.

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 21: FINANCIAL INSTRUMENTS (CONTINUED)

The Group manages credit risk by regularly monitoring loans and receivable balances. At 30 June 2017, the Group had credit exposure with loans totalling \$276,968,328. The loans and advances are secured over by the holders interests in various managed investments schemes. These loans and advances have been pledged as security to the holders of the limited recourse secured notes.

Liquidity Risk

This as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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

The timing of the repayments of principal and interest on the limited recourse notes is equivalent to the timing of the repayment of the principal and interest on the loans and advances and the unsecured notes.

The Group's other 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 are in the form of readily tradeable securities which can be sold if necessary. The current financial liabilities are shown in Notes 17 and 18.

Market Risk

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

The Group is 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.

Loans and advances/ unsecured notes are not subject to market risk. The Group's Investment & Trading Portfolios are subject to market risk. 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 \$46,700 or \$93,399 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.

	2017	2016
The Group's investment & trading portfolio by sector is as follows:	%	%
Materials	2.22	1.20
Capital goods	-	4.65
Commercial	0.94	0.80
Energy	1.60	-
Media	0.55	0.63
Food and beverage	2.95	3.41
Diversified financials	69.13	64.36
Real estate	21.89	24.95
Software & services	0.72	-
	100.00	100.00

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 21: FINANCIAL INSTRUMENTS (CONTINUED)

Securities representing over 5 per cent of the combined investment and trading portfolio at 30 June 2017 were:

	Portfolio
	%
Penrose Club Holdings Limited	22.16
Illuminator Investment Company Limited	20.14
Newcastle Securities and General Trust	13.79
VB Holdings Limited	11.76
Imperial Pacific Limited	6.82
Tyrex Solutions Unit Trust	5.46

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 7.12% (2016: 7.37%)
- (b) long term borrowings was 7.12% (2016: 7.14%).

As at the 30 June 2017 the Group's interest bearing short term borrowings excluding the limited recourse secured notes totalled \$98,735.

The interest rates on the limited recourse secured notes are fixed for the term of the notes.

The interest rates on the unsecured notes and loans and advances are fixed for the term of the notes and loans and advances.

Accordingly, the Group is not exposed to any interest rate risk in relation to the above.

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 consolidated entity measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- Trading portfolio; and
- Investment portfolio.

The Company does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

- (i) Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1);

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 21: FINANCIAL INSTRUMENTS (CONTINUED)

- (ii) Measurements based on 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
- (iii) Measurements based on inputs for the asset or liabilities that are not based on observable market data (unobservable inputs) (level 3).

The following table provides the fair values of the Company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
30 June 2017	\$	\$	\$	\$
Financial assets at fair value through other comprehensive income				
Investment portfolio	478,021	437,372	-	915,393
Financial assets at fair value through profit or loss				
Trading portfolio	18,597	-	-	18,597
Other financial assets at fair value	-	-	276,968,328	276,968,328
Total	496,618	437,372	276,968,328	277,902,318

	Level 1	Level 2	Level 3	Total
30 June 2016	\$	\$	\$	\$
Financial assets at fair value through other comprehensive income				
Investment portfolio	435,026	427,117	-	862,143
Financial assets at fair value through profit or loss				
Trading portfolio	14,084	-	-	14,084
Other financial assets at fair value	-	-	67,800,000	67,800,000
Total	449,110	427,117	67,800,000	68,676,227

Further information on the determination of the fair value is set out below:

(i) Trading portfolio – Level 1

The Company's trading portfolio consists of securities listed on the Australia Stock Exchange and National Stock Exchange. The valuation of listed investments has been obtained on the basis of quoted prices (unadjusted) in an active market for an identical security at 30 June 2017.

(ii) Investment Portfolio – Level 1

The Company's Level 1 investments consist of securities listed on the Australian Stock Exchange, National Stock Exchange and other public stock exchanges. The valuation of listed investments has been obtained on the basis of quoted prices (unadjusted) in an active market for an identical security at 30 June 2017.

(iii) Investment Portfolio – Level 2

The Company's Level 2 Investment portfolio investments consist of unlisted securities and trusts. For trusts, the valuations of these investments have been determined on the basis of the Company's share of the investment's net assets as at 30 June 2017. For unlisted securities, the valuations of these investments have been determined at cost.

(iv) Unsecured notes and loans and advances – Level 3

The Company's Level 3 financial assets consist of unsecured notes and loans and advances. The financial asset and liabilities are carried at amortised cost.

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 21: FINANCIAL INSTRUMENTS (CONTINUED)

Reconciliation of Level 3 fair value measurements:

	Consolidated	
	2017	2016
	\$	\$
Opening balance	67,800,000	29,460,000
Issues	214,106,693	38,340,000
Redemptions	(4,938,365)	-
Closing balance	276,968,328	67,800,000

NOTE 22: CASH FLOW INFORMATION

a. Reconciliation of cash flow from operations with profit after income tax

Profit after income tax	208,417	49,928
Non-cash flows in profit		
Dividends re-invested	(1,447)	(4,639)
Write-downs to recoverable amount	1,582	1,484
Share of associated companies net (profit)/ loss after income tax and dividends	(6,282)	66,986
Increase in trade and other receivables	(7,684,045)	(1,705,913)
(Increase)/ decrease in the trading portfolio	(4,513)	10,123
Increase in trade payables and accruals	7,990,748	1,862,299
(Increase)/ decrease in foreign currencies	(590)	1,092
Increase in deferred taxes	92,992	33,658
Cash flow from operations	596,862	315,018

NOTE 23: SEGMENT REPORTING

Pritchard Equity Limited, its controlled and associated entities carry on the business of an investment company and financial services company, within Australia and Fiji.

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.

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 23: SEGMENT REPORTING (CONTINUED)

2017	Investments	Financial Services	Structured Finance Products	Total
	\$	\$	\$	\$
Revenue	47,073	136,809	346,531	530,413
Results	(161,374)	23,275	346,531	208,432
Assets	3,131,314	-	288,429,242	291,560,556

2016	Investments	Financial Services	Structured Finance Products	Total
	\$	\$	\$	\$
Revenue	76,000	205,647	131,243	412,890
Results	(154,406)	73,091	131,243	49,928
Assets	2,775,120	-	71,691,552	74,466,672

NOTE 24: KEY MANAGEMENT PERSONNEL

The key management personnel of the company and their remuneration is reflected in the Remuneration Report on page 7 of the annual report.

NOTE 25: RELATED PARTY TRANSACTIONS

	Consolidated	
	2017	2016
	\$	\$
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		
Interest receivable from RAM Investment Partners No.1 Pty Limited	1,075,958	893,497
Purchase of unsecured note from RAM Investment Partners No.1 Pty Limited	3,400,000	22,900,000
Interest receivable from RAM Investment Partners No.2 Pty Limited	281,748	893,497
Purchase of unsecured note from RAM Investment Partners No.2 Pty Limited	28,104,430	22,900,000
Accounting fees paid/payable to Rees Pritchard Pty Limited	30,758	36,347
Share registry fees paid to Newcastle Capital Markets Registries Pty Limited	8,426	9,281
Distribution receivable from Tyrex Solutions Pty Limited	20,435	15,660
Other income receivable from Hamilton Asset Management Limited	91,200	-
Loan payable to Hamilton Capital Proprietary Limited	89,283	89,283
Loan payable to Lateral Investment Corporation Pty Limited	-	50,000
Loan payable to Gordon Bradley Elkington	19,878	19,878
Loan payable to Steven Shane Pritchard	12,635	10,438

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 25: RELATED PARTY TRANSACTIONS (CONTINUED)

	Parent	
	2017	2016
	\$	\$
Loans and advances to subsidiaries		
Balance at beginning of year	134,545	98,942
Advances	131,277	14,339
Repayments	-	-
Impairment adjustment	13,783	21,264
Closing balance	279,605	134,545
Loans and advances from subsidiaries		
Balance at beginning of year	19,615	20,202
Advances	116,044	-
Repayments	(135,659)	(587)
Closing balance	-	19,615

NOTE 26: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AT 30 JUNE 2017

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	
	2017	2016
	\$	\$
Australian Equities		
Capral Limited	1,048	1,290
Fleet Multi Strategy Fund	27,590	23,420
Hamilton Securities Limited Ordinary	22,500	25,500
Hamilton Securities Limited B Class Options Exp 30-11-19	-	527
Illuminator Investment Company Limited	184,347	166,508
Imperial Pacific Limited (previously Belmont Holdings Limited)	62,472	39,554
Kalina Power Limited	1	-
Kemp & Denning Limited	6,927	-
Ku-ring-gai Financial Services Limited	5,500	-
Newcastle Securities & General Trust	126,273	119,502
NSX Limited	1	1
Penrose Club Holdings Limited	202,875	202,875
Sietel Limited 5.0% Cum. Preference	-	6,933
Stokes Limited 10% Unsec Conv Note Mat. 30-06-2017	-	20,250
Tasmania Mines Limited	-	2,509
Transport Friendly Society Limited	10,000	-
Tyrex Solutions Unit Trust	50,000	50,000

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 26: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AT 30 JUNE 2017 (CONTINUED)

	Consolidated	
	2017	2016
	\$	\$
Australian Equities		
Vanguard All World Ex-US	6,526	5,669
Vanguard Australian shares Index ETF Fund	36,610	33,420
Vanguard US Total Market Shares Index	8,095	7,118
	750,765	705,076
International Equities		
Amalgamated Telecom Holdings Limited	1,899	1,398
Atlantic & Pacific Packaging Company Limited	1,329	1,424
Blue Lagoon Cruises Limited	4,268	4,364
Communications Fiji Limited	2,754	2,738
Fiji Care Insurance Limited	1,614	1,398
Kontiki Group Fund Limited	285	291
Paradise Beverages (Fiji) Limited	14,639	14,847
RB Patel Group Limited	1,041	1,003
South Pacific Stock Exchange Limited	26,365	26,955
Toyota Tsusho (South Sea) Limited	2,754	2,071
VB Holdings Limited	107,610	100,578
	164,558	157,067
Total Equities	915,323	862,143

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 27: PARENT ENTITY FINANCIAL INFORMATION

Summary Financial Information

The individual financial statements for the parent entity show the following aggregate amounts:

	2017	2016
	\$	\$
Statement of financial position		
Current assets	70,641,157	25,424,998
Total assets	290,599,672	73,647,774
Current liabilities	69,880,322	25,191,802
Total liabilities	289,421,521	72,693,320
Net assets	1,178,151	954,454
Equity		
Issued capital	1,218,197	1,213,697
Reserves		
Asset revaluation reserve	(58,745)	(72,138)
Capital profits reserve	55,597	55,597
Retained earnings	(36,898)	(242,702)
Total equity	1,178,151	954,454
Profit/ (loss) for the year	198,060	84,285
Total comprehensive income	205,803	73,187

PRITCHARD EQUITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

NOTE 28: SUBSEQUENT EVENTS TO REPORTING DATE

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.

NOTE 29: CONTINGENT LIABILITIES AND ASSETS

The company has provided a letter of financial support to its subsidiary, The South Pacific Investment Company 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 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 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 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 2017 (2016: Nil).

NOTE 30: 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

1. In the opinion of the Directors of Pritchard Equity Limited:
 - a. The financial statements and notes as set out on pages 10 to 39 are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of its financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
 - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. The financial statements comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.



Steven Shane Pritchard
Director



Enzo Pirillo
Director

11 September 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PRITCHARD EQUITY LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Pritchard Equity Limited (the company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
 - ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

Independence

We are independent of the Company in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed each matter is provided in that context.

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Key Audit Matters (cont'd)

1. Recognition and classification of Significant Investment Visa's ("SIVs")

Why significant

As at 30 June 2017, a significant proportion of the Company's assets (99%) and liabilities (99.9%) are SIV-related. The fair value of financial assets is \$288,429,243 (2016: \$71,691,945) and the fair value of liabilities is \$289,365,736 (2016: \$72,310,595) as disclosed in Notes 9, 11, 17 and 18 of the financial report.

These SIVs are classified as 'level 3' financial instruments in accordance with the classification under Australian Accounting Standards where measurements are based on unobservable inputs. Accordingly, the financial assets and liabilities are carried at amortised cost. Refer to Note 21 (b) for the fair value hierarchy.

SIV's are designed to attract overseas investment and the Company's involvement with the SIV scheme has significantly increased in the current year as it took over the SIV Investment Fund and Orion Investment Fund portfolios from SIV Asset Management Limited.

Based on the above, we have considered the valuation, completeness and existence of the SIV-related assets and liabilities to be a Key Audit Matter.

How our audit addressed the key audit matter

We reviewed the following documentation in relation to the SIVs:

- Legal agreements including contracts, note deeds and loan agreements to identify and confirm the existence and treatment of rights and obligations therein;
- Calculations and reconciliations completed by management to ensure interest calculations and current and non-current classifications are correct.

We also assessed the appropriateness of the related disclosures in Notes 9, 11, 17 and 18.

2. Valuation & Existence of Trading & Investment Portfolios

Why significant

As at 30 June 2017, the Company's assets included trading and investment securities. The fair value of these assets is \$933,990 (2016: \$876,227) as disclosed in Notes 10 and 12 of the financial report.

Of these assets, \$496,618 were listed securities classified as 'level 1' financial instruments in accordance with the classification under Australian Accounting Standards where quoted prices in active markets are available for identical assets. The remaining \$437,372 were unlisted securities classified as 'level 2' financial instruments where inputs other than quoted prices included in level 1 that are observable for the asset are used.

Refer to Note 1 (k) for details of these assets and Note 21 (b) for the fair value hierarchy.

Based on the above, we have considered the valuation and existence of financial assets to be a Key Audit Matter.

How our audit addressed the key audit matter

We performed substantive testing on a sample of financial assets. This included:

- agreeing the quantity of securities held and recognised in the financial report to external independent trading registers;
- confirming the market value as at 30 June 2017 using reputable and active trading websites;
- reviewing the financial statements of unlisted investments to ensure that the investment is not impaired; and
- reviewing reconciliations prepared by management and supporting documentation to confirm market movements. This included agreeing the gain/loss incurred throughout the period to transaction reports.

We also assessed the appropriateness of the related disclosures in Notes 1 (k), 10 and 12.

Key Audit Matters (cont'd)

3. Equity Accounted Investment in Hamilton Capital Pty Limited

Why significant

As disclosed in Note 13 of the financial report, at 30 June 2017 the Company has a 39.36% investment in Hamilton Capital Pty Limited (2016: 39.36%). The carrying amount of this interest is \$459,710 (2016: \$459,215).

Significant judgement is required in assessing whether the company has control under AASB 10 Consolidated Financial Statements or significant influence under AASB 128 Investments in Associates and Joint Ventures.

As noted in Note 1(b), associates are entities over which the Company has significant influence but not control and is generally accompanied by a shareholding of between 20% to 50% of the voting right. Investments in associates are recognised at cost and then adjusted using the equity method of accounting in accordance with AASB 128 Investments in Associates and Joint Ventures.

Based on the above, we have considered the valuation and existence of financial assets to be a Key Audit Matter.

How our audit addressed the key audit matter

We have assessed and challenged management's judgements relating to whether the Company control over Hamilton Capital under AASB 10.

Our procedures included but were not limited to:

- assessing whether the company has power over the investee by considering:
 - the percentage owned by the company;
 - breakup of residual shareholders to ensure the company do not hold a majority stake in Hamilton Capital; and
 - review of board composition and common directors on Hamilton Capital board and whether there is control.
- assessing the company's rights to variable returns from the investee; and
- the company's ability to use its power over the investee to affect the amount of such returns.

We concur with management and agree that the Company does not have control over Hamilton Capital as per AASB 10. Accordingly, the investment should be equity accounted in accordance with AASB 128.

We also assessed the appropriateness of the related disclosures in Notes 1 (b) and 13.

4. Recognition and Valuation of Deferred Tax Assets

Why significant

As disclosed in Note 16 of the financial report, at 30 June 2017 the Company has recorded a deferred tax asset of \$350,888 relating to capital losses, deductible temporary differences and tax losses incurred.

As noted in Note 1(n) of the financial report, deferred tax assets are only recognised if the Company considers it probable that future taxable income will be generated to utilise these temporary differences and losses.

Significant judgement is required in forecasting future taxable income.

Based on the above, we have considered the recognition and valuation of deferred tax assets to be a Key Audit Matter.

How our audit addressed the key audit matter

We have assessed and challenged management's judgements relating to the Company's ability to generate future taxable income, and also the recognition criteria under AASB 112.

Our procedures included but were not limited to:

- the reasonableness of key assumptions with respect to future income and expenditure;
- reviewing the nature of the deferred tax asset (i.e. temporary differences or revenue / capital losses) and its probability of being realised.

We have also assessed the appropriateness of the disclosures included in Note 16 in respect of the deferred tax balances.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the company's Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

The procedures selected depend on the auditor's judgement, including 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 of the financial report that gives a true and fair view 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Pritchard Equity Limited for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

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.



PKF
CHARTERED ACCOUNTANTS



MARTIN MATTHEWS
PARTNER

11 SEPTEMBER 2017
NEWCASTLE, NSW

PRITCHARD EQUITY LIMITED

STOCK EXCHANGE INFORMATION

Top 20 A Ordinary Shareholders as at 17 August 2017

Shareholder	Shares	% of Issued
The Pritchard Family Company Pty Limited	505,645	48.23
Illuminator Investment Company Limited	44,040	4.20
Hamilton Capital Pty Ltd	42,328	4.04
Dr Gordon Bradley Elkington	33,635	3.21
Fuggle Nominees Pty Limited	29,750	2.84
Newcastle Capital Markets Registries Pty Limited	28,610	2.73
Mrs Aija Valija Mackenzie	27,795	2.65
Wilcorp No. 41 Pty Limited	22,778	2.17
Abelia Grove Pty Ltd	20,460	1.95
Longbow Croft Capital Pty Limited	18,350	1.75
Bell IXL Investments Limited	17,500	1.67
Mrs Milly Elkington	14,530	1.39
Mr Steven Shane Pritchard	10,958	1.05
Banivory Pty Limited	10,215	0.97
Mr Douglas Robert Graham Neild	8,940	0.85
Richard Benjamin Cook + Kim Elizabeth Cook	7,960	0.76
Dean Frances Coupland + Keitha Kim Coupland	7,960	0.76
David Redfern Investments Pty Ltd	7,960	0.76
Diane Gardner	7,960	0.76
Anthony Illingworth	7,960	0.76
	875,334	83.49

Number of A ordinary shares held

Number of Shareholders

1 – 1,000	19
1,001 – 5,000	32
5,001 – 10,000	20
10,001 – 100,000	13
100,001 and over	1

PRITCHARD EQUITY LIMITED

STOCK EXCHANGE INFORMATION

Top 20 B Ordinary Shareholders as at 17 August 2017

Shareholder	Shares	% of Issued
The Pritchard Family Company Pty Limited	512,500	58.95
Hamilton Capital Pty Ltd	28,000	3.22
Dr Gordon Bradley Elkington	25,200	2.90
Fuggle Nominees Pty Limited	25,000	2.88
Mrs Margaret Jane Pritchard	25,000	2.88
Mrs Aija Valija Mackenzie	23,330	2.68
Dr T Hansen & Ms Z Greenwood	22,500	2.59
Mr Steven Shane Pritchard	21,650	2.49
Wilcorp No 41 Pty Limited	19,168	2.20
Abelia Grove Pty Limited	17,230	1.98
Longbow Croft Capital Pty Limited	13,500	1.55
Newcastle Capital Markets Registries Pty Limited	12,500	1.44
Illuminator Investment Company Limited	12,000	1.38
Banivory Pty Limited	8,600	0.99
Steven Shane Pritchard	8,350	0.96
Mr John Richard Gilbert and Mrs Jane Patricia Gilbert	5,000	0.58
Jarfem Pty Limited	5,000	0.58
Mr Enzo Pirillo	5,000	0.58
Mr John Barry Roberts and Mrs Judith Elizabeth Roberts	5,000	0.58
Winpar Holdings Limited	5,000	0.58
	799,528	91.99

Number of B ordinary shares held

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

Number of Shareholders

33
21
3
12
1

Substantial Shareholders

As at 29 August 2017 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	572,500	65.85

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

PKF Newcastle
755 Hunter Street
Newcastle West NSW 2302
Telephone (02) 4962 2688
Facsimile (02) 4962 3245

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