



---

# PRITCHARD EQUITY LIMITED

## 2008 ANNUAL REPORT

**Pritchard Equity Limited** ABN 80 100 517 404

10 Murray Street Hamilton NSW 2303 • PO Box 413 Hamilton, NSW Australia 2303 • Telephone: 02 4920 2877 • Facsimile: 02 4920 2878  
Email: [mail@pritchards.com.au](mailto:mail@pritchards.com.au) • Webpage: [www.pritchards.com.au](http://www.pritchards.com.au)

# CONTENTS

	<b>Page</b>
Financial Highlights	1
Chairman's Report	2
Directors' Report	4
Remuneration Report	8
Auditor's Independence Declaration	9
Corporate Governance Statement	10
Income Statement	11
Balance Sheet	12
Statement of Changes in Equity	13
Cash Flows Statement	14
Notes to the Financial Statements	15
Directors Declaration	36
Independent Audit Report	37
Stock Exchange Information	39
Corporate Directory	45

# PRITCHARD EQUITY LIMITED

## OUR VALUES AND OBJECTIVES

- While our Company is a corporation, our philosophy is that of a partnership. We do not view the Company itself as the ultimate owner of assets, but instead as a conduit through which shareholders own the assets.
- We do not measure the Company's performance by its revenue or its size, but by the growth of the intrinsic value of its shares. Our long-term financial goal is to maximise this growth by investing in businesses that generate cash and earn above average returns on the capital invested in them.
- We maintain a conservative approach to borrowing, and will reject investment opportunities that present themselves, rather than over extend our balance sheet.
- 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	2008	2007	2006
	\$	\$	\$
<b>Income Statement</b>			
Total income	426,909	536,564	269,589
Total expenses	99,638	89,678	14,448
Operating profit before income tax	327,271	446,886	255,141
Income tax expense/(benefit)	(22,286)	(20,799)	1,547
Operating profit after income tax	349,557	467,685	253,594
Minority interests	28,182	10,183	2,344
Profit attributable to shareholders of Pritchard Equity Limited	321,375	457,502	251,250
<b>Balance Sheet</b>			
Total assets	2,371,536	2,367,549	1,675,939
Total liabilities	264,509	297,730	204,104
Total shareholders' equity	2,107,027	2,069,819	1,471,835
Pritchard Equity Limited shareholders' equity	1,980,771	1,919,002	1,343,012
<b>Share Information</b>			
Basic earnings per ordinary share (cents per share)	22.82	33.41	18.35
Growth in earnings per ordinary share (%)	(32)	82	47
Net assets per ordinary share (cents per share)	140	130	88.06
Share price at end of period			
— A Ordinary shares	1.10	1.10	85.0
— B Ordinary shares	1.10	1.10	95.0
— Preferred income equity securities	100.00	N/A	N/A
Issued capital (number of shares)			
— A Ordinary shares	620,608	578,358	578,358
— B Ordinary shares	831,378	540,128	540,128
— C Ordinary shares	N/A	250,000	250,000
— Preferred income equity securities	1,461	N/A	N/A
<b>Key Measures</b>			
Return on average ordinary shareholders' equity (%)	19.3	28.0	25.2
Return on average assets (%)	13.6	22.6	21.2
Gearing ratio (%)	1.8	9.8	8.5

# PRITCHARD EQUITY LIMITED

## CHAIRMAN'S COMMENTS

### Results

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

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

Net assets per ordinary share again increased by 7.7% and now stand at \$1.40 compared to \$1.30 last year, after adjusting for the bonus issue of preferred income equity securities to holders of ordinary shares, in May 2008.

### Preferred income equity securities

On 27 May 2008 the company redeemed issued capital for preferred income equity securities to existing ordinary shareholders. These innovative securities have a face value of \$100 and provide their holders with what we believe is a very attractive dividend of 10% per annum inclusive of franking credits. Holders also have the option after five years to convert them into A ordinary shares.

### Investment activity

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

### Listed investments

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

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

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

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

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

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

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

### Unlisted investments

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

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

# PRITCHARD EQUITY LIMITED

## Outlook

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

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



Steven Pritchard  
Chairman  
30 September 2008

# PRITCHARD EQUITY LIMITED

## DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Pritchard Equity Limited and its controlled entities for the financial year ended 30 June 2008.

### 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 since 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 the qualifications of the Company Secretary are contained in the Information on Directors.

### Principal Activities

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

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

### Dividends Paid or Recommended

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

### Operating Results and Review of Operations

The consolidated net profit after providing for income tax and eliminating minority equity interests was \$321,375 compared to \$457,502 last year. A lower contribution of \$218,723 from the Group's associate Cameron Capital Limited compared to \$378,588 last year was the primary reason for the fall in the consolidated net operating profit. However, given the volatility that the global financial markets have experienced over the last year, the directors believe that the results achieved by the group remain extremely satisfactory.

### Financial Position

The net assets of the consolidated entity as at 30 June 2008 were \$2,107,027 compared to \$2,069,819 as at 30 June 2007, an increase of \$37,208. This increase has largely resulted from the following:

- Consolidated Operating Profit of \$321,375
- Net redemptions of units in the PEQ Hamilton Fund of \$29,000
- Reduction in the value of the Group's listed investment portfolios of \$173,480.

The group continues to maintain a strong liquidity position, and currently holds cash and readily realisable assets of \$1,130,725.

During the year the group reduced its short term borrowings from \$225,842 to \$37,673.

These two initiatives will place the group in a strong position to take advantage of new investment opportunities as they emerge.

### Significant Changes in State of Affairs

Following an approach from some professional and sophisticated investors in January 2008, the company made a private placement of 41,250 A ordinary shares and 41,250 B ordinary shares.

On 27 May 2008, a bonus issue of 1,461 preferred income equity securities was made to the holders of ordinary shares.

Apart from the above, the directors are not aware of any other significant changes in the operations of the consolidated entity, or the environment in which it operates, that will adversely affect the results of the company in subsequent years.

### After Balance Date Events

On 5 August 2008 the company made a scrip takeover offer for all of the A Class shares in Property Fox No. 1 Limited.

However, the Directors note that there has been a substantial volatility in the financial markets in which the Group invests between the balance date and the date of this report.

# PRITCHARD EQUITY LIMITED

Apart from the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## Future Developments, Prospects and Business Strategies

The Company 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 consolidated entity 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 consolidated entity.

## Environmental Issues

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

## Information on Directors

<b>Steven Shane Pritchard</b>	—	Chairman (Executive)
Qualifications	—	B Com, CPA, F Fin Previously a member of the Stock Exchange of Newcastle Limited
Experience	—	Chairman and director since 10 May 2002.
Interest in shares and options	—	326,480 A Ordinary shares 540,000 B Ordinary shares 207,480 Series 1 Options 103,740 Series 2 Options 103,740 Series 3 Options 868 Preferred Income Equity Securities
Special responsibilities	—	Member of the Audit Committee Director of Henley Underwriting & Investment Company Pty Limited and Cameron Capital Limited
Directorships held in other listed entities	—	Current chairman and director of 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 2004)
<b>Enzo Pirillo</b>	—	Director (Executive) and Company Secretary
Qualifications	—	B Com, CPA, F Fin
Experience	—	Director and company secretary since 14 September 2005.
Interest in shares and options	—	1,000 A Ordinary shares 1,000 B Ordinary shares 51,000 Series 1 Options 25,500 Series 2 Options 25,500 Series 3 Options 2 Preferred Income Equity Securities
Special Responsibilities	—	Member of the Audit Committee Director of Henley Underwriting & Investment Company Pty Limited and Cameron Capital Limited



## PRITCHARD EQUITY LIMITED

<b>Gordon Bradley Elkington</b>	—	Director (Non-Executive)
Qualifications	—	B Sc, M. Sc., PhD, LLM
Experience	—	Director since 12 December 2005
Interest in shares and options	—	15,200 A Ordinary shares 15,200 B Ordinary shares 40,200 Series 1 Options 20,100 Series 2 Options 20,100 Series 3 Options 30 Preferred Income Equity Securities
Special Responsibilities	—	Member of the Audit Committee
Directorships held in other listed entities	—	Director of Stokes (Australasia) Limited (since 24 April 2003) and Winpar Holdings Limited (since 1994)

### Meetings of Directors

During the financial year, five 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	10	10	1	1
Enzo Pirillo	10	10	1	1
Gordon Elkington	10	10	1	1

### Shares Under Option

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

Date of issue	Expiry date	Number	Exercise price
24 April 2006	10 December 2008	679,358	\$1.25
24 April 2006	10 December 2010	339,679	\$2.50
24 April 2006	10 December 2015	339,679	\$5.00

### Indemnifying Officers or Auditor

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

# PRITCHARD EQUITY LIMITED

## **Proceedings on Behalf of Company**

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

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

## **Auditor's Independence Declaration**

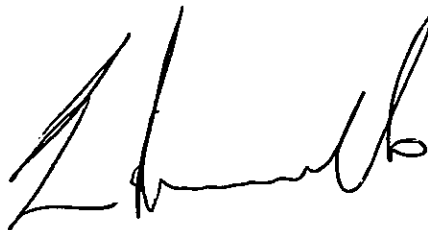
The auditor's independence declaration for the year ended 30 June 2008 has been received and is found on page 9 of the directors' report.

Signed in accordance with a resolution of the Board of Directors.



**Steven Shane Pritchard**

Director



**Enzo Pirillo**

Director

Dated this 30th day of September 2008.

# 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 approval by the shareholders in general meetings of a maximum amount of remuneration per year to be allocated between 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 under the terms set out in 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 (2007: two executives), both of whom are Directors of the Company.

Details of the remuneration for each director of the Company is as follows.

<b>2008</b>	Salary and Fees	Superannuation contributions	Other	Total
	\$	\$	\$	\$
Steven Pritchard	-	-	-	-
Enzo Pirillo	-	-	-	-
Gordon Elkington	-	-	-	-

<b>2007</b>	Salary and Fees	Superannuation Contributions	Other	Total
	\$	\$	\$	\$
Steven Pritchard	-	-	-	-
Enzo Pirillo	-	-	-	-
Gordon Elkington	-	-	-	-

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

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

As lead audit partner for the audit of Pritchard Equity Limited financial statements for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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



FORSYTHES



MJ Matthews  
Partner  
Chartered Accountants  
NEWCASTLE, 30 September 2008

# PRITCHARD EQUITY LIMITED

## CORPORATE GOVERNANCE STATEMENT

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

The main corporate governance policies are summarised below.

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

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

### **Director qualifications**

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

### **Board size**

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

### **Directors' responsibilities**

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

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

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

- be entitled to obtain independent professional or other advice at the Company's cost, unless the Board determines otherwise;
- be entitled to obtain such resources and information from the Company, its employees and advisers, as they may require;
- 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;
- any reports prepared by the external auditor.

# PRITCHARD EQUITY LIMITED

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

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
Income from investment portfolio	2a	198,939	28,536	(20,384)	(27,105)
Income from trading portfolio	2b	(2,860)	114,444	-	-
Income from deposits	2c	11,951	8,606	3,389	2,936
Share of net profit of associated company		218,723	378,588	-	-
Other income	2d	156	6,390	217,881	131,957
<b>Total income from ordinary activities</b>		<b>426,909</b>	<b>536,564</b>	<b>200,886</b>	<b>107,788</b>
Administration expenses		85,227	69,008	64,353	46,217
Finance costs		7,601	8,135	-	-
Impairment of non-current assets		-	351	-	-
Listing fees		6,810	12,184	6,810	12,184
<b>Operating profit before income tax</b>	3	<b>327,271</b>	<b>446,886</b>	<b>129,723</b>	<b>49,387</b>
Income tax (expense)/benefit	4	<b>22,286</b>	<b>20,799</b>	<b>22,286</b>	<b>20,799</b>
<b>Operating profit after income tax</b>		<b>349,557</b>	<b>467,685</b>	<b>152,009</b>	<b>70,186</b>
Profit/(loss) attributable to minority equity interest		28,182	10,183	-	-
<b>Profit attributable to members of the company</b>		<b>321,375</b>	<b>457,502</b>	<b>152,009</b>	<b>70,186</b>
<b>Overall Operations</b>					
Basic earnings per share (cents per share)	7	22.8	33.4		
Diluted earnings per share (cents per share)	7	22.8	33.4		

The accompanying notes form part of these financial statements.

# PRITCHARD EQUITY LIMITED

## BALANCE SHEET AS AT 30 JUNE 2008

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

The accompanying notes form part of these financial statements.

# PRITCHARD EQUITY LIMITED

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

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

The accompanying notes form part of these financial statements.



# PRITCHARD EQUITY LIMITED

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

	Note	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Sales from trading portfolio		217,497	229,963	-	-
Purchases for trading portfolio		(63,637)	(222,016)	-	-
Interest received		11,913	7,120	3,335	2,936
Dividends received		25,613	-	175,686	-
Distributions received		5,772	-	42,273	-
Commissions received		172	5,391	-	-
Underwriting fees received		-	1,000	-	-
		<u>197,330</u>	<u>21,458</u>	<u>221,294</u>	<u>2,936</u>
Administration expenses		(95,845)	(50,626)	(78,263)	(46,132)
Bank charges		(531)	(538)	(333)	(357)
Borrowing costs		(7,547)	(7,158)	-	-
Other payments		11,091	(10,093)	8,557	(2,646)
Income tax paid		153	8,713	37	8,713
Net cash provided by (used in) operating activities	22	<u>104,651</u>	<u>(38,244)</u>	<u>151,292</u>	<u>(37,486)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Sales from investment portfolio		741,697	236,807	105,127	7,756
Purchases for investment portfolio		(345,069)	(498,579)	(66,893)	(101,290)
Dividends received		-	244	-	-
Net cash provided by (used in) investing activities		<u>396,628</u>	<u>(261,528)</u>	<u>38,234</u>	<u>(93,534)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		82,500	-	82,500	-
Proceeds from issue of equity in associate		120,551	4,000	-	-
Payments from redemption of equity in associate		(129,000)	-	-	-
Capital Raising Costs		-	(26,456)	-	(26,456)
Proceeds from borrowings		-	89,992	-	63,456
Repayment of borrowings		(214,352)	-	(176,664)	(13,140)
Net cash provided by (used in) financing activities		<u>(140,301)</u>	<u>(67,536)</u>	<u>(94,164)</u>	<u>23,854</u>
Net increase (decrease) in cash held		<u>360,977</u>	<u>(232,236)</u>	<u>95,361</u>	<u>(107,166)</u>
Cash at beginning of financial year		50,666	282,902	9,675	116,841
Cash at end of financial year	8	<u><b>411,643</b></u>	<u><b>50,666</b></u>	<u><b>105,036</b></u>	<u><b>9,675</b></u>

The accompanying notes form part of these financial statements.

# PRITCHARD EQUITY LIMITED

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

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

#### **Basis of Preparation**

##### *Reporting Basis and Conventions*

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

#### **Adoption of new and revised Accounting Standards**

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Company has also adopted the following Standards as listed below which only impacted on the Company's financial statements with respect to disclosure.

- AASB 101 'Presentation of financial Statements (revised October 2006)'
- AASB 7 'Financial Instruments: Disclosures'

#### **Accounting Policies**

##### **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 of so as to obtain benefits from its activities.

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

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

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

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

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

# PRITCHARD EQUITY LIMITED

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

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

#### c. Holdings of Securities

##### (i) Balance Sheet classification

The consolidated entity has two portfolios of securities, an investment portfolio and a trading portfolio.

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

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

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

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

##### (ii) Valuation of investment portfolio

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

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

##### (iii) Valuation of trading portfolio

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

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

##### (iv) Determination of market value

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

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

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

#### d. Investments in Associates

Investments in associated companies are recognised in the consolidated financial statements by applying the equity method of accounting.

#### e. Cash and Cash Equivalents

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

#### f. Income Tax

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

# PRITCHARD EQUITY LIMITED

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

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

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 the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### **g. Impairment of Assets**

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

Any excess of the carrying value of the asset over its recoverable amount is expensed to the income statement.

#### **h. Provisions**

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

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

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

Receivables and payables in the balance sheet are shown inclusive of GST.

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

# PRITCHARD EQUITY LIMITED

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

### NOTE 2: REVENUE

	Note	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>a. Income from investment portfolio</b>					
—		29,231	46,674	3,662	2,035
—		8,324	5,069	-	-
—		187,034	5,893	1,604	(40)
—		(25,650)	(29,100)	(25,650)	(29,100)
<b>Total income from investment portfolio</b>		<b>198,939</b>	<b>28,536</b>	<b>(20,384)</b>	<b>(27,105)</b>
<b>b. Income from trading portfolio</b>					
—		137,303	310,597	-	-
—		(140,163)	(197,143)	-	-
—		(2,860)	113,454	-	-
—		-	990	-	-
<b>Total income from trading portfolio</b>		<b>(2,860)</b>	<b>114,444</b>	<b>-</b>	<b>-</b>
<b>c. Income from deposits</b>					
—		11,951	8,606	3,389	2,936
<b>Total income from deposits</b>		<b>11,951</b>	<b>8,606</b>	<b>3,389</b>	<b>2,936</b>
<b>d. Other Income</b>					
—		156	5,390	-	-
—		-	-	20,551	16,683
—		-	-	155,057	100,000
—		-	-	42,273	15,274
—		-	1,000	-	-
<b>Total other income</b>		<b>156</b>	<b>6,390</b>	<b>217,881</b>	<b>131,957</b>

# PRITCHARD EQUITY LIMITED

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

### NOTE 3: PROFIT FROM ORDINARY ACTIVITIES

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

### NOTE 4: INCOME TAX EXPENSE

- a. The components of tax expense comprise:

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

# PRITCHARD EQUITY LIMITED

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

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

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

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

### NOTE 5: AUDITORS' REMUNERATION

Remuneration of the auditor of the company for:

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

### NOTE 6: DIVIDENDS

#### Dividends paid or proposed

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

#### Franking account

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

# PRITCHARD EQUITY LIMITED

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

### NOTE 7: EARNINGS PER SHARE

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

### NOTE 8: CASH AND CASH EQUIVALENTS

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

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

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

#### Reconciliation of cash

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

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



# PRITCHARD EQUITY LIMITED

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

### NOTE 9: TRADE AND OTHER RECEIVABLES

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

Receivables are non-interest bearing and unsecured.

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

### NOTE 10: TRADING PORTFOLIO

#### CURRENT

Listed investments, at market value

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

# PRITCHARD EQUITY LIMITED

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

### NOTE 11: TAX

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>a. Liabilities</b>				
NON-CURRENT				
Deferred tax liability comprises:				
Revaluation adjustments taken directly to equity	-	11,193	-	11,193
Fair value gain adjustments	-	8,730	-	8,730
<b>Total</b>	<b>-</b>	<b>19,923</b>	<b>-</b>	<b>19,923</b>
<b>b. Assets</b>				
Deferred tax assets comprise:				
Transaction costs on equity issue	6,626	9,939	6,626	9,939
Deferred tax assets attributable to tax losses	30,383	2,102	30,383	2,102
Revaluation adjustments taken directly to equity	2,097	-	2,097	-
Impairment of non current assets	296	6,257	296	6,257
Other temporary differences	8,400	6,617	8,400	6,617
<b>Total</b>	<b>47,802</b>	<b>24,915</b>	<b>47,802</b>	<b>24,915</b>
<b>c. Reconciliations</b>				
<b>i. Deferred Tax Liability</b>				
The movement in deferred tax liability for each temporary difference during the year is as follows:				
Deferred capital gains tax				
Opening balance	(6,824)	144	(6,824)	144
Revaluation adjustments taken directly to equity	6,824	(6,968)	6,824	(6,968)
Closing balance	-	(6,824)	-	(6,824)
Fair value gain adjustments				
Opening balance	26,747	18,017	26,747	18,017
Charged to the income statement	7,695	8,730	7,695	8,730
Other	(34,442)	-	(34,442)	-
Closing balance	-	26,747	-	26,747
<b>Total</b>	<b>-</b>	<b>19,923</b>	<b>-</b>	<b>19,923</b>

# PRITCHARD EQUITY LIMITED

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

### NOTE 11: TAX (continued)

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>ii. Deferred Tax Assets</b>				
The movement in deferred tax assets for each temporary difference during the year is as follows:				
Transaction costs on equity issue				
Opening balance	9,939	13,251	9,939	13,251
Debited directly to equity	(3,313)	(3,312)	(3,313)	(3,312)
Closing balance	6,626	9,939	6,626	9,939
Deferred tax assets attributable to tax losses				
Opening balance	2,102	1,128	2,102	1,128
Credited to the income statement	28,281	974	28,281	974
Closing balance	30,383	2,102	30,383	2,102
Impairment of non current assets				
Opening balance	5,345	5,345	5,345	5,345
Credited to the income statement	(5,049)	-	(5,049)	-
Closing balance	296	5,345	296	5,345
Unrealised loss on investments				
Opening balance	-	-	-	-
Credited to the reserve	2,097	-	2,097	-
Closing balance	2,097	-	2,097	-
Other temporary differences				
Opening balance	7,529	-	7,529	-
Credited to the income statement	871	7,529	871	7,529
Closing balance	8,400	6,617	8,400	6,617
	47,802	24,915	47,802	24,915
<b>d. Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(f) occur</b>				
- operating losses	128,618	170,645	-	-
- capital losses	645,738	775,223	-	-
	774,356	945,868	-	-

# PRITCHARD EQUITY LIMITED

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

## NOTE 12: INVESTMENT PORTFOLIO

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
NON-CURRENT				
Listed Investments, at fair value				
- Options	2,750	-	-	-
- Shares and trust units	539,160	983,518	120,695	126,332
	541,910	983,518	120,695	126,332
Unlisted Investments, at fair value				
- Options	-	26,650	-	25,650
- Shares and trust units	114,446	104,446	-	-
	114,446	131,096	-	25,650
	<b>656,356</b>	<b>1,114,614</b>	<b>120,695</b>	<b>151,982</b>

# PRITCHARD EQUITY LIMITED

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

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

Interests are held in the following associated company

Name	Principal activities	Country of incorporation	Shares	Ownership Interest		Carrying amount of investment	
				2008 %	2007 %	2008 \$	2007 \$
Unlisted:							
Cameron Capital Limited	Stockbroking	Australia	Ord	33.06	32.74	1,146,532	942,611
						<b>1,146,532</b>	<b>942,611</b>

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

**b. Equity accounted profits of associates are broken down as follows:**

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

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

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

# PRITCHARD EQUITY LIMITED

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

### NOTE 14: INVESTMENTS IN CONTROLLED ENTITIES

#### a. Controlled Entities Consolidated

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

\* Percentage of voting power is in proportion to ownership

#### b. Acquisition of Controlled Entities

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

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

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

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

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

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

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

# PRITCHARD EQUITY LIMITED

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

### NOTE 15: OTHER

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

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

### NOTE 16: TRADE AND OTHER PAYABLES

#### CURRENT

##### Unsecured liabilities

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

### NOTE 17: BORROWINGS

#### CURRENT

##### Unsecured

##### - Amounts loans payable to:

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

##### Secured

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

#### NON CURRENT

##### Unsecured

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

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

The carrying amounts of assets pledged as security is:

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

- b.** Compound financial securities comprise Preferred Income Equity Securities (classification 97% debt). On 27 May 2008 the Company made a bonus issue of Preferred Income Equity Securities to ordinary shareholders as at 23 May 2008 with a face value of \$100 each. As at the reporting date there were 1,461 Preferred Income Equity Securities on issue. For further details refer to Note 18(d).

# PRITCHARD EQUITY LIMITED

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

### NOTE 18: CONTRIBUTED EQUITY

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
620,608 (2007: 579,358) A ordinary shares fully paid	331,985	354,235	331,985	354,235
831,378 (2007: 540,128) B ordinary shares fully paid	392,412	351,262	392,412	351,262
Nil (2007: 250,000) C ordinary shares fully paid	-	82,500	-	82,500
1,461 (2007: Nil) preferred income equity securities	3,863	-	3,863	-
	<b>728,260</b>	<b>787,997</b>	<b>728,260</b>	<b>787,997</b>
<b>a. A ordinary shares</b>				
At the beginning of reporting period	354,235	357,524	354,235	357,524
Shares issued during the year				
— 41,250 shares issued on 09 January 2008 at \$ 1.00	41,250	-	41,250	-
Redemption of issued capital for preferred income equity securities on 27 May 2008	(63,500)	-	(63,500)	-
Transaction costs relating to share issues	-	(3,289)	-	(3,289)
At reporting date	<b>331,985</b>	<b>354,235</b>	<b>331,985</b>	<b>354,235</b>
<b>b. B ordinary shares</b>				
At the beginning of reporting period	351,262	354,552	351,262	354,552
Shares issued during the year				
— Conversion of 82,500 ordinary C shares to B shares	82,500	-	82,500	-
— 41,250 shares issued on 09 January 2008 at \$1.00	41,250	-	41,250	-
Redemption of issued capital for preferred income equity securities on 27 May 2008	(82,600)	-	(82,600)	-
Transaction costs relating to share issues	-	(3,290)	-	(3,290)
At reporting date	<b>392,412</b>	<b>351,262</b>	<b>392,412</b>	<b>351,262</b>
<b>c. C ordinary shares</b>				
At the beginning of reporting period	82,500	82,500	82,500	-
Conversion of C ordinary shares to B ordinary shares	(82,500)	-	(82,500)	-
At reporting date	<b>-</b>	<b>82,500</b>	<b>-</b>	<b>82,500</b>

All ordinary shares rank equally inter se for 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 2008

### Note 18: CONTRIBUTED EQUITY (continued)

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

#### d. Preferred Income Equity Securities

At the beginning of reporting period	-	-	-	-
Shares issued during the year				
— Bonus issue of preferred income equity securities on 27 May 2008	3,863	-	3,863	-
At reporting date	<b>3,863</b>	-	<b>3,863</b>	-

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

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

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

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

On a winding up of the Company or on a reduction of capital a holder of preferred income equity securities will be entitled to receive \$100 for each security ahead of any payment to the holders of ordinary shares, but no other right to participate in surplus assets

#### e. Series 1 Options

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

#### f. Series 2 Options

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

#### g. Series 3 Options

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

# PRITCHARD EQUITY LIMITED

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

### NOTE 19: RESERVES

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

#### a. Asset revaluation reserve

##### Movements during the year

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

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

#### b. Capital profits reserve

##### Movements during the year

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

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

### NOTE 20: DIVIDENDS DECLARED

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Half yearly fully franked preferred income equity securities dividend of \$3.50 per share payable on 30 September 2008. This dividend has not been brought to account in the financial statements for the year ended 30 June 2008, but will be recognised in subsequent financial reports.	5,114	-	5,114	-

# PRITCHARD EQUITY LIMITED

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

### NOTE 21: SEGMENT REPORTING

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

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

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

### NOTE 22: CASH FLOW INFORMATION

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>a. Reconciliation of cash flow from operations with profit after income tax</b>				
Profit after income tax	349,557	467,685	152,009	70,186
Non-cash flows in profit				
Dividends re-invested	(3,584)	(29,989)	(3,584)	(133,992)
Loss/(gain) on acquisition of controlled entity	-	-	-	40
Net gain on disposal of investments	(187,033)	(5,893)	(1,604)	-
Unrealised fair value (gain)/loss	25,650	29,182	25,650	29,100
Share of associated companies net profit after income tax and dividends	(218,723)	(378,588)	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	77,899	(24,230)	-	-
(Increase)/decrease in the trading portfolio	77,251	(105,506)	-	-
Increase/(decrease) in trade payables and accruals	2,925	27,927	(469)	16,012
Increase/(decrease) in income taxes payable	(19,291)	(18,832)	(20,710)	(18,832)
Cashflow from operations	<u>104,651</u>	<u>(38,244)</u>	<u>151,292</u>	<u>(37,486)</u>

# PRITCHARD EQUITY LIMITED

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

### NOTE 23: RELATED PARTY TRANSACTIONS

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Transactions with related parties:				
<b>a. Associated Company</b>				
On 30 June 2007 Cameron Capital Limited applied for and was allotted 4,000 units in PEQ Hamilton Fund at \$1.00 per unit	-	4,000	-	-
On 29 January 2008 Cameron Capital Limited redeemed 49,000 units in PEQ Hamilton Fund at \$1.00 per unit	49,000	-	-	-
On 20 May 2008 Cameron Capital Limited redeemed 80,000 units in PEQ Hamilton Fund at \$1.00 per unit	80,000	-	-	-
On 20 May 2008 Cameron Investment Holdings Pty Limited applied for and was allotted 100,000 units in PEQ Hamilton Fund at \$1.00 per unit	100,000	-	-	-
<b>b. Key Management Personnel</b>				
Accounting fees paid/payable to Rees Pritchard Pty Limited	37,168	22,244	22,192	6,019
Brokerage paid to Pritchard & Partners Pty Limited for stockbroking services	1,485	1,032	110	44
Brokerage paid to Cameron Stockbrokers Limited for stockbroking services	7,809	9,226	368	-
Share registry fees paid to Newcastle Capital Markets Registries Pty Limited	4,800	6,400	4,800	6,400
<b>c. Loans and advances to subsidiaries</b>				
Balance at beginning of year			103,096	5,009
Advances			331,532	99,087
Repayments			(198,440)	(1,000)
Closing balance			236,188	103,096
<b>d. Loans and advances from subsidiaries</b>				
Balance at beginning of year			(56,363)	(3,135)
Advances			(1,000)	(153,440)
Repayments			56,574	100,212
Closing balance			(789)	(56,363)

# PRITCHARD EQUITY LIMITED

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

### NOTE 24: FINANCIAL RISK MANAGEMENT

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

#### a. Credit Risk

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

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

#### b. Liquidity Risk

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

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

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

#### c. Market Risk

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

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

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

The Asset Revaluation Reserve at 30 June 2008 was \$45,293 in debit.

It would require an increase in the value of the investment portfolio of 6% to reverse this decrement in accordance with Accounting standards, any further falls in value would continue to be recognised in the equity as unrealised losses, thereby impacting the shareholders' equity of the Group.

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

The Group's investment by sector is as follows.

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

# PRITCHARD EQUITY LIMITED

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

### NOTE 24: FINANCIAL RISK MANAGEMENT (continued)

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

	Portfolio %
Illuminator Investment Company Limited	31.5

#### d. Interest Rate Risk

The Group is exposed to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The 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 10.65% (2007: 8.57)

(b) long term borrowings was 7% (2007: nil).

As at the 30 June the Group's interest bearing short term borrowings totalled \$10,335. Given the amount of borrowings involved the Group does not believe they are subject to any material interest rate risks.

#### e. Capital Management

It is the Board's policy to maintain a strong capital base so as to maintain investors and market confidence.

To achieve this the Board monitors the Group's net tangible assets, its levels of borrowings and its investment performance.

During the period the company issued 1,461 preferred income equity securities as part of its capital management program.

The company raises additional capital by use of the dividend reinvestment plan. The company also announced to the market in October 2007 the introduction of its on market share buy-back. The company can buy up to 512,750 shares back over a 12 month period.

### NOTE 25: EVENTS SUBSEQUENT TO REPORTING DATE

On 5 August 2008 the company made a scrip takeover offer for all of the A Class shares in Property Fox No. 1 Limited.

The company is offering 1,500 A ordinary shares, 500 B ordinary shares and 68 preferred income equity securities for every 20,000 Property Fox No. 1 Limited A Class Shares.

Additionally, the Directors note that there has been a substantial volatility in the financial markets in which the Group invests between the balance date and the date of this report.

### NOTE 26: COMPANY DETAILS

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

10 Murray Street

Hamilton.

New South Wales 2303

# PRITCHARD EQUITY LIMITED

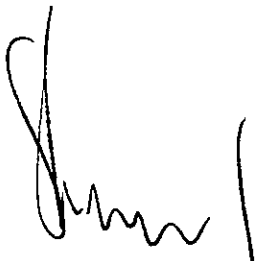
## DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 11 to 35, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the company and consolidated entity;
2. the executive directors have each declared that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view;
3. in the director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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



**Steven Shane Pritchard**

Director



**Enzo Pirillo**

Director

Dated this 30th day of September 2008.



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

We have audited the accompanying financial report of Pritchard Equity Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 Related Party Disclosures, in the remuneration report and not in the financial report.

### ***Directors' responsibility for the financial report and the AASB 124 remuneration disclosure contained in the directors' report***

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

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an



opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

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

### ***Independence***

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

### ***Auditor's opinion on the financial report***

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 and consolidated entity's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the remuneration disclosures that are contained within the Remuneration Report on page 8 comply with AASB 124.



FORSYTHES



MJ Matthews  
Partner  
Chartered Accountants  
Newcastle, 30 September 2008

# PRITCHARD EQUITY LIMITED

## STOCK EXCHANGE INFORMATION

### Top 20 A Ordinary Shareholders as at 24 September 2008.

Shareholder	Shares	% of Issued
Pritchards Continuation Proprietary Limited	168,000	27.07
Pritchard & Company Pty Limited	63,398	10.22
Cameron Securities Pty Limited	35,000	5.64
Pritchard & Company Pty Limited	27,171	4.38
Fuggle Nominees Pty Limited	25,000	4.03
Mrs Margaret Jane Pritchard	25,000	4.03
Mr John Weston Seaforth Mackenzie	23,330	3.76
L W Superannuation Pty Ltd	22,500	3.63
Pritchard & Partners Pty Limited	21,695	3.50
Wilcorp No 41 Pty Limited	19,168	3.09
Abelia Grove Pty Limited	17,230	2.78
Dr Gordon Bradley Elkington	15,200	2.62
Longbow Croft Capital Pty Limited	13,500	2.18
Newcastle Capital Markets Pty Limited	12,500	2.01
Illuminator Investment Company Limited	10,000	1.61
Banivory Pty Limited	8,600	1.39
Mr Steven Shane Pritchard	7,918	1.28
Lateral Investment Corporation Pty Limited	7,840	1.26
Pritchard & Partners Pty Limited	6,000	0.97
Pritchard & Partners Pty Limited	5,705	0.92
	534,755	86.17

### Number of A ordinary shares held

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

### Number of Shareholders

36  
 20  
 6  
 12  
 1  
 1

# PRITCHARD EQUITY LIMITED

## STOCK EXCHANGE INFORMATION

### Top 20 B Ordinary Shareholders as at 24 September 2008.

Shareholder	Shares	% of Issued
Pritchards Continuation Pty Limited	150,000	18.04
Pritchards Continuation Pty Limited	150,000	18.04
Pritchard & Company Pty Limited	133,200	16.02
Cameron Securities Pty. Limited	35,000	4.21
Pritchard & Company Pty Limited	26,800	3.22
Fuggle Nominees Pty Limited	25,000	3.01
Mrs Margaret Jane Pritchard	25,000	3.01
Mr John Weston Seaforth Mackenzie	23,330	2.81
L W Superannuation Pty Ltd	22,500	2.71
Wilcorp No 41 Pty Limited	19,168	2.31
Abelia Grove Pty Limited	17,230	2.07
Pritchard & Partners Pty Limited	17,000	2.04
Lateral Investment Corporation Pty Limited	16,650	2.00
Mr Steven Shane Pritchard	16,650	2.00
Dr Gordon Bradley Elkington	15,200	1.83
Longbow Croft Capital Pty Limited	13,500	1.62
Newcastle Capital Markets Pty Limited	12,500	1.50
Illuminator Investment Company Limited	10,000	1.20
Banivory Pty Limited	8,600	1.03
Mr John Richard Gilbert and Mrs Jane Patricia Gilbert	5,000	0.60
	742,328	89.29

### Number of B ordinary shares held

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

### Number of Shareholders

24  
 23  
 3  
 14  
 0  
 3

# PRITCHARD EQUITY LIMITED

## STOCK EXCHANGE INFORMATION

### Top 20 Preferred Income Equity Security holders as at 24 September 2008.

Share holder	Shares	% of Issued
Pritchard Continuation Pty Limited	468	32.03
Pritchard & Company Pty Limited	251	17.18
Cameron Securities Pty Limited	70	4.79
Pritchard & Partners Pty Limited	52	3.56
Fuggle Nominees Pty Limited	50	3.42
Mrs Margaret Jane Pritchard	50	3.42
Mr John Weston Seaforth Mackenzie	47	3.22
L W Superannuation Pty Limited	45	3.08
Wilcorp No 41 Pty Limited	38	2.6
Abelia Grove Pty Limited	34	2.33
Mr Steven Shane Pritchard	32	2.19
Lateral Investment Corporation Pty Limited	31	2.12
Dr Gordon Bradley Elkington	30	2.05
Longbow Croft Capital Pty Limited	27	1.85
Newcastle Capital Markets Pty Limited	25	1.71
Illuminator Investment Company Limited	20	1.37
Banivory Pty Limited	17	1.16
Mr John Richard Gilbert and Mrs Jane Patricia Gilbert	10	0.68
Jarfem Pty Limited	10	0.68
Mr John Barry Roberts and Mrs Judith Elizabeth Roberts	10	0.68
	1,317	90.14

### Number of Preferred Income Equity Securities held

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

### Number of Option holders

72
-
-
-
-
-

# PRITCHARD EQUITY LIMITED

## STOCK EXCHANGE INFORMATION

### Top 20 Series 1 Option holders as at 24 September 2008.

Option holder	Options	% of Issued
Pritchards Continuation Pty Limited	77,230	11.37
Pritchard & Company Pty Limited	72,829	10.72
Mrs Margaret Jane Pritchard	55,000	8.10
Mr Enzo Pirillo	50,000	7.36
Cameron Securities Pty Limited	35,000	5.15
Pritchard & Company Pty Limited	27,171	4.00
Dr Gordon Bradley Elkington	25,000	3.68
RFC Investment Holdings Pty Limited	25,000	3.68
Mr John Weston Seaforth Mackenzie	23,330	3.43
Wilcorp No 41 Pty Limited	19,168	2.82
Abelia Grove Pty Limited	17,230	2.54
Pritchard and Partners Pty Limited	17,000	2.50
Mr Brett Andrew Hall	16,000	2.36
Dr Gordon Bradley Elkington	15,200	2.24
Mr Daniel DiStefano	15,000	2.21
Mrs Anna Pirillo	15,000	2.21
Mr Barry Preston	15,000	2.21
Newcastle Capital Markets Pty Limited	12,500	1.84
L W Superannuation Pty Limited	11,250	1.66
Banivory Pty Limited	9,600	1.41
	553,508	81.48

### Number of Series 1 options held

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

### Number of Option holders

24  
 35  
 2  
 16  
 3  
 -

# PRITCHARD EQUITY LIMITED

## STOCK EXCHANGE INFORMATION

### Top 20 Series 2 Option holders as at 24 September 2008.

Option holder	Options	% of Issued
Pritchards Continuation Pty Limited	38,615	11.37
Pritchard & Company Pty Limited	36,415	10.72
Mrs Margaret Jane Pritchard	27,500	8.10
Mr Enzo Pirillo	25,000	7.36
Cameron Securities Pty Limited	17,500	5.15
Pritchard & Company Pty Limited	13,585	4.00
Dr Gordon Bradley Elkington	12,500	3.68
RFC Investment Holdings Pty Limited	12,500	3.68
Mr John Weston Seaforth Mackenzie	11,665	3.43
Wilcorp No 41 Pty Limited	9,584	2.82
Abelia Grove Pty Limited	8,615	2.54
Pritchard and Partners Pty Limited	8,500	2.50
Mr Brett Andrew Hall	8,000	2.36
Dr Gordon Bradley Elkington	7,600	2.24
Mr Daniel Distefano	7,500	2.21
Mrs Anna Pirillo	7,500	2.21
Mr Barry Preston	7,500	2.21
Newcastle Capital Markets Pty Limited	6,250	1.84
L W Superannuation Pty Limited	5,625	1.66
Banivory Pty Limited	4,800	1.41
	276,754	81.48

### Number of Series 2 options held

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

### Number of Option holders

40  
 21  
 10  
 9  
 -  
 -

# PRITCHARD EQUITY LIMITED

## STOCK EXCHANGE INFORMATION

### Top 20 Series 3 Option holders as at 24 September 2008.

Option holder	Options	% of Issued
Pritchards Continuation Pty Limited	38,615	11.37
Pritchard & Company Pty Limited	36,415	10.72
Mrs Margaret Jane Pritchard	27,500	8.10
Mr Enzo Pirillo	25,000	7.36
Cameron Securities Pty Limited	17,500	5.15
Pritchard & Company Pty Limited	13,585	4.00
Dr Gordon Bradley Elkington	12,500	3.68
RFC Investment Holdings Pty Limited	12,500	3.68
Mr John Weston Seaforth Mackenzie	11,665	3.43
Wilcorp No 41 Pty Limited	9,584	2.82
Abelia Grove Pty Limited	8,615	2.54
Pritchard and Partners Pty Limited	8,500	2.50
Mr Brett Andrew Hall	8,000	2.36
Dr Gordon Bradley Elkington	7,600	2.24
Mr Daniel DiStefano	7,500	2.21
Mrs Anna Pirillo	7,500	2.21
Mr Barry Preston	7,500	2.21
Newcastle Capital Markets Pty Limited	6,250	1.84
L W Superannuation Pty Limited	5,625	1.66
Banivory Pty Limited	4,800	1.41
	276,754	81.48

### Number of Series 2 options held

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

### Number of Option holders

40  
 21  
 10  
 9  
 -  
 -

### Substantial Shareholders

As at 24 September 2008 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	540,000	64.95

# 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**

Forsythes  
175 Scott Street  
Newcastle NSW 2300  
Telephone (02) 4926 2699  
Facsimile (02) 4929 1435

### **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 & Nominated Advisers**

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

### **Stockbroker**

Cameron Stockbrokers Limited  
Level 5  
10 Spring Street  
Sydney NSW 2000  
Telephone (02) 8225 5100  
Facsimile (02) 9232 7272