



**PRITCHARD EQUITY LIMITED**

ACN 100 517 404

**HALF YEAR FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED  
31<sup>ST</sup> DECEMBER, 2007**

# PRITCHARD EQUITY LIMITED

## DIRECTORS' REPORT

Your directors present the financial report of the consolidated entity consisting of Pritchard Equity Limited and entities it controlled for the half-year ended 31 December 2007.

### Directors

The names of directors who held office during or since the end of the half-year:

- Steven Shane Pritchard
- Enzo Pirillo
- Gordon Bradley Elkington

### Review of Operations

The consolidated entity's principal activity was the making of medium and long term investments in both listed and unlisted investments. There have been no significant changes in the nature of these activities since the date of the Company's last annual report.

The net operating profit after tax was \$110,803 compared to \$154,439 last year. As a result of this and the increase in value of the Company's investment portfolio the net assets per share are now \$1.53 compared to \$1.40 as at 30 June 2007.

### Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 2 for the half-year ended 31 December 2007.

This report is signed in accordance with a resolution of the Board of Directors.



**Steven Shane Pritchard**

Director



**Enzo Pirillo**

Director

Dated this day 13th March 2008

## 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 review of the financial statements of Pritchard Equity Limited for the half-year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

*Forsythes*

FORSYTHES

*Martin Matthews*

Martin Matthews  
Partner  
Chartered Accountants  
Newcastle, 13 March 2008

# PRITCHARD EQUITY LIMITED

## CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

|  | Note | 31.12.2007     | 31.12.2006     |
|--|------|----------------|----------------|
|  |      | \$             | \$             |
| Income from investment portfolio                       | 2a   | 26,835         | 27,019         |
| Income from trading portfolio                          | 2b   | (8,054)        | 37,049         |
| Income from deposits                                   | 2c   | 1,934          | 7,253          |
| Share of net profit of associated company              |      | 117,410        | 112,021        |
| Other income   | 2d   | 99             | 5,622          |
| <b>Total income from ordinary activities</b>           |      | <b>138,224</b> | <b>188,964</b> |
| Administration expenses                                |      | 27,955         | 29,409         |
| Finance Costs  |      | 6,722          | 4,030          |
| Foreign exchange loss                                  |      | -              | 269            |
| Listing fees   |      | 2,889          | 2,914          |
| <b>Operating profit before income tax</b>              |      | <b>100,658</b> | <b>152,342</b> |
| Income tax expense/(credit)                            |      | (15,799)       | (5,880)        |
| <b>Operating profit after income tax</b>               |      | <b>116,457</b> | <b>158,222</b> |
| (Profit)/Loss attributable to minority equity interest |      | (5,654)        | (3,783)        |
| <b>Profit attributable to members of the company</b>   |      | <b>110,803</b> | <b>154,439</b> |
| <b>Overall Operations</b>                              |      |                |                |
| Basic earnings per share (cents per share)             |      | 8.09           | 11.28          |
| Diluted earnings per share (cents per share)           |      | 8.09           | 11.28          |

The accompanying notes form part of these financial statements.

# PRITCHARD EQUITY LIMITED

## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

|   | Note | 31.12.2007       | 30.06.2007       |
|---|------|------------------|------------------|
|   |      | \$               | \$               |
| <b>ASSETS</b>   |      |                  |                  |
| <b>CURRENT ASSETS</b>   |      |                  |                  |
| Cash and cash equivalents                                       |      | 119,284          | 50,666           |
| Trade and other receivables                                     |      | 64,996           | 94,766           |
| Trading portfolio   |      | 27,830           | 139,977          |
| Other current assets  |      | 2,875            | -                |
| <b>TOTAL CURRENT ASSETS</b>                                     |      | <b>214,985</b>   | <b>285,409</b>   |
| <b>NON-CURRENT ASSETS</b>                                       |      |                  |                  |
| Investment portfolio  |      | 1,304,509        | 1,114,614        |
| Investments in associates accounted for using the equity method |      | 1,060,021        | 942,611          |
| Deferred tax assets   |      | 44,844           | 24,915           |
| <b>TOTAL NON-CURRENT ASSETS</b>                                 |      | <b>2,409,374</b> | <b>2,082,140</b> |
| <b>TOTAL ASSETS</b>   |      | <b>2,624,359</b> | <b>2,367,549</b> |
| <b>CURRENT LIABILITIES</b>                                      |      |                  |                  |
| Trade and other payables  |      | 205,396          | 51,965           |
| Short-term borrowings   |      | 138,849          | 225,842          |
| Current tax liabilities   |      | 22               | -                |
| <b>TOTAL CURRENT LIABILITIES</b>                                |      | <b>344,267</b>   | <b>277,807</b>   |
| <b>NON-CURRENT LIABILITIES</b>                                  |      |                  |                  |
| Deferred tax liabilities  |      | 20,462           | 19,923           |
| <b>TOTAL NON-CURRENT LIABILITIES</b>                            |      | <b>20,462</b>    | <b>19,923</b>    |
| <b>TOTAL LIABILITIES</b>  |      | <b>364,729</b>   | <b>297,730</b>   |
| <b>NET ASSETS</b>   |      | <b>2,259,630</b> | <b>2,069,819</b> |
| <b>EQUITY</b>   |      |                  |                  |
| Issued capital  |      | 787,997          | 787,997          |
| Reserves  |      | 245,076          | 162,789          |
| Retained earnings   |      | 1,067,799        | 968,216          |
| Parent interest   |      | 2,100,872        | 1,919,002        |
| Minority equity interest  |      | 158,758          | 150,817          |
| <b>TOTAL EQUITY</b>   |      | <b>2,259,630</b> | <b>2,069,819</b> |

The accompanying notes form part of these financial statements.

# PRITCHARD EQUITY LIMITED

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

|  | Note              | \$                              | \$                            | \$                  | \$               | \$    |
|--|-------------------|---------------------------------|-------------------------------|---------------------|------------------|-------|
|  | Issued<br>Capital | Asset<br>Revaluation<br>Reserve | Capital<br>Profits<br>Reserve | Retained<br>Profits | Total            | Total |
| <b>Balance at 1 July 2006</b>                  | 794,576           | 3,353                           | 28,527                        | 516,557             | 1,343,013        |       |
| Shares issued during the year                  | -                 | -                               | -                             | -                   | -                |       |
| Transaction costs                              | (6,579)           | -                               | -                             | -                   | (6,579)          |       |
| Profit for the year                            | -                 | -                               | -                             | 154,439             | 154,439          |       |
| Revaluation of non current assets (net of tax) | -                 | 22,382                          | -                             | -                   | 22,382           |       |
| Transfer from retained profits to reserves     | -                 | -                               | 14,486                        | (14,486)            | -                |       |
| Transfer to retained profits from reserves     | -                 | -                               | (28)                          | 28                  | -                |       |
| <b>Balance at 31 December 2006</b>             | <u>787,997</u>    | <u>25,735</u>                   | <u>42,985</u>                 | <u>656,538</u>      | <u>1,513,255</u> |       |
| <b>Balance at 1 July 2007</b>                  | 787,997           | 128,188                         | 34,601                        | 968,216             | 1,919,002        |       |
| Shares issued during the year                  | -                 | -                               | -                             | -                   | -                |       |
| Transaction costs                              | -                 | -                               | -                             | -                   | -                |       |
| Profit for the year                            | -                 | -                               | -                             | 110,803             | 110,803          |       |
| Revaluation of non current assets (net of tax) | -                 | 71,625                          | -                             | -                   | 71,625           |       |
| Transfer from retained profits to reserves     | -                 | -                               | 10,662                        | -                   | 10,662           |       |
| Transfer to retained profits from reserves     | -                 | -                               | -                             | (11,220)            | (11,220)         |       |
| <b>Balance at 31 December 2007</b>             | <u>787,997</u>    | <u>199,813</u>                  | <u>45,263</u>                 | <u>1,067,799</u>    | <u>2,100,872</u> |       |

The accompanying notes form part of these financial statements.

# PRITCHARD EQUITY LIMITED

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

|   | 31.12.2007       | 31.12.2006       |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>         |                  |                  |
| Sales from trading portfolio                        | 211,741          | 99,303           |
| Purchases for trading portfolio                     | (27,990)         | (72,670)         |
| Dividends received                                  | 23,566           | 1,266            |
| Interest received                                   | 1,949            | 5,136            |
| Commissions received                                | 109              | 2,591            |
| Other receipts                                      | 5,161            | 1,693            |
|   | <u>214,536</u>   | <u>37,319</u>    |
| Administration expenses                             | (36,450)         | (23,861)         |
| Bank charges  | (228)            | (273)            |
| Finance Costs                                       | (6,722)          | (3,745)          |
| Other payments                                      | -                | (604)            |
| Net cash provided by (used in) operating activities | <u>171,136</u>   | <u>8,836</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>         |                  |                  |
| Sales from investment portfolio                     | 132,292          | 160,449          |
| Purchases for investment portfolio                  | (236,920)        | (364,733)        |
| Net cash provided by (used in) investing activities | <u>(104,628)</u> | <u>(204,284)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>         |                  |                  |
| Initial public offer costs                          | -                | (6,579)          |
| Proceeds from borrowings                            | 161,285          | 194,608          |
| Repayment of borrowings                             | (159,175)        | (192,425)        |
| Net cash provided by (used in) financing activities | <u>2,110</u>     | <u>(4,396)</u>   |
| Net increase in cash held                           | 68,618           | (199,844)        |
| Cash at beginning of period                         | 50,666           | 282,642          |
| Cash at end of period                               | <u>119,284</u>   | <u>82,798</u>    |

# PRITCHARD EQUITY LIMITED

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose half-year financial report has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The interim financial report does not include all the notes of the type normally included in an annual financial report. This report should be read in conjunction with the 2007 Annual Report and public announcements made by the Company during the half-year, in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

#### Basis of Preparation

The accounting policies and methods for compilation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2007 Annual Financial Report for the year ended 30 June 2007.

### NOTE 2: REVENUE

|   | 31.12.07       | 31.12.06      |
|---|----------------|---------------|
|   | \$             | \$            |
| <b>a. Income from Investment Portfolio</b>    |                |               |
| — dividends received                          | 24,931         | 15,720        |
| — trust distributions received                | 3,039          | 1,053         |
| — net realised gains/(losses)                 | 12,215         | 14,446        |
| — net unrealised fair value gain/(loss)       | (13,350)       | (4,200)       |
| <b>Total Income from investment portfolio</b> | <b>26,835</b>  | <b>27,019</b> |
| <b>b. Income from Trading Portfolio</b>       |                |               |
| — sales revenue                               | 131,428        | 94,303        |
| — cost of sales                               | (139,482)      | (57,254)      |
| <b>Total Income from trading portfolio</b>    | <b>(8,054)</b> | <b>37,049</b> |
| <b>c. Income from Deposits</b>                |                |               |
| — interest received                           | 1,934          | 7,253         |
| <b>Total income from deposits</b>             | <b>1,934</b>   | <b>7,253</b>  |
| <b>d. Other Income</b>                        |                |               |
| — commissions received                        | 99             | 5,389         |
| — gain on acquisition                         | -              | 233           |
| <b>Total other income</b>                     | <b>99</b>      | <b>5,622</b>  |



# PRITCHARD EQUITY LIMITED

**NOTE 3: DIVIDENDS**

31.12.07  
\$

31.12.06  
\$

**Dividends Paid or Declared**

There were no dividends paid or declared in the period.

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

**NOTE 4: ISSUED CAPITAL**

Movements in Issued Capital of the Company during the half-year were as follows:

| Date       | Details         | A Ordinary<br>Shares | B Ordinary<br>Shares | C Ordinary<br>Shares | Issued<br>Capital \$ |
|------------|-----------------|----------------------|----------------------|----------------------|----------------------|
| 01/07/2007 | Opening balance | 579,358              | 540,128              | 250,000              | 787,997              |
| 31/12/2007 | Balance         | 579,358              | 540,128              | 250,000              | 787,997              |

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

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

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

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.

**a. Options**

On 27 April 2006 the Company granted 679,358 Series 1 Options. A Series 1 Option entitles the holder upon 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.

On 27 April 2006 the Company granted 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.

On 27 April 2006 the Company granted 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.

At 31 December 2007 there were 1,358,716 (2006: 1,358,716) unissued A Ordinary shares for which options were outstanding. The options carry no rights to dividends and no voting rights.

# PRITCHARD EQUITY LIMITED

## NOTE 5: SEGMENT REPORTING

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

| 31.12.2007 | Investments | Stockbroking | Total     |
|------------|-------------|--------------|-----------|
| Revenue    | 20,814      | 117,410      | 138,224   |
| Results    | (6,607)     | 117,410      | 110,803   |
| Assets     | 1,564,338   | 1,060,021    | 2,624,359 |

| 30.06.2007 | Investments | Stockbroking | Total     |
|------------|-------------|--------------|-----------|
| Revenue    | 157,976     | 378,588      | 536,564   |
| Results    | 78,914      | 378,588      | 457,502   |
| Assets     | 1,424,938   | 942,611      | 2,367,549 |

## NOTE 6: CONTINGENT LIABILITIES

At balance date Directors are not aware of any material contingent liabilities than those already disclosed elsewhere in the financial report.

## NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

Since 31 December 2007 to the date of this report there has been no event specific to the Company of which the Directors are aware which has had a material effect on the Company or its financial position. However, Directors note that there has been a substantial correction in the markets in which the Company invests between the Balance Sheet date and the date of this report.

# PRITCHARD EQUITY LIMITED

## DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 3 to 9:
  - a. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
  - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to s 303(5) of the Corporations Act 2001.



Steven Shane Pritchard  
Director



Enzo Pirillo  
Director

Dated this 13<sup>th</sup> day of March 2008

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

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Pritchard Equity Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year period.

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

The directors of the company are responsible for the preparation and fair presentation of the half-year 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.

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Pritchard Equity Limited's financial position at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. As the auditor of Pritchard Equity Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we, would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Independence*

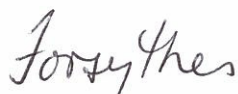
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pritchard Equity Limited is not in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the of the company and consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



FORSYTHES



MJ Matthews

Partner

Chartered Accountants

Newcastle, 13 March 2008

# 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