

PRITCHARD EQUITY LIMITED

ACN 100 517 404

**HALF YEAR FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2011**

PRITCHARD EQUITY LIMITED

DIRECTORS' REPORT

Your directors present the financial report of the consolidated entity consisting of Pritchard Equity Limited and the entities it controlled for the half year ended 31 December 2011.

Directors

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

- 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 securities. 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 loss after tax was \$136,793 compared to a profit of \$124,072 in the previous half year.

As a result, the net assets per share as at 31 December 2011 were \$1.04.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act* in relation to the review for the half year ended 31 December 2011 is set out on page 3.

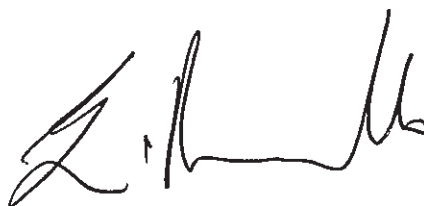
This report is signed in accordance with a resolution of the Board of Directors.



Steven Shane Pritchard

Director

28 February 2012



Enzo Pirillo

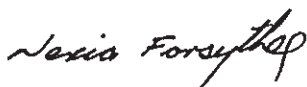
Director

**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 2011, 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.



NEXIA FORSYTHES



D Gallery
Partner
Newcastle, 28 February 2012



PRITCHARD EQUITY LIMITED

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Note	31.12.2011	31.12.2010
		\$	\$
Income from investment portfolio	2a	19,595	26,497
(Loss)/income from trading portfolio	2b	(22,361)	90,355
Income from deposits	2c	2,342	4,283
Income from the provision of services	2d	14,564	12,929
Net (loss)/profit of associated company		(76,180)	55,586
Other income	2e	-	1
Total income from ordinary activities		(62,040)	189,651
Administration expenses		34,669	32,781
Auditors remuneration		19,072	18,673
Bank charges		585	886
Depreciation expense		1,459	1,448
Employee expenses		5,576	5,609
Finance costs		2,070	3,589
Listing fees		6,911	6,369
Net realised foreign exchange loss		7,146	523
Share registry fees		3,706	2,545
Operating (loss)/profit before income tax		(143,234)	117,228
Income tax benefit		8,839	6,214
Operating (loss)/profit after income tax		(134,395)	123,442
Profit/(loss) attributable to non-controlling interest		752	(2,348)
Operating (loss)/profit before realised gains/(losses) on the investment portfolio		(133,643)	121,094
Net realised (losses)/gains on equity securities sold from the investment portfolio		(3,150)	2,978
(Loss)/profit attributable to members of the company		(136,793)	124,072
 Overall Operations			
Basic earnings per share (cents per share)		(8.31)	7.60
Diluted earnings per share (cents per share)		(8.31)	7.60

The accompanying notes form part of these condensed financial statements.

PRITCHARD EQUITY LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Note	31.12.2011	31.12.2010
		\$	\$
(Loss)/profit for the half year		<u>(133,643)</u>	<u>121,094</u>
Other comprehensive income			
Net (devaluation)/revaluation of non-current assets		(59,328)	70,868
Net realised (losses)/gains on sale of long-term investments transferred to the Income Statement from the asset revaluation reserve		(3,151)	2,978
Exchange differences arising on translation of foreign operation		<u>(1,679)</u>	<u>(10,898)</u>
Total other comprehensive income for the half year		<u>(64,158)</u>	<u>62,948</u>
Total comprehensive income for the half year		<u>(197,801)</u>	<u>184,042</u>

The accompanying notes form part of these condensed financial statements.

PRITCHARD EQUITY LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

	Note	31.12.2011	30.06.2011
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		85,110	237,673
Trade and other receivables		40,156	42,087
Trading portfolio		65,492	81,820
TOTAL CURRENT ASSETS		190,758	361,580
NON-CURRENT ASSETS			
Investment portfolio		888,437	827,625
Investments in associates accounted for using the equity method		966,020	1,042,201
Plant and equipment		3,601	4,811
Goodwill		14,778	14,778
Deferred tax assets		135,294	116,280
TOTAL NON-CURRENT ASSETS		2,008,130	2,005,695
TOTAL ASSETS		2,198,888	2,367,275
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		94,198	104,942
Borrowings		135,589	83,378
Provision for income tax		(2,286)	(1,900)
TOTAL CURRENT LIABILITIES		227,501	186,420
NON-CURRENT LIABILITIES			
Borrowings		265,737	265,737
Deferred tax liabilities		26	-
TOTAL NON-CURRENT LIABILITIES		265,763	265,737
TOTAL LIABILITIES		493,264	452,157
NET ASSETS		1,705,624	1,915,118
EQUITY			
Issued capital	4	947,960	947,960
Reserves		(123,751)	(59,593)
Retained earnings		832,793	975,883
Equity attributable to equity holders of the parent		1,657,002	1,864,250
Minority equity interest		48,622	50,868
TOTAL EQUITY		1,705,624	1,915,118

The accompanying notes form part of these condensed financial statements.

PRITCHARD EQUITY LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Issued capital	Asset revaluation reserve	Capital profits reserve	Foreign currency translation reserve	Retained earnings	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2010	932,960	(155,189)	46,678	-	1,051,534	1,875,983
Profit for the half year	-	-	-	-	121,094	121,094
Other comprehensive income						
Net revaluation/(devaluation) of non-current assets	-	70,868	-	-	-	70,868
Net capital gain for the year	-	-	-	-	2,978	2,978
Foreign currency exchange reserve	-	-	-	(10,898)	-	(10,898)
Total other comprehensive income	-	70,868	-	(10,898)	2,978	62,948
Total comprehensive income for the period	-	70,868	-	(10,898)	124,072	184,042
Transfer to retained earnings from reserves	-	-	(563)	-	563	-
Dividends/distributions paid	-	-	-	-	(9,448)	(9,448)
Balance at 31 December 2010	932,960	(84,321)	46,115	(10,898)	1,166,721	2,050,577
Balance at 1 July 2011	947,960	(109,622)	58,726	(8,697)	975,883	1,864,250
Loss for the half year	-	-	-	-	(133,643)	(133,643)
Other comprehensive income						
Net (devaluation)/revaluation of non-current assets	-	(59,328)	-	-	-	(59,328)
Net capital loss for the year	-	-	-	-	(3,151)	(3,151)
Foreign currency translation	-	-	-	(1,679)	-	(1,679)
Total other comprehensive income	-	(59,328)	-	(1,679)	(3,151)	(64,158)
Total comprehensive income for the period	-	(59,328)	-	(1,679)	(136,794)	(197,801)
Transfer to retained earnings from reserves	-	-	(3,151)	-	3,151	-
Dividends/distributions paid	-	-	-	-	(9,447)	(9,447)
Balance at 31 December 2011	947,960	(168,950)	55,575	(10,376)	832,793	1,657,002

The accompanying notes form part of these condensed financial statements.

PRITCHARD EQUITY LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	31.12.2011	31.12.2010
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Sales from trading portfolio	4,518	99,124
Purchases for trading portfolio	(10,573)	(30,166)
Brokerage received	7,823	6,694
Dividends received	13,454	12,495
Interest received	2,447	5,072
Distributions received	4,916	9,257
Commissions received	-	1
Other receipts	11,851	5,174
	34,436	107,651
Administration expenses	(96,896)	(81,334)
Bank charges	(585)	(886)
Finance costs	(2,069)	(3,590)
Income tax paid	(258)	(719)
Net cash provided by/ (used in) operating activities	(65,372)	21,122
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales from investment portfolio	9,600	68,460
Purchases for investment portfolio	(127,492)	(101,901)
Purchases of other assets	-	(4,625)
Net cash used in investing activities	(117,892)	(38,066)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred expenditure	(2,648)	(13,203)
Dividends/distributions paid	(9,447)	(9,447)
Proceeds from borrowings	59,414	101,893
Repayment of borrowings	(15,823)	(21,743)
Net cash provided by financing activities	31,496	57,500
Net increase/(decrease) in cash held	(151,768)	40,556
Cash at beginning of period	237,473	114,667
Foreign currency exchange difference	(595)	(4,882)
Cash at end of period	85,110	150,341

The accompanying notes form part of these condensed financial statements.

PRITCHARD EQUITY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the Condensed Consolidated Financial Statements

This general purpose half year financial report has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*.

It is recommended that this financial report be read in conjunction with the 2011 Annual Report and any public announcements made by the Company during the half year, in accordance with the continuous disclosure requirements of the *Corporations Act*.

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's 2011 annual financial report for the financial year ended 30 June 2011, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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 their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Company include:

- Amendments to AASB 1, 7, 101 and 134 as a consequence of AASB 2010-4
Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project.
- Amendments to Australian Accounting Standards as a consequence of AASB 2010-5.

The adoption of these amendments has not resulted in any changes to the Company's accounting policies and have no effect on the amounts reported for the current or prior periods.

The following significant accounting policies have been adopted in the preparation and presentation of the half year financial report from 1 July 2011 to 31 December 2011.

(a) Holdings of Securities

(i) Statement of Financial Position classification

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

The investment portfolio comprises holdings of securities which the directors intend to retain on a long-term basis, and has been classified as a non-current asset.

The trading portfolio comprises holdings of securities held for short term trading purposes and is classified as a current asset.

(ii) Valuation of investments

Securities, including listed and unlisted shares, notes and options, are initially brought to account at cost (including any associated transaction costs) and are continuously carried at fair value.

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

(iii) Income from holdings of securities

Distributions relating to listed securities are recognised as income when those securities are quoted ex-distribution basis. Distributions relating to unlisted securities are recognised as income when received unless the distributions are capital returns in which case the amount of the distribution is treated as an adjustment to the cost base of the securities.

PRITCHARD EQUITY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

NOTE 2: REVENUE	31.12.2011 \$	31.12.2010 \$
a. Income from Investment Portfolio		
— dividends received	18,270	17,240
— trust distributions received	1,325	9,257
Total income from investment portfolio	19,595	26,497
 b. Income from Trading Portfolio		
— sales revenue	4,525	99,660
— cost of sales	(26,886)	(9,305)
Total income from trading portfolio	(22,361)	90,355
 c. Income from Deposits		
— interest received	2,342	4,283
Total income from deposits	2,342	4,283
 d. Income from the provision of services		
— brokerage received	7,806	6,694
— other income received	6,758	6,235
Total other income	14,564	12,929
 e. Other Income		
— commissions received	-	1
Total other income	-	1

NOTE 3: DIVIDENDS

Dividends Paid or Declared

25/09/2010 Preferred Income Equity Securities dividend paid	-	9,447
31/12/2010 Preferred Income Equity Securities dividend declared	-	9,447
27/09/2011 Preferred Income Equity Securities dividend paid	9,447	-
31/12/2011 Preferred Income Equity Securities dividend declared	9,447	-
	18,894	18,894

On 17 February 2012 the directors declared a fully franked interim dividend of \$3.50 per share to the holders of preferred income equity securities in respect of the half year ended 31 December 2011, to be paid to shareholders on 30 March 2012. This dividend has not been included as a liability in these financial statements.

PRITCHARD EQUITY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

NOTE 4: ISSUED CAPITAL

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

Date	Details	A Ordinary Shares	B Ordinary Shares	Preferred Income Equity Securities	Issued Capital \$
01/07/2011	Opening balance	527,885	416,212	3,863	947,960
31/12/2011	Closing balance	527,885	416,212	3,863	947,960

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.

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 the conversion of the securities 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 has no other right to participate in surplus assets

a. Options

On 27 April 2006 the company issued 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2011

NOTE 5: RELATED PARTY TRANSACTIONS

	31.12.2011	31.12.2010
	\$	\$
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Accounting fees paid/payable to Rees Pritchard Pty Limited	15,896	16,350
Brokerage paid to Cameron Stockbrokers Limited for stockbroking services	615	1,479
Share registry fees paid to Newcastle Capital Markets Registries Pty Limited	3,706	2,545

NOTE 6: SEGMENT REPORTING

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

Half year ended 31.12.2011	Investments	Financial Services	Total
Revenue	14,140	(76,180)	(62,040)
Results	(60,613)	(76,180)	(136,793)

Half year ended 31.12.2010	Investments	Financial Services	Total
Revenue	134,065	55,586	189,651
Results	68,486	55,586	124,072

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period.

The following is an analysis of the Group's assets by reportable operating segment:

31.12.2011	Investments	Financial Services	Total
Assets	1,232,868	966,020	2,198,888

30.06.2011	Investments	Financial Services	Total
Assets	1,325,074	1,042,201	2,367,275

NOTE 7: CONTINGENT LIABILITIES

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

PRITCHARD EQUITY LIMITED

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

On 17 February 2012 the directors declared a fully franked interim dividend of \$3.50 per share to the holders of preferred income equity securities in respect of the half year ended 31 December 2011, to be paid to shareholders on 30 March 2012. This dividend has not been included as a liability in these financial statements.

Since 31 December 2011 to the date of this report there has been no other event specific to the consolidated entity of which the Directors are aware which has had a material effect on the consolidated entity or its financial position.

PRITCHARD EQUITY LIMITED


DIRECTORS' DECLARATION

The directors of the company declare that:

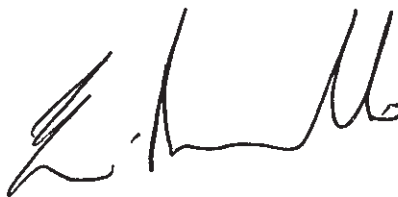
1. The financial statements and notes, as set out on pages 4 to 13
 - a. comply with Accounting Standards and the Corporations Regulations; and
 - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half year ended on that 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*.

On behalf of the directors



Steven Shane Pritchard
Director



Enzo Pirillo
Director

28 February 2012

**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 statement of financial position as at 31 December 2011, and the condensed income statement, condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, a statement of accounting policies, other explanatory notes and the directors' declaration of the company.

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 Pritchard Equity Limited's financial position at 31 December 2011 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 Pritchard Equity Limited's financial position as at 31 December 2011 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*.



NEXIA FORSYTHES



D Gallery
Partner
Newcastle, 28 February 2012

PRITCHARD EQUITY LIMITED

CORPORATE DIRECTORY

Directors

Steven Shane Pritchard – Executive Chairman
Enzo Pirillo
Gordon Bradley Elkington

Secretary

Enzo Pirillo

Principal Place of Business and Registered Office

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

Accountants

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

Auditors

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

Solicitors

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

Share Registry

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

Stockbroker and Nominated Adviser

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

Stockbroker

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