

PRITCHARD EQUITY LIMITED

ACN 100 517 404

**HALF YEAR FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2012**

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 2012.

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 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 \$163,293 compared to \$134,395 in the previous year.

As a result, the net assets as at 31 December 2012 were \$1,615,841.

Dividends Paid or Recommended

A final fully franked preferred income equity securities dividend for 30 June 2012 was paid on 28 September 2012.

An interim fully franked preferred income equity securities dividend for 31 December 2012 is payable on 1 April 2013.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 3 for the half year ended 31 December 2012.

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



Steven Shane Pritchard

Director

14 March 2013

Hamilton, NSW



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 2012, 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, 14 March 2013



PRITCHARD EQUITY LIMITED

CONDENSED CONSOLIDATED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Note	31.12.2012	31.12.2011
		\$	\$
Income from investment portfolio	2a	14,300	19,595
Income from trading portfolio	2b	314	(22,361)
Income from deposits	2c	708	2,342
Income from the provision of services	2d	11,281	14,564
Total income from ordinary activities		26,603	14,140
Share of net loss of associated company		116,184	76,180
Administration expenses		31,319	34,669
Auditors remuneration		17,044	19,072
Bank charges		651	585
Depreciation expense		745	1,459
Employee expenses		6,452	5,576
Impairment provision		11,235	-
Finance costs		415	2,070
Listing fees		5,047	6,911
Net realised foreign exchange loss		121	7,146
Share registry fees		7,330	3,706
Operating loss before income tax		(169,940)	(143,234)
Income tax benefit		6,647	8,839
Operating loss after income tax		(163,293)	(134,395)
Profit attributable to non-controlling interest		880	752
Operating loss attributable to members of the company		(162,413)	(133,643)
Other comprehensive income			
<i>Other items that will not be subsequently reclassified to profit or loss</i>			
Net devaluation of non-current assets		(12,687)	(59,328)
Net realised gains/(losses) on sale of long-term investments		13,568	(3,151)
Foreign currency translation		29	(1,679)
Total other comprehensive income for the half-year		910	(64,158)
Total comprehensive income for the half-year		(161,503)	(197,801)
Overall Operations			
Basic earnings per share (cents per share)		(9.87)	(8.12)
Diluted earnings per share (cents per share)		(9.87)	(8.12)

The accompanying notes form part of these condensed financial statements.

PRITCHARD EQUITY LIMITED

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	31.12.2012	30.06.2012
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		96,992	70,694
Trade and other receivables		57,888	53,639
Trading portfolio		51,673	51,359
Provision for tax		1,711	1,755
TOTAL CURRENT ASSETS		208,264	177,447
NON-CURRENT ASSETS			
Investment portfolio		768,805	830,681
Investments in associates accounted for using the equity method		742,211	858,395
Plant and equipment		1,944	2,689
Deferred tax assets		459,724	445,936
TOTAL NON-CURRENT ASSETS		1,972,684	2,137,701
TOTAL ASSETS		2,180,948	2,315,148
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		95,840	152,157
Borrowings		202,961	105,158
TOTAL CURRENT LIABILITIES		298,801	257,315
NON-CURRENT LIABILITIES			
Borrowings		265,737	265,737
Deferred tax liabilities		569	722
TOTAL NON-CURRENT LIABILITIES		266,306	266,459
TOTAL LIABILITIES		565,107	523,774
NET ASSETS		1,615,841	1,791,374
EQUITY			
Issued capital	4	947,960	947,960
Reserves		(114,068)	(101,410)
Retained earnings		741,908	900,201
Equity attributable to equity holders of the parent		1,575,800	1,746,751
Minority equity interest		40,041	44,623
TOTAL EQUITY		1,615,841	1,791,374

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 2012

	Issued capital	Asset revaluation reserve	Capital profits reserve	Foreign currency translation reserve	Retained earnings	Total
	\$	\$	\$	\$	\$	\$
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 revaluation/(devaluation) of non-current assets	-	(59,328)	-	-	-	(59,328)
Net capital gains for the year	-	-	-	-	(3,151)	(3,151)
Foreign currency exchange reserve	-	-	-	(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	1,657,022
Balance at 1 July 2012	947,960	(146,954)	55,473	(9,929)	900,201	1,746,751
Loss for the half year	-	-	-	-	(162,413)	(162,413)
Other comprehensive income						
Net revaluation/(devaluation) of non-current assets	-	(12,687)	-	-	-	(12,687)
Net capital loss for the year	-	-	-	-	13,568	13,568
Foreign currency exchange reserve	-	-	-	29	-	29
Total other comprehensive income	-	(12,687)	-	29	13,568	910
Total comprehensive income for the period	-	(12,687)	-	29	(148,845)	(161,503)
Dividends/distributions paid	-	-	-	-	(9,448)	(9,448)
Balance at 31 December 2012	947,960	(159,641)	55,473	(9,900)	741,908	1,575,800

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 2012

	31.12.2012	31.12.2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Sales from trading portfolio	-	4,518
Purchases for trading portfolio	-	(10,573)
Brokerage received	8,529	7,823
Dividends received	9,199	13,454
Interest received	881	2,447
Distributions received	673	4,916
Other receipts	7,600	11,851
	26,882	34,436
Administration expenses	(118,069)	(96,896)
Bank charges	(610)	(585)
Finance costs	(414)	(2,069)
Income tax paid	-	(258)
Net cash provided by/ (used in) operating activities	(92,211)	(65,372)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales from investment portfolio	59,923	9,600
Purchases for investment portfolio	-	(127,492)
Net cash provided by/ (used in) investing activities	59,923	(117,892)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred expenditure	(618)	(2,648)
Dividends/distributions paid	(9,448)	(9,447)
Proceeds from borrowings	70,228	59,414
Repayment of borrowings	(2,090)	(15,823)
Net cash provided by financing activities	58,072	31,496
Net increase/(decrease) in cash held	25,784	(151,768)
Cash at beginning of period	70,694	237,473
Foreign currency exchange difference	514	(595)
Cash at end of period	96,992	85,110

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 2012

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 2001*. 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 2012 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 2001*.

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 2012 annual financial report for the financial year ended 30 June 2012, 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 (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, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 *'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'*

The following significant accounting policies have been adopted in the preparation and presentation of the half year financial report from 1 July 2012 to 31 December 2012.

(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 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(b) Excess of current liabilities over current assets

At 31 December 2012, the Group's current liabilities (\$298,801) exceed its current assets (\$208,264) by \$90,537. Notwithstanding the deficiency, the financial statements have been prepared on a going concern basis which contemplates the realisation of assets and the extinguishment of liabilities in the ordinary course of business. The directors will realise a portion of the Group's investment portfolio to enable it to meet any debts as and when they fall due and payable if required. It is on this basis that the Group has prepared its financial statements on a going concern basis.

PRITCHARD EQUITY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

NOTE 2: REVENUE	31.12.2012	31.12.2011
	\$	\$
a. Income from Investment Portfolio		
— dividends received	11,515	18,270
— trust distributions received	2,785	1,325
Total income from investment portfolio	14,300	19,595
b. Income from Trading Portfolio		
— sales revenue	-	4,525
— cost of sales	314	(26,886)
Total income from trading portfolio	314	(22,361)
c. Income from Deposits		
— interest received	708	2,342
Total income from deposits	708	2,342
d. Income from the provision of services		
— brokerage received	8,529	7,806
— other income received	2,111	6,758
— rent received	641	-
Total other income	11,281	14,564

NOTE 3: DIVIDENDS

Dividends Paid or Declared

27/09/2011 Preferred Income Equity Securities dividend paid	-	9,447
31/12/2011 Preferred Income Equity Securities dividend declared	-	9,447
24/09/2012 Preferred Income Equity Securities dividend paid	9,448	-
31/12/2012 Preferred Income Equity Securities dividend declared	9,448	-
	18,896	18,894

On 11 March 2013 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 2012, to be paid to shareholders on 1 April 2013. 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 2012

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 \$
01/07/2012	Opening balance	791,968	854,378	2,699	947,960
31/12/2012	Closing balance	791,968	854,378	2,699	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 2012

NOTE 5: 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 31.12.2012	Investments	Financial Services	Total
Revenue	26,603	-	26,603
Results	(46,229)	(116,184)	(162,413)

Half year ended 31.12.2011	Investments	Financial Services	Total
Revenue	14,140	-	14,140
Results	(57,463)	(76,180)	(133,643)

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:

31.12.2012	Investments	Financial Services	Total
Assets	1,437,026	742,211	2,179,237

30.06.2012	Investments	Financial Services	Total
Assets	1,454,998	858,395	2,313,393

NOTE 6: RELATED PARTY TRANSACTIONS

	31.12.2012	31.12.2011
	\$	\$

Transactions with related parties:

Expenses paid or payable by the company to:

- Accounting fees paid to Rees Pritchard Pty Limited	15,485	15,896
- Newcastle Capital Markets Registries Pty. Limited for share registry costs.	7,330	3,706
- Cameron Stockbrokers Limited for brokerage fees	360	615

Steven Pritchard and Enzo Pirillo are interested in the above transactions as directors and beneficial shareholders.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

NOTE 7: KEY MANAGEMENT PERSONNEL

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

PRITCHARD EQUITY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

NOTE 8: 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.

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

On 11 March 2013 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 2012, to be paid to shareholders on 1 April 2013. Since 31 December 2012 to the date of this report there has been no other events 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 2012 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*.

On behalf of the directors



Steven Shane Pritchard
Director



Enzo Pirillo
Director

14 March 2013

Hamilton, NSW

**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 2012, and the condensed statement of profit or loss and other 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 2012 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.

- 15 -



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 2012 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, 14 March 2013

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

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Telephone (02) 4920 2877
Facsimile (02) 4920 2878

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Telephone (02) 4920 2877
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Auditors

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264 George Street
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Telephone (02) 9251 4600
Facsimile (02) 9251 7138

Solicitors

Baker & McKenzie
Level 27, AMP Centre
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Sydney NSW 1223
Telephone (02) 9225 0200
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Share Registry

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

Stockbroker and Nominated Adviser

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Hamilton NSW 2303
Telephone (02) 4920 2877
Facsimile (02) 4920 2878

Stockbroker

BBY Limited
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