



# **PRITCHARD EQUITY LIMITED**

## **THIRTEENTH ANNUAL REPORT**

**2014**

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

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# PRITCHARD EQUITY LIMITED

## OUR VALUES AND OBJECTIVES

- While our company is a corporation, our philosophy is that of a partnership. We do not view the company itself as the ultimate owner of assets, but instead as a conduit through which shareholders own the assets.
- We do not measure the company's performance by its revenue or its size, but by the growth of the intrinsic value of its shares. Our long-term financial goal is to maximise this growth by investing in businesses that generate cash and earn above average returns on the capital invested in them.
- We maintain a conservative approach to borrowing, and will reject investment opportunities that present themselves, rather than over extend our financial position.
- We are sensitive to our fiduciary obligations to our suppliers and creditors, and to our many long term shareholders, some of whom have committed significant portions of their investment funds to our care.
- We will be candid in reporting to shareholders, and will tell them everything about the business that we believe they would like to know.

# PRITCHARD EQUITY LIMITED

## FINANCIAL HIGHLIGHTS

Year ended 30 June	2014	2013	2012	2011	2010
	\$	\$	\$	\$	\$
<b>Income Statement</b>					
Total income	95,840	47,064	23,769	74,612	95,663
Total expenses	(203,142)	(476,121)	(367,143)	(182,838)	(182,395)
Operating loss before income tax	(107,302)	(429,057)	(343,374)	(108,226)	(86,732)
Income tax (expense)/benefit	(2,559)	50,677	288,830	24,756	15,152
Operating loss after income tax	(109,861)	(378,380)	(54,544)	(83,470)	(71,580)
Minority interests	(14,861)	3,814	3,110	(4,775)	(1,667)
Discontinued operations	(21,215)	2,352	-	19,845	17,850
Loss attributable to shareholders of Pritchard Equity Limited	(145,937)	(372,214)	(51,434)	(44,710)	(59,543)
<b>Statement of Financial Position</b>					
Total assets	1,907,780	1,942,436	2,313,393	2,367,275	2,525,262
Total liabilities	347,951	519,871	522,019	452,157	495,834
Total shareholders' equity	1,556,088	1,422,565	1,791,374	1,915,118	2,029,428
Pritchard Equity Limited shareholders' equity	1,546,964	1,384,571	1,746,751	1,864,250	1,875,983
<b>Share Information</b>					
Basic earnings per ordinary share (cents per share)	(7.85)	(22.61)	(3.12)	(4.19)	(3.65)
Growth in earnings per ordinary share (%)	65	(625)	26	25	71
Net assets per ordinary share (cents per share)	82	86	109	116	124
Share price at end of period					
— A Ordinary shares	1.125	1.125	1.125	1.125	1.125
— B Ordinary shares	1.10	1.10	1.10	1.10	1.10
— Preferred income equity securities	-	100.00	100.00	100.00	100.00
Issued capital (number of shares)					
— A Ordinary shares	1,048,373	791,968	791,968	791,968	791,968
— B Ordinary shares	854,378	854,378	854,378	854,378	839,378
— Preferred income equity securities	-	2,699	2,699	2,699	2,699
<b>Key Measures</b>					
Return on average ordinary shareholders' equity (%)	(9.80)	(23.16)	(2.78)	(2.3)	(3.6)
Return on average assets (%)	(7.6)	(17.5)	(2.2)	(1.8)	(2.3)
Gearing ratio (%)	12.2	9.2	5.9	4.4	5.6

# PRITCHARD EQUITY LIMITED

## EXECUTIVE CHAIRMAN'S LETTER

Dear Fellow Shareholders

Our company has again incurred a loss.

### Results

The group recorded a consolidated net operating loss after tax for the year of \$109,861 compared to \$378,380 in the prior year an improvement of 71%.

The loss is equivalent to 7.85 cents per share, in comparison to a loss of 22.61 cents per share last year.

Net assets per ordinary share reduced to \$0.82 compared to \$0.86 per ordinary share in the previous year.

The group's level of gearing continues to remain low at 12.2%, reflecting your directors' continuing belief that current conditions are not conducive to increasing the level of borrowings to acquire additional assets.

### Investment activity

The company has continued its cautious approach to making new investments during the year.

As at balance date the group had approximately 24% of its assets in listed investments, 43% in unlisted investments, 6% in cash and 27% in other assets.

### Listed investments

We continued to carefully manage our portfolio of listed investments and took advantage of new investment opportunities as they arose. Details of the current holdings of investments are disclosed in Note 24 of the Financial Report.

### Unlisted investments

#### Hamilton Capital Proprietary Limited ([www.hamiltonam.com.au](http://www.hamiltonam.com.au))

The group's major unlisted investment is its 33.17% interest in Hamilton Capital Pty Limited, which is the holding company for Hamilton Asset Management Limited.

Hamilton Capital Proprietary Limited's equity accounted contribution to our results for the current year was a loss of \$70,602, compared to a loss in the prior year of \$295,415.

During the year, the company focused on developing Hamilton Asset Managements Limited's funds management business and on 1 July 2014, made available to the public, the Hamilton Investment Fund – Multi Asset Portfolio.

Through this fund investors gain an exposure to an investment portfolio consisting of the following asset classes cash, fixed interest, equities, swiss francs, gold and silver in a single fund.

A copy of the product disclosure statement and the investment strategy back testing report is available for downloading from [www.multiasseffund.com.au](http://www.multiasseffund.com.au).

The fund manager is currently examining various options to market this fund to potential investors.

#### FijiStock Brokers Limited ([www.fijistockbrokers.com.fj](http://www.fijistockbrokers.com.fj))

FijiStock Brokers Limited is the group's only remaining interest in stockbroking.

During the year it put in place a number of new strategic initiatives, which were referred to in last years annual report which resulted in it making a small profit for the year compared to the loss it incurred in the previous year.

Foreign exchange controls were relaxed during the course of the year, and this has resulted in renewed interest in Fijian residents seeking investment opportunities in Australia.

#### Penrose Club Holdings Limited

The group continues to maintain its holding in Penrose Club Holdings Limited (Penrose) which is an unlisted property investment company. Penrose owns a substantial parcel of land together with the associated water extraction licences in the Southern Highlands of New South Wales. Progress in releasing value from this asset has been slower than expected. However the board of Penrose continues to explore various avenues to maximise the value from its land holding.

# PRITCHARD EQUITY LIMITED

## **South Pacific Stock Exchange Limited ([www.spse.com.fj](http://www.spse.com.fj))**

The performance of the South Pacific Stock Exchange Limited (12.5% owned by the group) given the subdued state of equity markets in Fiji remained satisfactory.

## **Tyrex Solutions Pty Limited ([www.tyrex.com.au](http://www.tyrex.com.au))**


Tyrex Solutions Pty Limited ("Tyrex") has been operating for more than 30 years providing sustainable solutions for businesses and householders by using recycled rubber to produce a range of ramps and other safety and commercial products.

Tyrex continued to grow its business during the year resulting in both increased turnover and profits.

## **Outlook**

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

The group continues to look at opportunities that may involve it in the issue of wholesale structured finance products.



Steven Pritchard  
Chairman  
10 September 2014

# PRITCHARD EQUITY LIMITED

## DIRECTORS' REPORT

Your directors present their report on the group consisting of Pritchard Equity Limited and its controlled entities for the financial year ended 30 June 2014. In order to comply with the provisions of the *Corporations Act*, the directors report as follows:

### Directors

The names of directors in office at any time during or since the end of the financial year are:

Steven Shane Pritchard  
Enzo Pirillo  
Gordon Bradley Elkington

The directors have been in office from the start of the financial year to the date of this report.

### Company Secretary

Enzo Pirillo held the position of company secretary at the end of the financial year. Details of Mr Pirillo's qualifications are contained in the Information on Directors.

### Principal Activities

During the year, the principal activity of the group was the acquisition of medium and long term investments in both listed and unlisted investments.

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

### Dividends Paid or Recommended

No dividends were paid during the year.

### Operating Results and Review of Operations

The consolidated net loss after providing for income tax and eliminating minority equity interests was \$145,937 compared to a loss of \$372,214 last year.

### Financial Position

The net assets of the group as at 30 June 2014 were \$1,556,088 compared to \$1,422,565 as at 30 June 2013, an increase of \$133,523.

The group continues to maintain a strong liquidity position, and currently holds cash and readily realisable assets of \$577,054. During the year the group increased its short term borrowings from \$130,224 to \$199,365.

### Significant Changes in State of Affairs

On 30 August 2013 the company converted the 2,699 preferred income equity securities into 256,405 A ordinary shares. Holders of preferred income equity securities were issued with 95 A ordinary shares for each preferred income equity securities that they held.

The directors are not aware of any other significant changes in the operations of the group, or the environment in which it operates, that will adversely affect the results of the group in subsequent years.

### After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

### Future Developments, Prospects and Business Strategies

The group will continue to pursue its investment objectives for the long-term benefit of members. This will require the continued review of the investment strategy that is in place, and may require some changes to that strategy.

Further information on likely developments in the operations of the group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the group.

# PRITCHARD EQUITY LIMITED

## Environmental Issues

The group'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	—	550,701 A Ordinary shares 549,500 B Ordinary shares 103,740 Series 3 Options
Special responsibilities	—	Member of the Audit Committee Director of Henley Underwriting & Investment Company Pty Limited and Hamilton Capital Pty Limited
Directorships held in other listed entities	—	Current chairman and director of Hamilton Securities Limited (since 14 July 2010), Illuminator Investment Company Limited (since 22 December 2003), current director of Florin Mining Investment Company Limited (since 29 September 2004), Winpar Holdings Limited (since 4 July 2004), and The South Pacific Stock Exchange Limited (since 15 April 2010).
<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	—	2,285 A Ordinary shares 6,000 B Ordinary shares 25,500 Series 3 Options
Special Responsibilities	—	Member of the Audit Committee Director of Henley Underwriting & Investment Company Pty Limited and Hamilton Capital Proprietary Limited
<b>Gordon Bradley Elkington</b>	—	Director (Non-Executive)
Qualifications	—	B Sc, M Sc, Ph D, LL.M
Experience	—	Director since 12 December 2005
Interest in shares and options	—	33,635 A Ordinary shares 20,200 B Ordinary shares 20,100 Series 3 Options
Special Responsibilities	—	Member of the Audit Committee
Directorships held in other listed entities	—	Director of Hamilton Securities Limited (since 14 July 2010) and Winpar Holdings Limited (since 1994)



# PRITCHARD EQUITY LIMITED

## Meetings of Directors

During the financial year, seven meetings of directors (including committees) were held. Attendances were as follows:

	DIRECTORS MEETINGS		AUDIT COMMITTEE MEETINGS	
	Number held	Number attended	Number held	Number attended
Steven Shane Pritchard	6	6	1	1
Enzo Pirillo	6	6	1	1
Gordon Elkington	6	6	1	1

## 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 2007	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.

## 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 2014 has been received and is found on page 8 of the report.

Signed in accordance with a resolution of the Directors made pursuant to s 298 (2) of the Corporations Act 2001.



**Steven Shane Pritchard**

Director

10 September 2014



**Enzo Pirillo**

Director

# PRITCHARD EQUITY LIMITED

## REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Pritchard Equity Limited, and for the executives receiving the highest remuneration.

### Remuneration policy

All issues in relation to the remuneration of both executive directors and non-executive directors are dealt with by the board of the company.

The constitution of Pritchard Equity Limited requires the approval by shareholders in general meeting of a maximum amount of remuneration per year to be allocated among non-executive directors as they determine. In proposing the maximum amount for consideration in general meeting, and in determining the allocation, the board takes account of the time demands made on directors, together with such factors as the general level of fees paid to directors. The amount of remuneration currently approved by shareholders for non-executive directors is a maximum of \$80,000 per annum.

Non-executive directors hold office until such time as they retire, resign or are removed from office in accordance with the constitution of the company. Non-executive directors do not receive any performance based remuneration.

### Details of remuneration

The company has only two executives, Steven Pritchard and Enzo Pirillo (2013: two executives), both of whom are directors of the company.

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

<b>2014</b>	Salary and Fees	Superannuation contributions	Share based remuneration	Total
	\$	\$	\$	\$
Steven Pritchard	-	-	-	-
Enzo Pirillo	-	-	-	-
Gordon Elkington	-	-	-	-

<b>2013</b>	Salary and Fees	Superannuation Contributions	Share based remuneration	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 the Pritchard Equity Limited financial report for the year ended 30 June 2014, 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.

*PKF Lawler Partners*

**PKF LAWLER PARTNERS**  
Chartered Accountants

Newcastle  
Dated: 10 September 2014



**MARTIN MATTHEWS**  
Partner

# 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 directors, having regard to the nature and extent of the company's operations.

### **Directors' responsibilities**

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

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

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

- be entitled to obtain independent professional or other advice at the company's cost, unless the board determines otherwise;
- be entitled to obtain such resources and information from the company, its employees and advisers, as they may require; and
- operate in accordance with any terms of reference established by the board.

### **Board meetings**

The Chairman of the Board is responsible for establishing the agenda for each board meeting. Each director is free to suggest items for inclusion on the agenda and to raise at any board meeting subjects that are not on the agenda. At least once each year the board reviews the company's long term plans and the principal issues that the company will face in the future.

### **Audit committee**

The board has established an audit committee, which meets with the external auditors at least once a year. The Audit Committee addresses the financial and compliance responsibilities of the board, and monitors in particular:

- the adequacy of the company's internal controls and procedures to ensure compliance with all applicable legal obligations;
- the adequacy of financial risk management processes; and
- any reports prepared by the external auditor.

# PRITCHARD EQUITY LIMITED

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Consolidated			Consolidated		
		Year to 30 June 2014			Year to 30 June 2013		
		Revenue	Capital	Total	Revenue	Capital	Total
		\$	\$	\$	\$	\$	
Income from investment portfolio	3a	29,202	-	29,202	17,513	-	17,513
Income from trading portfolio	3b	7,350	-	7,350	(19,917)	-	(19,917)
Income from deposits	3c	1,704	-	1,704	1,354	-	1,354
Income from the provision of services	3d	57,584	-	57,584	48,114	-	48,114
<b>Total income from ordinary activities</b>		<b>95,840</b>	<b>-</b>	<b>95,840</b>	<b>47,064</b>	<b>-</b>	<b>47,064</b>
Share of net loss of associated company		70,602	-	70,602	295,415	-	295,415
Auditors remuneration		36,543	-	36,543	41,657	-	41,657
Bank charges		1,320	-	1,320	934	-	934
Depreciation expense		274	-	274	1,610	-	1,610
Employee expenses		19,520	-	19,520	10,928	-	10,928
Finance costs		748	-	748	803	-	803
Listing fees		7,960	-	7,960	7,815	-	7,815
Net realised foreign exchange loss		749	-	749	(1,436)	-	(1,436)
Share registry fees		7,050	-	7,050	11,270	-	11,270
Administration expenses		80,660	-	80,660	95,890	-	95,890
Reversal of impairment provision		(22,284)	-	(22,284)	11,235	-	11,235
<b>Operating loss before income tax</b>		<b>(107,302)</b>	<b>-</b>	<b>(107,302)</b>	<b>(429,057)</b>	<b>-</b>	<b>(429,057)</b>
Income tax (expense)/benefit	4a	(2,559)	-	(2,559)	50,677	-	50,677
<b>Operating loss after income tax</b>		<b>(109,861)</b>	<b>-</b>	<b>(109,861)</b>	<b>(378,380)</b>	<b>-</b>	<b>(378,380)</b>
(Loss)/profit attributable to non-controlling interest		(14,861)	-	(14,861)	3,814	-	3,814
(Loss)/profit attributable to discontinued operations	25	(21,215)	-	(21,215)	2,352	-	2,352
<b>Operating loss attributable to members of the company</b>		<b>(145,937)</b>	<b>-</b>	<b>(145,937)</b>	<b>(372,214)</b>	<b>-</b>	<b>(372,214)</b>
<b>Other comprehensive income</b>							
<b>Items that will not be reclassified subsequently to profit or loss</b>							
Net revaluation of non-current assets		-	25,638	25,638	-	15,466	15,466
Net realised gains on sale of long-term investments		-	16,673	16,673	-	1,823	1,823
Foreign currency translation		-	282	282	-	11,638	11,638
Total other comprehensive income for the year		-	42,593	42,593	-	28,927	28,927
<b>Total comprehensive income for the year</b>		<b>(145,937)</b>	<b>42,593</b>	<b>(103,344)</b>	<b>(372,214)</b>	<b>28,927</b>	<b>(343,287)</b>
<b>Overall Operations</b>							
Basic earnings per share (cents per share)	7			(7.85)			(22.61)
Diluted earnings per share (cents per share)	7			(7.85)			(22.61)

The accompanying notes form part of these financial statements.

# PRITCHARD EQUITY LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	Consolidated	
		2014	2013
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	122,471	84,835
Trade and other receivables	9	31,227	20,655
Trading portfolio	10	41,822	31,442
<b>TOTAL CURRENT ASSETS</b>		<b>195,520</b>	<b>136,932</b>
<b>NON-CURRENT ASSETS</b>			
Investment portfolio	11	723,894	737,162
Investments in associates accounted for using the equity method	12(a)	504,405	575,007
Plant and equipment	13	117	1,079
Goodwill	14	-	-
Deferred tax assets	15	483,844	492,256
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,712,260</b>	<b>1,805,504</b>
<b>TOTAL ASSETS</b>		<b>1,907,780</b>	<b>1,942,436</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	150,168	125,287
Borrowings	17	199,365	130,224
Provision for tax		(1,582)	(1,848)
<b>TOTAL CURRENT LIABILITIES</b>		<b>347,951</b>	<b>253,663</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	17	-	265,737
Deferred tax liabilities	15	3,741	471
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,741</b>	<b>266,208</b>
<b>TOTAL LIABILITIES</b>		<b>351,692</b>	<b>519,871</b>
<b>NET ASSETS</b>		<b>1,556,088</b>	<b>1,422,565</b>
<b>EQUITY</b>			
Issued capital	18	1,213,697	947,960
Reserves	19	(35,458)	(60,530)
Retained earnings		368,725	497,141
Equity attributable to equity holders of the parent		1,546,964	1,384,571
Minority equity interest		9,124	37,994
<b>TOTAL EQUITY</b>		<b>1,556,088</b>	<b>1,422,565</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 2014**

	Issued Capital	Foreign Currency Reserve	Asset Revaluation Reserve	Capital Profits Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$
<b>Consolidated</b>						
<b>Balance at 1 July 2012 as reported</b>	<b>947,960</b>	<b>(9,929)</b>	<b>(146,954)</b>	<b>55,473</b>	<b>900,201</b>	<b>1,746,751</b>
Loss for the year	-	-	-	-	(372,214)	(372,214)
Other comprehensive income						
Revaluation of non current assets (net of tax)	-	-	15,466	-	-	15,466
Net capital gains for the year	-	-	-	-	1,823	1,823
Foreign currency exchange reserve	-	25,414	-	-	(13,776)	11,638
Total other comprehensive income	-	25,414	15,466	-	(11,953)	28,927
Total comprehensive income for the year	-	25,414	15,466	-	(384,167)	(343,287)
Transfer from retained profits to reserves	-	-	-	-	-	-
Dividend/distributions paid	-	-	-	-	(18,893)	(18,893)
<b>Balance at 30 June 2013</b>	<b>947,960</b>	<b>15,485</b>	<b>(131,488)</b>	<b>55,473</b>	<b>497,141</b>	<b>1,384,571</b>
<b>Balance at 1 July 2013 as reported</b>	<b>947,960</b>	<b>15,485</b>	<b>(131,488)</b>	<b>55,473</b>	<b>497,141</b>	<b>1,384,571</b>
Conversion of preferred income equity securities to A class shares	265,737	-	-	-	-	265,737
Loss for the year	-	-	-	-	(145,937)	(145,937)
Other comprehensive income						
Revaluation of non current assets (net of tax)	-	-	25,638	-	-	25,638
Net capital gains for the year	-	-	-	-	16,673	16,673
Foreign currency exchange reserve	-	(566)	-	-	848	282
Total other comprehensive income	-	(566)	25,638	-	17,521	42,593
Total comprehensive income for the year	-	(566)	25,638	-	(128,416)	(103,344)
<b>Balance at 30 June 2014</b>	<b>1,213,697</b>	<b>14,919</b>	<b>(105,850)</b>	<b>55,473</b>	<b>368,725</b>	<b>1,546,964</b>

The accompanying notes form part of these financial statements.

# PRITCHARD EQUITY LIMITED

## STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Consolidated	
		2014	2013
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Sales from trading portfolio		1,993	-
Purchases for trading portfolio		(5,000)	-
Brokerage received		43,956	14,150
Interest received		1,964	1,542
Dividends received		7,892	11,754
Distributions received		17,866	1,335
Other receipts		22,767	16,479
		<hr/> 91,438	<hr/> 45,260
Administration expenses		(157,460)	(177,028)
Bank charges		(1,319)	(934)
Finance costs		(743)	(802)
Income tax paid		-	-
Net cash used in operating activities	21a	<hr/> (68,084)	<hr/> (133,504)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sales from investment portfolio		196,530	131,588
Purchases for investment portfolio		(127,747)	(77)
Purchases of other assets		(96)	-
Net cash provided by/(used in) investing activities		<hr/> 68,687	<hr/> 131,511
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		(45,496)	-
Dividends/distributions paid		-	(28,021)
Proceeds from borrowings		88,216	51,761
Repayment of borrowings		(8,491)	(13,300)
Net cash provided by financing activities		<hr/> 34,229	<hr/> 10,440
Net increase in cash held		34,832	8,447
Cash at beginning of financial year		<hr/> 84,835	<hr/> 70,694
Effects of exchange rate changes on the balance of cash held in foreign currencies		2,804	5,694
Cash at end of financial year	8	<hr/> <b>122,471</b>	<hr/> <b>84,835</b>

The accompanying notes form part of these financial statements.



# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. This financial report has been authorised for issue on the date of the Directors Declaration.

The financial report covers the separate financial statements of the company and the consolidated financial statements of the Group.

Pritchard Equity Limited is a listed public company, incorporated and domiciled in Australia.

Australia Accounting Standards include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ("IFRS").

The Group has not applied any Australian Accounting Standards or AASB interpretations that have been issued at balance date but are not yet operative for the year ended 30 June 2014 ("the inoperative standards"), except for AASB 9. The impact of the inoperative standards has been assessed and the impact has been identified as not being material. The Group only intends to adopt inoperative standards at the date at which their adoption becomes mandatory.

The adoption of the various Australian Accounting Standards and Interpretations in issue but not yet effective will not impact the Group's accounting policies. However, the pronouncements will result in changes to information currently disclosed in the financial statements. The Group does not intend to adopt any of these pronouncements before their effective dates.

#### **Basis of Preparation**

##### *Reporting Basis and Conventions*

The financial statements are prepared using the valuation methods described below for holdings of securities. All other items have been treated in accordance with the historical cost convention.

All amounts are presented in Australian dollars, unless otherwise noted.

The financial statements were authorised for issue by the directors on 10 September 2014.

#### **a. Principles of Consolidation**

A controlled entity is any entity of which Pritchard Equity Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 2 to the financial statements.

All controlled entities have a 30 June financial year-end.

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

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

#### **b. Associate Accounting Policy**

Associates are entities over which the Company has significant influence but not control, generally accompanied by a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost in the Company's financial statements.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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

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

The fair value of cash and cash equivalents, borrowings and non-interest monetary financial assets and liabilities of the Group approximate their carrying value.

The fair value for assets that are actively traded on a market is determined by reference to market prices prevailing at balance date, where the securities are traded on an organised market. Where a security is not so traded, its fair value is determined by the Directors.

#### **d. Income from the Provision of Services**

Revenue arising from brokerage commissions and fee income are recognised by the Group on an accruals basis as and when services have been provided.

#### **e. 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. Plant and Equipment**

Plant and equipment is included at cost less accumulated depreciation and any impairment in value. All plant and equipment is depreciated over its estimated useful life, commencing from the time assets are held ready for use.

The depreciation rates for each class of asset are as follows:

Furniture and fittings 12 – 33%

Office equipment 20 – 40%.

#### **g. Goodwill**

Goodwill on acquisition is initially measured at cost, being the excess of the costs of the business combination over the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment, annually, or more frequently if events or changed circumstances indicate that the carrying amount is impaired.

#### **h. Foreign Currency Transactions and Balances**

Foreign currency transactions during the year are converted to Australian currency using the exchange rates applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of foreign exchange ruling at that date.

#### **i. Holdings of Securities**

The designation of securities within the investment portfolio as "financial assets measured at fair value through other comprehensive income" is consistent with the Director's view of these assets as being held for the long term for both capital growth and for the provision to the Group of dividends and distribution of income rather than to make a profit from their sale, which is the purpose of securities held in the trading portfolio.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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

#### (i) Valuation of investment portfolio

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

Increments and decrements on equity instruments are recognised as other comprehensive income and taken to the Asset Revaluation Reserve.

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

#### (ii) Valuation of trading portfolio

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

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

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

Distributions relating to listed securities are recognised as income when those securities are quoted ex-distribution, and distributions relating to unlisted securities are recognised as income when received. If the distributions are capital returns on ordinary securities the amount of the distribution is treated as an adjustment to the carrying value of the securities.

#### j. Excess of current liabilities over current assets

At 30 June 2014, the Group's current liabilities (\$347,951) exceed its current assets (\$195,520) by \$152,431. 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.

#### k. 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.

#### l. Taxation

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled.

Deferred tax is credited in the Income Statement except where it relates to items that may be credited directly to equity, where the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised and on the basis that no adverse change will occur in income taxation legislation and in the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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

#### **m. Goods and Services Tax**

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

Receivables and payables in the statement of financial position are shown inclusive of GST.

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

#### **n. Critical accounting judgements and key sources of estimation uncertainty**

The Group makes estimates and assumptions concerning the future. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. In accordance with AASB 112 Income Taxes, deferred tax liabilities have been recognised for Capital Gains Tax (CGT) on the unrealised gain in the Investment Portfolio at current tax rates.

As the directors do not intend to dispose of the portfolio, this tax asset may not be crystallised. In addition, the tax liability that arises on disposal of these securities may be impacted by changes in tax legislation relating to treatment of capital gains and the rate of taxation applicable to such gains at the time of disposal.

The Group has recognised deferred tax assets in relation to carried forward revenue and capital losses and deductible temporary differences as disclosed in Note 15. The Group recognises these assets only if the Group considers it is probable that future taxable amounts will be available to utilise these temporary differences and losses. The Group intends to not dispose of portfolio assets until there are gains on the investments which the Directors believe will be sufficient to recoup the deferred tax assets.

#### **o. Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Board has been identified as the chief operating decision-maker, as it is responsible for allocating resources and assessing performance of the operating segments.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 2: CONTROLLED ENTITIES

#### a. Composition of Consolidated Group

The consolidated financial statements include the following controlled entities. The financial years of all controlled entities are the same as that of the parent entity.

	Country of incorporation	Percentage owned (%)*	
		2014	2013
Parent			
Pritchard Equity Limited	Australia	100	100
Henley Underwriting & Investment Company Pty Limited	Australia	100	100
Newcastle Securities & General Trust	Australia	-	100
The NSX Investment Trust	Australia	100	100
J. H. Clack & Co. Pty Limited	Australia	-	100
PEQ Hamilton Fund	Australia	-	60
PEQ Investment Holdings Pty Limited	Australia	100	100
First Newcastle Pty Limited	Australia	100	100
Fleet Funds Management Pty Limited	Australia	-	100
PEQ Nominees Pty Limited	Australia	-	100
PEQ Investment Nominees Pty Limited	Australia	100	100
Pritchard Asset Management Pty Limited	Australia	100	100
The Newcastle Exchange Pty Limited	Australia	100	100
The South Pacific Investment Company Limited	Australia	100	100
FijiStock Brokers Limited	Fiji	80	80

\* Percentage of voting power is in proportion to ownership

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 3: REVENUE

	Note	Consolidated	
		2014	2013
		\$	\$
<b>a. Income from investment portfolio</b>			
— dividends received		10,232	14,067
— trust distributions received		18,970	3,446
<b>Total Income from investment portfolio</b>		<b>29,202</b>	<b>17,513</b>
<b>b. Income from trading portfolio</b>			
— sales revenue		1,970	-
— cost of sales		5,380	(19,917)
— net profit/(loss) from trading portfolio		7,350	(19,917)
<b>Total Income from trading portfolio</b>		<b>7,350</b>	<b>(19,917)</b>
<b>c. Income from deposits</b>			
— interest received		1,704	1,354
<b>Total Income from deposits</b>		<b>1,704</b>	<b>1,354</b>
<b>d. Income from the provision of services</b>			
— brokerage received		43,956	14,151
— other income received		13,628	33,963
<b>Total Income from the provision of services</b>		<b>57,584</b>	<b>48,114</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 4: INCOME TAX EXPENSE

	Note	Consolidated	
		2014	2013
		\$	\$
a. The components of tax expense comprise:			
Current tax		-	(4,108)
Prior year adjustment		(891)	-
Deferred tax liability	15	(3,741)	(252)
Deferred tax asset	15	2,073	(46,317)
		<u>(2,559)</u>	<u>(50,677)</u>
b. The prima facie tax on loss from ordinary activities before income benefit is reconciled to the income tax as follows:			
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2013: 30%)			
— Consolidated		<u>(32,191)</u>	<u>(128,717)</u>
Less:			
Tax effect of:			
— tax offset for franked dividends		1,815	3,152
— under provision for tax previous year		(888)	-
— share of net profit/ (losses) of associated company netted directly		(21,181)	(88,624)
— recoupment of unused prior year tax losses now recognised		-	6
— effect of revaluation of investments for tax purposes		(17,616)	25,818
— Difference in tax/accounting distribution		1,522	(1,747)
— Realised losses on investment portfolio		4,539	(336)
— tax losses not brought to account		(2,941)	(16,309)
Income tax benefit attributable to entity		<u>(2,559)</u>	<u>(50,677)</u>
Amounts recognised directly through other comprehensive income			
c. Decrease in deferred tax assets relating to capital gains tax on the movement in unrealised losses in the investment portfolio		<u>(10,988)</u>	<u>(4,108)</u>

### NOTE 5: AUDITORS' REMUNERATION

Remuneration of the auditor of the company for

— auditing the financial report	<u>36,543</u>	<u>41,657</u>
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# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 6: DIVIDENDS

	Note	Consolidated	
		2014	2013
		\$	\$
<b>a. Dividend Paid</b>			
Half yearly fully franked preferred income equity securities dividend of \$3.50 per share paid on 28 September 2012		-	9,446
Half yearly fully franked preferred income equity securities dividend of \$3.50 per share paid on 1 April 2013		-	9,447
		<u>-</u>	<u>18,893</u>
<b>b. Dividends declared</b>			
No dividends declared (2013: 30 September 2012).		-	9,446
		<u>-</u>	<u>9,446</u>
<b>c. Franking account</b>			
Impact on franking account balance of dividends not recognised		530,958	554,501
		<u>-</u>	<u>-</u>

### NOTE 7: EARNINGS PER SHARE

	Consolidated	
	2014	2013
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	1,859,900	1,646,346
Weighted average number of options outstanding	339,679	339,679
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive earnings per share	1,859,900	1,646,346
<b>a. Basic and diluted earnings per share</b>	\$	\$
Loss attributable to members of the Group	(145,937)	(372,214)
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(7.85)	(22.61)
Diluted earnings per share	(7.85)	(22.61)
	<u>(7.85)</u>	<u>(22.61)</u>
<b>b. Classification of securities</b>	<b>2014</b>	<b>2013</b>
	<b>Number</b>	<b>Number</b>
The following potential ordinary shares are not dilutive and are excluded from the weighted average number of ordinary shares for the purposes of dilutive earnings per share:		
- Options outstanding	339,679	339,679
	<u>339,679</u>	<u>339,679</u>



# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 8: CASH AND CASH EQUIVALENTS

	Note	Consolidated	
		2014	2013
		\$	\$
Cash at bank		110,751	71,591
Deposits at call		114	1,584
Term deposit		11,606	11,660
		<b>122,471</b>	<b>84,835</b>

The effective interest rate on deposits at call was 2.35% (2013: 3.00%).

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

#### Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	122,471	70,694
	<b>122,471</b>	<b>70,694</b>

### NOTE 9: TRADE AND OTHER RECEIVABLES

	Note	Consolidated	
		2014	2013
		\$	\$
<b>CURRENT</b>			
Dividends and trust distributions receivable		5,452	7,617
Goods and services tax refund		2,601	2,213
Other debtors		10,704	6,657
Accrued income		12,470	1,287
<b>Amounts receivable from:</b>			
— Other corporations		-	2,881
		<b>31,227</b>	<b>20,655</b>

Receivables are non-interest bearing and unsecured.

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

### NOTE 10: TRADING PORTFOLIO

#### CURRENT

Listed investments, at market value

- Shares	<b>41,822</b>	<b>31,422</b>
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# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 11: INVESTMENT PORTFOLIO

	Note	Consolidated	
		2014	2013
		\$	\$
NON-CURRENT			
Listed Investments, at fair value			
- Shares and trust units		412,761	444,466
		<u>412,761</u>	<u>444,466</u>
Unlisted Investments, at fair value			
- Shares and trust units		311,133	292,696
		<u>311,133</u>	<u>292,696</u>
		<u><b>723,894</b></u>	<u><b>737,162</b></u>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 12: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interests are held in the following associated company

Name	Principal activities	Country of incorporation	Class of shares	Ownership interest		Carrying amount of interest	
				2014 %	2013 %	2014 \$	2013 \$
<b>Unlisted:</b>							
Hamilton Capital Pty Limited	Investing	Australia	Ordinary	33.17	33.17	504,405	575,007
						<b>504,405</b>	<b>575,007</b>

	Note	Consolidated	
		2014 \$	2013 \$
<b>a. Movements during the year in equity accounted investment in associated companies</b>			
Balance at beginning of the financial year		575,007	858,395
<b>Add:</b> New investments during the year		-	12,027
Share of associated company's profit/(loss) after income tax	12b	(70,602)	(295,415)
<b>Balance at end of the financial year</b>		<b>504,405</b>	<b>575,007</b>
<b>b. Equity accounted (losses)/profits of associates are broken down as follows:</b>			
Share of associate's loss before income tax benefit		(71,228)	(135,342)
Share of associate's income tax expense/(benefit)		626	(160,073)
<b>Share of associate's loss after income tax</b>		<b>(70,602)</b>	<b>(295,415)</b>
<b>c. Summarised presentation of aggregate assets, liabilities and performance of associates</b>			
Current assets		674,571	1,041,809
Non-current assets		893,584	851,980
<b>Total assets</b>		<b>1,568,155</b>	<b>1,893,789</b>
Current liabilities		148,336	139,057
Non-current liabilities		9,826	906
<b>Total liabilities</b>		<b>158,162</b>	<b>139,963</b>
<b>Net assets</b>		<b>1,409,993</b>	<b>1,753,826</b>
Revenues		222,103	70,340
<b>Loss after income tax of associates</b>		<b>(212,847)</b>	<b>(890,609)</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 13: PLANT AND EQUIPMENT

	Note	Consolidated	
		2014 \$	2013 \$
<b>Plant and equipment</b>			
At cost		24,008	23,912
Accumulated depreciation		(23,891)	(22,833)
		<b>117</b>	<b>1,079</b>

### Reconciliation

Plant and equipment			
Carrying amount at the beginning of the year		1,079	2,689
Additions		96	-
Depreciation		(274)	(1,610)
Foreign exchange difference		(784)	-
Carrying amount at the end of the year		<b>117</b>	<b>1,079</b>

### NOTE 14: GOODWILL

#### Goodwill

At cost		14,778	14,778
Accumulated amortisation impairment		(14,778)	(14,778)
		-	-

### Reconciliation

Goodwill			
Carrying amount at the beginning of the year		-	-
Amortisation impairment		-	-
Carrying amount at the end of the year		-	-

### NOTE 15: TAX

#### a. Liabilities

##### NON-CURRENT

Deferred tax liability comprises:

Other temporary differences		3,741	471
Total		<b>3,741</b>	<b>471</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 15: TAX (CONTINUED)

	Note	Consolidated	
		2014	2013
		\$	\$
<b>b. Assets</b>			
Deferred tax assets comprise:			
Deferred tax assets attributable to realised capital losses		190,084	185,545
Deferred tax assets attributable to tax losses		242,127	215,477
Impairment of non current assets		126	24,426
Revaluation adjustments taken directly to other comprehensive income		43,093	52,302
Other temporary differences		8,414	14,806
		<b>483,844</b>	<b>492,256</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:			
<b>Deferred capital gains tax</b>			
Opening balance		470	722
Credited to the income statement		3,271	(251)
Closing balance		3,741	471
<b>ii. Deferred Tax Assets</b>			
The movement in deferred tax assets for each temporary difference during the year is as follows:			
Deferred tax assets attributable to realised capital losses			
Opening balance		185,545	186,885
Credited to the income statement		4,539	(1,340)
Closing balance		190,084	185,545
Deferred tax assets attributable to tax losses			
Opening balance		215,477	189,517
Credited to the income statement		26,650	25,960
Closing balance		242,127	215,477
Impairment of non current assets			
Opening balance		24,426	3,440
Credited to the income statement		(24,300)	20,986
Closing balance		126	24,426

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 15: TAX (CONTINUED)

	Note	Consolidated	
		2014	2013
		\$	\$
Unrealised loss on investments			
Opening balance		52,301	56,407
Credited to the reserve		(9,208)	(4,106)
Closing balance		<u>43,093</u>	<u>52,301</u>
Other temporary differences			
Opening balance		14,506	9,687
Credited to the income statement		(6,092)	4,819
Closing balance		<u>8,414</u>	<u>14,506</u>
		<b><u>483,844</u></b>	<b><u>492,256</u></b>

### NOTE 16: TRADE AND OTHER PAYABLES

#### CURRENT

#### Unsecured liabilities

Trade payables		111,928	71,182
Accrued charges		38,240	54,105
		<u>150,168</u>	<u>125,287</u>

### NOTE 17: BORROWINGS

#### CURRENT

#### Unsecured

#### - Loans payable to:

- other corporations		189,906	120,764
		<u>189,906</u>	<u>120,764</u>

#### Secured

- Short-term borrowings	17a	9,459	9,460
		<u>9,459</u>	<u>9,460</u>
		<b><u>199,365</u></b>	<b><u>130,224</u></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><u>45,951</u></b>	<b><u>39,905</u></b>
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# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 17: BORROWINGS (CONTINUED)

	Note	Consolidated	
		2014	2013
		\$	\$
NON CURRENT			
Unsecured			
- Compound financial instruments	18c	-	<b>265,737</b>

### NOTE 18: ISSUED CAPITAL

1,048,373 (2013: 791,968) A ordinary shares fully paid	18a	797,485	527,885
854,378 (2013: 854,378) B ordinary shares fully paid	18b	416,212	416,212
Nil (2013: 2,699) Preferred income equity securities	18c	-	3,863
		<b>1,213,697</b>	<b>947,960</b>

#### a. A ordinary shares

At the beginning of reporting period	527,885	527,885
Conversion of preferred income equity securities	269,600	-
At reporting date	<b>797,485</b>	<b>527,885</b>

#### b. B ordinary shares

At the beginning of reporting period	416,212	416,212
At reporting date	<b>416,212</b>	<b>416,212</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.

	Note	Consolidated	
		2014	2013
		\$	\$
<b>c. Preferred income equity securities</b>			
At the beginning of reporting period		3,863	3,863
Conversion of preferred income equity securities		(3,863)	-
At reporting date		-	<b>3,863</b>

On 30 August 2013 the company converted the 2,699 preferred income equity securities into 256,405 A ordinary shares. Holders of preferred income equity securities were issued with 95 A ordinary shares for each preferred income equity securities that they held.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 18: ISSUED CAPITAL (CONTINUED)

#### d. Series 3 Options

As at 30 June 2014, the Company has on issue 339,679 (2013: 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 but not thereafter. As at the reporting date none of the options had been exercised.

### NOTE 19: RESERVES

	Note	Consolidated	
		2014	2013
		\$	\$
Asset revaluation reserve	19a	(105,850)	(131,488)
Capital profits	19b	55,473	55,473
Foreign exchange reserve	19c	14,919	15,485
		<b>(35,458)</b>	<b>(60,530)</b>

#### a. Asset revaluation reserve

##### Movements during the year

Opening balance	(131,488)	(146,954)
Revaluation of non current assets	34,846	19,574
Provision for tax on unrealised losses/(gains)	(9,208)	(4,108)
Closing balance	<b>(105,850)</b>	<b>(131,488)</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	55,473	55,473
Transfer to retained profits	-	-
Closing balance	<b>55,473</b>	<b>55,473</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.

#### c. Foreign exchange reserve

##### Movements during the year

Opening balance	15,485	(9,929)
Transfer to retained profits	(566)	25,414
Closing balance	<b>14,919</b>	<b>15,485</b>



# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 20: FINANCIAL INSTRUMENTS

#### (a) Financial Risk Management

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

#### Credit Risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

#### Liquidity Risk

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

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

The Group's inward cash-flows depend upon the level of distributions received and the sale of securities. The Group's major cash outflow is the purchase of securities, the level of which is manageable by the Board. Furthermore, a substantial proportion of the Group's assets is in the form of readily tradeable securities which can be sold if necessary. The current financial liabilities are shown in Notes 16 and 17.

#### Market Risk

This is 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% or 10%, if spread equally over all assets in the investment and trading portfolios would lead to a reduction in the Group's equity of \$22,729 or \$45,458 respectively.

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

The Group's investment by sector is as follows:

	2014	2013
	%	%
Materials	0.44	0.69
Capital goods	9.69	15.30
Energy	-	0.01
Commercial	0.67	0.51
Media	3.14	2.51
Food and beverage	2.87	3.19
Diversified financials	58.90	56.05
Real estate	24.29	21.74
	<b>100.00</b>	<b>100.00</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

Securities representing over 5 per cent of the combined investment and trading portfolio at 30 June 2014 were:

	<b>Portfolio</b>
	%
Penrose Club Holdings Limited	28.03
Illuminator Investment Company Limited	21.52
VB Holdings Limited	9.63
Tyrex Solutions Unit Trust	6.91
Imperial Pacific Limited	5.31

No other security represents over 5 per cent of the Group's investment and trading portfolios.

#### Interest Rate Risk

The Group is exposed to interest rate risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings. The effective average of interest rates on:

- (a) short term borrowings was 7.87% (2013: 8.12%)
- (b) long term borrowings was 7% (2013: 7%).

As at the 30 June 2014 the Group's interest bearing short term borrowings totalled \$199,365. Given the amount of borrowings involved the Group does not believe they are subject to any material interest rate risks.

#### Currency Risk

A proportion of the Group's assets are exposed to movements in the value of foreign currencies relative to the Australian dollar. Considering the quantum of the assets in absolute terms as well as relative terms compared to the Groups total assets it is not cost-effective to hedge against foreign currency fluctuations.

#### (b) Fair Value Measurement

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

- Trading portfolio; and
- Investment portfolio.

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

#### Fair value hierarchy

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

- (i) Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1);
- (ii) Measurements based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (iii) Measurements based on inputs for the asset or liabilities that are not based on observable market data (unobservable inputs) (level 3).

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

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

	Level 1	Level 2	Level 3	Total
30 June 2014	\$	\$	\$	\$
Financial assets at fair value through other comprehensive income				
Investment portfolio	412,762	311,132	-	723,894
Financial assets at fair value through profit or loss				
Trading portfolio	41,822	-	-	41,822
<b>Total</b>	<b>454,584</b>	<b>311,132</b>	<b>-</b>	<b>765,716</b>

	Level 1	Level 2	Level 3	Total
30 June 2013	\$	\$	\$	\$
Financial assets at fair value through other comprehensive income				
Investment portfolio	444,466	292,696	-	737,162
Financial assets at fair value through profit or loss				
Trading portfolio	31,422	-	-	31,422
<b>Total</b>	<b>475,888</b>	<b>292,696</b>	<b>-</b>	<b>765,716</b>

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

(i) Trading portfolio – Level 1

The Company's trading portfolio consists of shares listed on the Australia Stock Exchange and National Stock Exchange. The valuation of listed investments has been obtained on the basis of quoted prices (unadjusted) in an active market for an identical security at 30 June 2014.

(ii) Investment Portfolio – Level 1

The Company's Level 1 investments consist of shares and subordinated notes and are listed on the Australian Stock Exchange, National Stock Exchange and other public stock exchanges. The valuation of listed investments has been obtained on the basis of quoted prices (unadjusted) in an active market for an identical security at 30 June 2014.

(iii) Investment Portfolio – Level 2

The Company's Level 2 Investment portfolio investments consist of unlisted shares and trusts. The valuation of these investments have been determined on the basis of the Company's share of the investment's net assets as at 30 June 2014

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 21: CASH FLOW INFORMATION

	Note	Consolidated	
		2014 \$	2013 \$
<b>a. Reconciliation of cash flow from operations with (loss)/profit after income tax</b>			
Loss after income tax		(109,861)	(378,380)
Non-cash flows in profit			
Dividends re-invested		(5,056)	(4,915)
Write-downs to recoverable amount		274	1,610
Impairment of non-current assets		(22,284)	11,235
Gain on disposal of controlled entity		2,841	-
Share of associated companies net loss after income tax and dividends		70,602	295,415
(Increase)/decrease in trade and other receivables		(4,243)	26,792
(Increase)/decrease in the trading portfolio		(10,380)	19,917
Increase/(decrease) in trade payables and accruals		7,284	(49,040)
Decrease in foreign currencies		-	(5,214)
Increase/(decrease) in taxes payable		2,739	(50,924)
<b>Cash flow from operations</b>		<b>(68,084)</b>	<b>(133,504)</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 22: SEGMENT REPORTING

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

#### Description of segments

The board makes the strategic resource allocations for the Group. The Group has therefore determined the operating segments based on the reports reviewed by the Board, which are used to make strategic decisions. The Board is responsible for the Group's entire portfolio of investments and considers the business to have a single operating segment. The Board's asset allocation decisions are based on a single, integrated investment strategy, and the Group's performance is evaluated on an overall basis. The Group invests in equity securities and other instruments to provide shareholders with attractive investment returns through access to a steady stream of fully franked dividends and enhancement of capital invested.

2014	Investments	Financial Services	Total
	\$	\$	\$
Revenue	48,635	47,205	95,840
Results	(112,808)	2,947	(109,861)
Assets	1,907,780	-	1,907,780

2013	Investments	Financial Services	Total
	\$	\$	\$
Revenue	47,064	-	47,064
Results	(82,965)	(295,415)	(378,380)
Assets	1,367,429	575,007	1,942,436

### NOTE 23: RELATED PARTY TRANSACTIONS

#### Consolidated

2014	2013
\$	\$

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

Transactions with related parties:

#### Related party

Accounting fees paid/payable to Rees Pritchard Pty Limited	36,543	36,886
Brokerage paid to Cameron Stockbrokers Limited for stockbroking services	-	497
Share registry fees paid to Newcastle Capital Markets Registries Pty Limited	7,050	11,270
Loan payable to Lateral Investment Corporation Pty Limited	85,000	34,430

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 23: RELATED PARTY TRANSACTIONS

	Parent	
	2014	2013
	\$	\$
<b>Loans and advances to subsidiaries</b>		
Balance at beginning of year	62,746	145,499
Advances	162,209	17,071
Repayments	(120,007)	(68,899)
Impairment adjustment	38,119	(30,925)
Closing balance	<b>143,067</b>	<b>62,746</b>
<b>Loans and advances from subsidiaries</b>		
Balance at beginning of year	(41,723)	(43,830)
Advances	151,499	2,641
Repayments	(109,776)	(534)
Closing balance	<b>-</b>	<b>(41,723)</b>

### NOTE 24: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AT 30 JUNE 2014

Listed below are those securities held in the investment portfolio that are revalued at fair value through other comprehensive income. They do not include securities held in the trading portfolio. Individual holdings in the portfolio may change during the course of the year.

	Consolidated	
	2014	2013
	\$	\$
<b>Australian Equities</b>		
APN Regional Property Fund	-	5,000
Bell IXL Investments Limited	-	7,000
Capral Limited	968	1,572
Fleet Multi Strategy Fund	30,174	34,871
Geopacific Resources NL	-	700
Hamilton Securities Limited A Class Non Voting	-	2,700
Hamilton Securities Limited B Class Voting	-	5,600
Hamilton Securities Limited B Class Options Exp 30-11-19	527	527
Hamilton Securities Limited Ordinary	12,500	-
Illuminator Investment Company Limited	155,766	151,688
Imperial Pacific Limited (previously Belmont Holdings Limited)	38,414	46,097
London City Equities Limited	-	3,600
Macquarie Radio Network Limited	10,640	6,500
NSX Limited	1	1
Penrose Club Holdings Limited	202,875	169,613
PEQ Continuation Fund	-	10,000
Sietel Limited	22,750	15,000
Sietel Limited 5.0% Cum. Preference	7,072	7,072

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 24: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AT 30 JUNE 2014 (CONTINUED)

	Consolidated	
	2014	2013
	\$	\$
<b>Australian Equities</b>		
Stokes (Australasia) Limited	22,000	68,000
Stokes Limited 10% Unsec Conv Note Mat. 30-06-2017	18,000	-
Vanguard Australian shares Index ETF Fund	34,660	30,850
Tyrex Solutions Unit Trust	50,000	50,000
Wasabi Energy Limited	-	30
	<b>606,347</b>	<b>616,421</b>
<b>International Equities</b>		
Amalgamated Telecom Holdings Limited	987	968
Atlantic & Pacific Packaging Company Limited	812	816
Blue Lagoon Cruises Limited	3,913	3,931
Communications Fiji Limited	2,321	1,446
Fiji Care Insurance Limited	1,097	927
Fiji Television Limited	-	3,206
Fosters Group Pacific Limited	-	14,162
Kontiki Group Fund Limited	168	169
Paradise Beverages (Fiji) Limited	11,853	-
RB Patel Group Limited	749	656
South Pacific Stock Exchange Limited	24,169	24,281
Toyota Tsusho (South Sea) Limited	1,770	1,283
VB Holdings Limited	69,708	68,896
	<b>117,547</b>	<b>120,741</b>
<b>Total Equities</b>	<b>723,894</b>	<b>737,162</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 25: DISCONTINUED OPERATIONS

During the year the group applied for the deregistration of JH Clack and Co Pty Limited, PEQ Nominees Pty Limited and PEQ Hamilton Fund.

#### Loss for the year from discontinued operations

##### Income

Investment income	1,657	-
Income from deposits	55	-
<b>Total income</b>	<b>1,712</b>	<b>-</b>

##### Expenses

Administration expenses	17	981
Realised losses on investment portfolio	22,910	-
<b>Total expenses</b>	<b>22,927</b>	<b>981</b>
<b>Loss for the year from discontinued operations</b>	<b>(21,215)</b>	<b>(981)</b>

#### Cash flows from discontinued operations

Net cash inflows/(outflows) from operating activities	901	(981)
Net cash inflows from investing activities	59,588	-
Net cash (outflows)/inflows from financing activities	(75,471)	981
	<b>(14,982)</b>	<b>-</b>

#### Analysis of assets and liabilities over which control was lost

##### Current assets

Trade and other receivables	-	146
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##### Non current assets

Investment portfolio	-	-
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##### Current liabilities

Trade and other payables	-	1,479
Borrowings	9,624	-

<b>Net assets disposed of</b>	<b>9,624</b>	<b>1,333</b>
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# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 26: PARENT ENTITY FINANCIAL INFORMATION

#### Summary Financial Information

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

	2014	2013
	\$	\$
<b>Statement of financial position</b>		
Current assets	165,085	96,486
<b>Total assets</b>	<b>1,073,695</b>	<b>1,062,258</b>
Current liabilities	167,931	139,926
<b>Total liabilities</b>	<b>167,931</b>	<b>405,663</b>
<b>Net assets</b>	<b>905,764</b>	<b>656,595</b>
<b>Equity</b>		
Issued capital	1,213,697	947,960
Reserves		
Asset revaluation reserve	(56,769)	(70,646)
Capital profits reserve	55,597	55,597
Retained earnings	(306,761)	(276,316)
<b>Total equity</b>	<b>905,764</b>	<b>656,595</b>
<b>Loss for the year</b>	<b>931</b>	<b>(93,095)</b>
<b>Total comprehensive income</b>	<b>(16,568)</b>	<b>(111,449)</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

### NOTE 27: SUBSEQUENT EVENTS TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### NOTE 28: CONTINGENT LIABILITIES AND ASSETS

The company has provided a letter of financial support to its subsidiary, The South Pacific Investment Company Limited.

The financial support extends to the following:

- 1) That the company will continue to provide financial support to The South Pacific Investment Company Limited so as to enable the settlement of any market obligations where a client fails to provide payment; and
- 2) That the company will not call upon any loan advanced to The South Pacific Investment Company Limited until such time as it is able to settle its obligations to the company in the ordinary course of business.

The financial support shall remain in force until The South Pacific Investment Company Limited is financially viable to meet these liabilities in the ordinary course of operations.

There were no other contingent assets or liabilities as at 30 June 2014 (2013: Nil).

### NOTE 29: COMPANY DETAILS

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

10 Murray Street

Hamilton

New South Wales 2303

# PRITCHARD EQUITY LIMITED

## DIRECTORS' DECLARATION

The directors declare that:


- (a) 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;
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards as stated in note 1 to the financial statements;
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company; and
- (d) the directors have been given the declarations required by s. 295A of the Corporations Act 2001.

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.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the Corporations Act 2001.



Steven Shane Pritchard  
Director



Enzo Pirillo  
Director

Dated this 10th day of September 2014

**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 statement of financial position as at 30 June 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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.

**Directors' responsibility for the financial 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. In Note 1, the directors also state that the financial report, comprising the financial statements and notes complies with International Financial Reporting Standards.

**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 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.

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

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

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

**Auditor's opinion**

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 consolidated entity's financial position as at 30 June 2014 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; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the remuneration report**

We have audited the remuneration report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion**

In our opinion the remuneration report of Pritchard Equity Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.



**PKF LAWLER PARTNERS**  
Chartered Accountants



**MARTIN MATTHEWS**  
Partner

Newcastle

Dated: 10 September 2014

PKF Lawler Partners Audit & Assurance  
(a Limited Partnership)  
ABN 91 850 861 839

Liability limited by a scheme  
approved under Professional  
Standards Legislation

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# PRITCHARD EQUITY LIMITED

## STOCK EXCHANGE INFORMATION

### Top 20 A Ordinary Shareholders as at 7 August 2014

Shareholder	Shares	% of Issued
Pritchard & Company Pty Limited	293,185	27.97
Pritchards Continuation Proprietary Limited	168,000	16.02
Pritchards Continuation Pty Limited	44,460	4.24
Hamilton Capital Pty Ltd	42,328	4.04
Dr Gordon Bradley Elkington	33,635	3.21
Fuggle Nominees Pty Limited	29,750	2.84
Newcastle Capital Markets Registries Pty Limited	28,610	2.73
Mrs Aija Valija Mackenzie	27,795	2.65
Illuminator Investment Company Limited	22,850	2.18
Wilcorp No. 41 Pty Limited	22,778	2.17
Bell IXL Investments Limited	22,500	2.15
Abelia Grove Pty Limited	20,460	1.95
Longbow Croft Capital Pty Limited	17,160	1.64
Rocco Sciarrone <Rocco Sciarrone S/Fund A/c>	15,920	1.52
Mrs Milly Elkington	14,530	1.39
Mr Steven Shane Pritchard	10,958	1.05
Banivory Pty Limited	10,215	0.97
Mr Douglas Robert Graham Neild	8,940	0.85
Richard Benjamin Cook + Kim Elizabeth Cook	7,960	0.76
Dean Frances Coupland + Keitha Kim Coupland	7,960	0.76
	849,994	81.08

#### Number of A ordinary shares held

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

#### Number of Shareholders

18  
 34  
 20  
 15  
 2

# PRITCHARD EQUITY LIMITED

## STOCK EXCHANGE INFORMATION

### Top 20 B Ordinary Shareholders as at 7 August 2014

Shareholder	Shares	% of Issued
Pritchard & Company Pty Limited	212,500	24.87
Pritchards Continuation Proprietary Limited	150,000	17.56
Pritchards Continuation Pty Limited	150,000	17.56
Hamilton Capital Pty Ltd	28,000	3.28
Fuggle Nominees Pty Limited	25,000	2.93
Mrs Margaret Jane Pritchard	25,000	2.93
Mrs Aija Valija Mackenzie	23,330	2.73
Bell IXL Investments Limited	22,500	2.63
Dr Gordon Bradley Elkington	20,200	2.36
Wilcorp No 41 Pty Limited	19,168	2.24
Abelia Grove Pty Limited	17,230	2.02
Mr Steven Shane Pritchard	16,650	1.95
Longbow Croft Capital Pty Limited	13,500	1.58
Newcastle Capital Markets Registries Pty Limited	12,500	1.46
Illuminator Investment Company Limited	10,000	1.17
Banivory Pty Limited	8,600	1.01
Steven Shane Pritchard	8,350	0.98
Mr John Richard Gilbert and Mrs Jane Patricia Gilbert	5,000	0.59
Jarfem Pty Limited	5,000	0.59
Mr Enzo Pirillo	5,000	0.59
	<b>777,528</b>	<b>91.01</b>

### Number of B ordinary shares held

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

### Number of Shareholders

35  
 22  
 3  
 11  
 3

# PRITCHARD EQUITY LIMITED

## STOCK EXCHANGE INFORMATION

### Top 20 Series 3 Option holders as at 7 August 2014.

Option holder	Options	% of Issued
Pritchard & Company Pty Limited	58,500	17.22
Pritchards Continuation Proprietary Limited	38,615	11.37
Mrs Margaret Jane Pritchard	27,500	8.10
Mr Enzo Pirillo	25,000	7.36
Cameron Securities Pty Limited	17,500	5.15
Dr Gordon Bradley Elkington	12,500	3.68
RFC Investment Holdings Pty Limited	12,500	3.68
Estate of 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
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 James Preston	7,500	2.21
Newcastle Capital Markets Registries Pty Limited	6,250	1.84
Bell IXL Investments Limited	5,625	1.66
Banivory Pty Limited	4,800	1.41
Illuminator Investment Company Limited	3,125	0.92
Kate Crockett	2,500	0.74
	282,379	83.13

#### Number of Series 2 options held

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

#### Number of Option holders

39  
 22  
 9  
 8  
 -

#### Substantial Shareholders

As at 7 August 2014 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	549,500	64.32



# PRITCHARD EQUITY LIMITED

## CORPORATE DIRECTORY

### **Directors**

Steven Shane Pritchard – Executive Chairman  
Enzo Pirillo  
Gordon Bradley Elkington

### **Secretary**

Enzo Pirillo

### **Principal Place of Business and Registered**

#### **Office**

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

### **Accountants**

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

### **Auditors**

PKF Lawler Partners Audit & Assurance  
755 Hunter Street  
Newcastle West NSW 2302  
Telephone (02) 4962 2688  
Facsimile (02) 4962 3245

### **Solicitors**

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

### **Share Registry**

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

### **Stockbroker and Nominated Advisers**

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