

# FORM: Half yearly/preliminary final report

Name of issuer

Pritchard Equity Limited

ACN or ARBN

100 517 404

Half yearly  
(tick)

~~Preliminary~~  
final (tick)



~~Half year~~ financial year ended  
(‘Current period’)

30<sup>th</sup> June 2019

## For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

				\$A
Operating Revenue (item 1.1)	Up	23%	To	733,524
Operating Profit (loss) before abnormal items and tax	Up	28%	To	429,913
Operating Profit (loss) for the period after tax but before minority equity interests (item 1.9)	Up	28%	To	310,315
Profit (loss) for the period attributable to security holders (item 1.11)	Up	29%	To	305,694
Income Distributions		Current period	Previous corresponding period	
Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				

(Preliminary final statement only)

Place

Date \_\_\_\_\_

Time

Approximate date the annual report will be available


1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

[illegible]

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.
3. This statement does/~~does not~~\* (*delete one*) give a true and fair view of the matters disclosed (see note 2).

4. This statement is based on financial statements to which one of the following applies:

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> The financial statements have been audited.                             | <input type="checkbox"/> The financial statements have been subject to review by a registered auditor (or overseas equivalent). |
| <input type="checkbox"/> The financial statements are in the process of being audited or subject to review. | <input type="checkbox"/> The financial statements have <i>not</i> yet been audited or reviewed.                                 |

5. If the accounts have been or ~~are being~~ audited or subject to review and the audit report is ~~not attached~~, details of any qualifications are attached/~~will follow immediately~~ ~~they are available~~\* (delete one). (Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.)

6. The issuer has/~~does not have~~\* (delete one) a formally constituted audit committee.

Sign here: \_\_\_\_\_  
(Director/Company secretary)

Date: 13th September 2019

Print name: Steve V. L.



**PRITCHARD EQUITY LIMITED**

**EIGHTEENTH ANNUAL REPORT**

**2019**

**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 overextend 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	2019	2018	2017	2016	2015
	\$	\$	\$	\$	\$
<b>Income Statement</b>					
Total income	733,524	591,948	530,413	412,890	179,448
Total expenses	(303,611)	(257,338)	(221,356)	(326,812)	(207,246)
Operating profit / (loss) before income tax	429,913	334,610	309,057	86,078	(27,798)
Income tax benefit/ (expense)	(119,598)	(93,135)	(100,640)	(36,150)	2,533
Operating profit/ (loss) after income tax	310,315	241,475	208,417	49,928	(25,265)
Minority interests	(4,621)	(4,473)	15	(5,962)	12,929
Discontinued operations	-	(254)	-	-	-
Profit / (loss) attributable to shareholders of Pritchard Equity Limited	305,694	236,748	208,432	43,966	(12,336)
<b>Statement of Financial Position</b>					
Total assets	286,656,458	304,398,909	291,560,556	74,466,672	33,978,018
Total liabilities	284,041,705	302,186,196	289,692,838	72,850,534	32,424,556
Total shareholders' equity	2,614,753	2,212,713	1,867,718	1,616,138	1,553,462
Pritchard Equity Limited shareholders' equity	2,603,667	2,206,502	1,866,003	1,614,544	1,557,668
<b>Share Information</b>					
Basic earnings per ordinary share (cents per share)	15.55	12.24	10.95	2.31	(0.65)
Growth in earnings per ordinary share (%)	27	11	374	455	92
Net assets per ordinary share (cents per share)	128	114	98	85	82
Share price at end of period					
— A Ordinary shares	0.30	0.30	0.30	0.30	1.125
— B Ordinary shares	0.35	0.30	0.30	0.30	1.10
Issued capital (number of shares)					
— A Ordinary shares	1,079,654	1,048,373	1,048,373	1,048,373	1,048,373
— B Ordinary shares	960,659	899,378	869,378	854,378	854,378
<b>Key Measures</b>					
Return on average ordinary shareholders' equity (%)	12.66	11.60	11.97	2.77	(0.79)
Return on average assets (%)	0.10	0.08	0.11	0.08	(0.07)
Gearing ratio (%)	4.4	5.1	5.3	9.2	12.2

# PRITCHARD EQUITY LIMITED

## EXECUTIVE CHAIRMAN'S LETTER

Dear Fellow Shareholders

We are pleased to announce a record operating profit for the year of \$305,694.

### Results

The consolidated net operating profit after tax for the year increased by 29.0% to \$305,694 compared to last years profit of \$236,748.

Earnings per share increased to 15.55 cents per share, compared to 12.24 cents per share last year, whilst net assets per ordinary share were \$1.28 per ordinary share at year end compared to \$1.13 per ordinary share last year.

The group's level of gearing continues to remain low at 4.4% (after excluding the limited recourse borrowings in the structured finance business), reflecting your directors' continuing belief that current conditions are not conducive to increasing the level of borrowings to acquire additional assets.

### Investment activity

Whilst we examined a number of new potential investment opportunities during the year we decided against investing in any of them as they would not have provided us with a sufficiently high risk adjusted return for us to justify proceeding to invest.

### 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 25 of the Financial Report.

### Structured Finance

The structured finance business continued to grow and recorded revenue of \$465,258 compared to \$372,481 last year.

### Unlisted investments

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

The group's major unlisted investment is its 45.10% 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 profit of \$8,444, compared to the prior year of \$8,395.

During the year, Hamilton Asset Management Limited commenced due diligence on two property investment assets, which it believes would be suitable investments for inclusion in a wholesale property trust.

Hamilton also completed the majority of the work for the relaunching of its managed investment schemes and expect them to be made available for investment prior to the end of the current calendar year.

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

FijiStock Brokers Limited is the oldest stock broking firm in Fiji and is a member of the South Pacific Stock Exchange Limited.

FijiStock Brokers Limited, again recorded an operating profit for the year.

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

The performance of the South Pacific Stock Exchange Limited which is 12.5% owned by the group 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's turnover and profitability have continued to grow, during the current year.

# PRITCHARD EQUITY LIMITED

## Outlook

Our continued strong financial position provides us with the flexibility to take advantage of new investment opportunities as they are identified.

A handwritten signature in black ink, appearing to read 'S Pritchard', with a vertical line to the right of the name.

Steven Pritchard  
Chairman  
13 September 2019



# 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 2019. 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.

The group offered a number of structured finance products that it has made available to qualifying investors.

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 profit after providing for income tax and eliminating minority equity interests was \$305,694 compared to a profit of \$236,748 last year.

### Financial Position

The net assets of the group as at 30 June 2019 were \$2,614,753 compared to \$2,212,713 as at 30 June 2018, an increase of \$402,040.

The group continues to maintain a strong liquidity position, and currently holds cash and readily realisable assets of \$2,501,830.

### Significant Changes in State of Affairs

Other than stated elsewhere in this report there were no significant changes in the operations of the group, or the environment in which it operates, during the financial year.

### 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.

### Environmental Issues

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

# PRITCHARD EQUITY LIMITED

## 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	—	653,880 A Ordinary shares 618,000 B Ordinary shares
Interest in shares held by immediate family members	—	25,000 B Ordinary shares
Special responsibilities	—	Member of the Audit Committee Director of Henley Underwriting & Investment Company Pty Limited, Hamilton Capital Pty Limited and The South Pacific Stock Exchange Limited (since 15 April 2010).
Directorships held in other listed entities	—	Current chairman and director of Illuminator Investment Company Limited (since 22 December 2003), current director of Florin Mining Investment Company Limited (since 29 September 2004), and Winpar Holdings Limited (since 4 July 2003),
<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	—	2,285 A Ordinary shares 21,000 B Ordinary shares
Interest in shares held by immediate family members	—	5,665 A Ordinary shares 2,000 B Ordinary shares
Special Responsibilities	—	Member of the Audit Committee Director of Henley Underwriting & Investment Company Pty Limited, Illuminator Investment Company Limited, Florin Mining Investment Company Limited and Hamilton Capital Proprietary Limited
<b>Gordon Bradley Elkington</b>	—	Director (Non-Executive)
Qualifications	—	B Sc, M Sc, Ph D, LLM
Experience	—	Director since 12 December 2005
Interest in shares	—	33,635 A Ordinary shares 35,200 B Ordinary shares
Interest in shares held by immediate family members	—	17,505 A Ordinary shares 2,500 B Ordinary shares
Special Responsibilities	—	Member of the Audit Committee
Directorships held in other listed entities	—	Director of Winpar Holdings Limited (since 30 December 1993)

# PRITCHARD EQUITY LIMITED

## Meetings of Directors

During the financial year, thirty four 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	34	34	1	1
Enzo Pirillo	34	34	1	1
Gordon Elkington	34	34	1	1

## Indemnifying Officers or Auditor

The company has not given an indemnity or entered into during or since the end of the financial year 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.

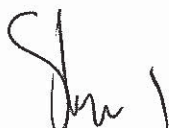
## Non- audit services

Details of the auditor's remuneration for auditing the company's accounts are set out in note 5 to the accounts. No amounts have been paid or payable to the auditors for non-audit services.

## Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2019 has been received and is found on page 8 of this 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

13 September 2019



**Gordon Elkington**

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 (2018: two executives), both of whom are directors of the company.

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

<b>2019</b>	Salary and Fees	Superannuation contributions	Share based remuneration	Total
	\$	\$	\$	\$
Steven Pritchard	-	-	3,000	3,000
Enzo Pirillo	-	-	3,000	3,000
Gordon Elkington	-	-	3,000	3,000

<b>2018</b>	Salary and Fees	Superannuation Contributions	Share based remuneration	Total
	\$	\$	\$	\$
Steven Pritchard	-	-	3,000	3,000
Enzo Pirillo	-	-	3,000	3,000
Gordon Elkington	-	-	3,000	3,000

Pritchard Equity Limited

ACN: 100 517 404

**Auditor's Independence Declaration under section 307C of the Corporations Act 2001**

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Pritchard Equity Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.



PKF



PAUL PEARMAN  
PARTNER

13 SEPTEMBER 2019  
NEWCASTLE, NSW

**PKF(NS) Audit & Assurance Limited Partnership**

ABN 91 850 861 839  
Liability limited by a scheme  
approved under Professional  
Standards Legislation

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# 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 ten. 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 2019

	Note	Consolidated Year to 30 June 2019			Consolidated Year to 30 June 2018		
		Revenue	Capital	Total	Revenue	Capital	Total
		\$	\$	\$	\$	\$	\$
Income from investment portfolio	3a	55,863	-	55,863	30,635	-	30,635
Income from trading portfolio	3b	2,726	-	2,726	(3,250)	-	(3,250)
Income from deposits	3c	21,687	-	21,687	21,848	-	21,848
Income from the provision of services	3d	187,990	-	187,990	170,234	-	170,234
Income from structured finance products	3e	465,258	-	465,258	372,481	-	372,481
<b>Total income from ordinary activities</b>		<b>733,524</b>	<b>-</b>	<b>733,524</b>	<b>591,948</b>	<b>-</b>	<b>591,948</b>
Share of net (profit) of associated company		(8,444)	-	(8,444)	(8,395)	-	(8,395)
Auditors remuneration		41,751	-	41,751	40,724	-	40,724
ASIC fees		30,599	-	30,599	4,382	-	4,382
Bank charges		1,830	-	1,830	1,809	-	1,809
Depreciation expense		1,031	-	1,031	1,336	-	1,336
Employee expenses		68,003	-	68,003	62,937	-	62,937
Finance costs		2,116	-	2,116	1,023	-	1,023
Listing fees		11,438	-	11,438	11,672	-	11,672
Net realised foreign exchange loss		-	-	-	176	-	176
Share registry fees		8,430	-	8,430	8,656	-	8,656
Administration expenses		146,857	-	146,857	133,018	-	133,018
<b>Operating profit before income tax</b>		<b>429,913</b>	<b>-</b>	<b>429,913</b>	<b>334,610</b>	<b>-</b>	<b>334,610</b>
Income tax expense	4a	(119,598)	-	(119,598)	(93,135)	-	(93,135)
<b>Operating profit after income tax</b>		<b>310,315</b>	<b>-</b>	<b>310,315</b>	<b>241,475</b>	<b>-</b>	<b>241,475</b>
(Profit) attributable to non-controlling interest		(4,621)	-	(4,621)	(4,473)	-	(4,473)
Loss from discontinued operations		-	-	-	(254)	-	(254)
<b>Operating profit attributable to members of the company</b>		<b>305,694</b>	<b>-</b>	<b>305,694</b>	<b>236,748</b>	<b>-</b>	<b>236,748</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		-	56,939	56,939	-	79,772	79,772
Net realised gains on sale of long-term investments		-	(5,454)	(5,454)	-	12,031	12,031
Foreign currency translation		-	12,217	12,217	-	2,948	2,948
Total other comprehensive income for the year		-	63,702	63,702	-	94,751	94,751
<b>Total comprehensive income for the year</b>		<b>305,694</b>	<b>63,702</b>	<b>369,396</b>	<b>236,748</b>	<b>94,751</b>	<b>331,499</b>
<b>Overall Operations</b>							
Basic earnings per share (cents per share)	7			15.55			12.24
Diluted earnings per share (cents per share)	7			15.55			12.24

The accompanying notes form part of these financial statements.

# PRITCHARD EQUITY LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Consolidated	
		2019	2018
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	1,718,201	1,228,296
Trade and other receivables	9	2,970,299	5,038,120
Trading portfolio	10	46,426	41,451
Income tax receivable		285	-
Financial assets	11	226,275,183	195,435,939
<b>TOTAL CURRENT ASSETS</b>		<b>231,010,394</b>	<b>201,743,806</b>
<b>NON-CURRENT ASSETS</b>			
Investment portfolio	12	1,017,779	1,061,990
Investment in associate accounted for using the equity method	13(a)	501,104	473,892
Trade and other receivables	9	415,126	1,892,220
Financial assets	11	53,442,898	98,942,898
Plant and equipment	14	3,041	2,440
Deferred tax assets	15	266,116	281,663
<b>TOTAL NON-CURRENT ASSETS</b>		<b>55,646,064</b>	<b>102,655,103</b>
<b>TOTAL ASSETS</b>		<b>286,656,458</b>	<b>304,398,909</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	3,745,657	5,592,664
Borrowings	17	226,389,944	195,548,848
<b>TOTAL CURRENT LIABILITIES</b>		<b>230,135,601</b>	<b>201,141,512</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	16	463,124	2,101,750
Borrowings	17	53,442,898	98,942,898
Deferred tax liabilities	15	82	36
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>53,906,104</b>	<b>101,044,684</b>
<b>TOTAL LIABILITIES</b>		<b>284,041,705</b>	<b>302,186,196</b>
<b>NET ASSETS</b>		<b>2,614,753</b>	<b>2,212,713</b>
<b>EQUITY</b>			
Issued capital	18	1,254,966	1,227,197
Reserves	19	195,247	111,851
Retained earnings		1,153,454	867,454
Equity attributable to equity holders of the parent		2,603,667	2,206,502
Minority equity interest		11,086	6,211
<b>TOTAL EQUITY</b>		<b>2,614,753</b>	<b>2,212,713</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 2019**

	Issued Capital	Foreign Currency Reserve	Asset Revaluation Reserve	Capital Profits Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$
<b>Consolidated</b>						
<b>Balance at 1 July 2017 as reported</b>	<b>1,218,197</b>	<b>41,448</b>	<b>(67,790)</b>	<b>55,473</b>	<b>618,675</b>	<b>1,866,003</b>
Shares issued during the year	9,000	-	-	-	-	9,000
Profit for the year	-	-	-	-	236,748	236,748
Other comprehensive income						
Revaluation of non current assets (net of tax)	-	-	79,772	-	-	79,772
Net capital gains for the year	-	-	-	-	12,031	12,031
Foreign currency exchange reserve	-	2,948	-	-	-	2,948
Total other comprehensive income	-	2,948	79,772	-	12,031	94,751
Total comprehensive income for the year	-	2,948	79,772	-	248,779	331,499
<b>Balance at 30 June 2018</b>	<b>1,227,197</b>	<b>44,396</b>	<b>11,982</b>	<b>55,473</b>	<b>867,454</b>	<b>2,206,502</b>
<b>Balance at 1 July 2018 as reported</b>	<b>1,227,197</b>	<b>44,396</b>	<b>11,982</b>	<b>55,473</b>	<b>867,454</b>	<b>2,206,502</b>
Shares issued during the year	27,769	-	-	-	-	27,769
Profit for the year	-	-	-	-	305,694	305,694
Other comprehensive income						
Revaluation of non current assets (net of tax)	-	-	56,939	-	-	56,939
Net capital losses for the year	-	-	-	-	(5,454)	(5,454)
Foreign currency exchange reserve	-	12,217	-	-	-	12,217
Total other comprehensive income	-	12,217	56,939	-	(5,454)	63,702
Total comprehensive income for the year	-	12,217	56,939	-	300,240	369,396
Transfers to reserves	-	-	-	14,240	(14,240)	-
<b>Balance at 30 June 2019</b>	<b>1,254,966</b>	<b>56,613</b>	<b>68,921</b>	<b>69,713</b>	<b>1,153,454</b>	<b>2,603,667</b>

The accompanying notes form part of these financial statements.

# PRITCHARD EQUITY LIMITED

## STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Consolidated	
		2019	2018
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		301,763	-
Sales from trading portfolio		6,936	-
Purchases for trading portfolio		(9,246)	(26,103)
Brokerage received		127,275	84,506
Interest received		5,442,123	5,195,489
Dividends received		20,457	9,572
Distributions received		9,820	13,847
Other fees received		66,137	100,320
Withholding tax received		19,125	12,000
Other receipts		4,812	29,499
		<hr/>	<hr/>
		5,989,202	5,419,130
Administration expenses		(310,747)	(227,105)
Payments to customers		-	(13,918)
Bank charges		(1,831)	(1,807)
Finance costs		(5,133,977)	(4,909,582)
Withholding tax paid		(155,384)	(200,338)
Income tax paid		(30,630)	(1,962)
Net cash provided by operating activities	21a	<hr/>	<hr/>
		356,633	64,418
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sales from investment portfolio		169,260	102,459
Purchases for investment portfolio		(41,125)	(142,975)
Purchases of other assets		(1,631)	(2,081)
Loans and advances		(43,322,803)	(39,494,295)
Repayment of loans and advances		53,033,561	16,644,286
Net cash provided by/ (used in) investing activities		<hr/>	<hr/>
		9,837,262	(22,892,606)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		43,348,958	39,508,470
Repayment of borrowings		(53,057,522)	(16,654,922)
Net cash (used in)/ provided by financing activities		<hr/>	<hr/>
		(9,708,564)	22,853,548
Net increase in cash held		485,331	25,360
Cash at beginning of financial year		1,228,296	1,200,052
Effects of exchange rate changes on the balance of cash held in foreign currencies		<hr/>	<hr/>
		4,574	2,884
Cash at end of financial year	8	<hr/>	<hr/>
		1,718,201	1,228,296

The accompanying notes form part of these financial statements.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### 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 2019 ("the inoperative standards"). 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.

#### **New and amended standards adopted by the company**

Certain new accounting standards and interpretations have been published for the 30 June 2019 reporting period by the Company. The director's assessment of the impact of these new standards (to the extent relevant to the company) and interpretations is set out below:

##### *(i) AASB 9: Financial Instruments (AASB 9) (effective 1 July 2018)*

There was no impact on the Company upon the adoption of AASB 9 on 1 July 2018 as the Company currently classifies financial assets and financial liabilities at fair value through other comprehensive income.

##### *(ii) AASB 15 Revenue from Contracts with Customers, (applicable from 1 July 2018)*

AASB 15 supersedes AASB 18 Revenue and AASB 111 Construction Contracts. Although AASB 15 is principles-based, it is a significant change from the current revenue requirements and will involve more judgements and estimates as revenue is recognised when control of a good or service transfers to a customer, or on satisfaction of performance obligations under contracts, which replaces the existing notion of risk and rewards.

There was no impact on the Company upon the adoption of AASB 15 on 1 July 2018 as the Company's revenue recognition of interest, dividend, investment gains/ (losses) and foreign exchange gains/(losses) were unaffected as these items are excluded from the scope of AASB 15.

#### **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 13 September 2019.

#### **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.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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

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.

#### **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. Income from deposits**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

#### **f. 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.

#### **g. Trade and other receivables**

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'trade and other receivables'.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

#### **h. 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%.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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

#### i. 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.

#### j. 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.

##### (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 Retained Earnings through 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.

#### k. Borrowings

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### l. 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.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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

#### **m. 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.

#### **n. 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.

#### **o. 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.

#### **p. 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 2019

### 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 (%)*	
		2019	2018
Parent			
Pritchard Equity Limited	Australia	100	100
Henley Underwriting & Investment Company Pty Limited	Australia	100	100
The NSX Investment Trust	Australia	100	100
PEQ Investment Holdings Pty Limited	Australia	100	100
First Newcastle Pty Limited	Australia	100	100
The Newcastle Exchange Pty Limited	Australia	100	100
The South Pacific Investment Company Limited	Australia	100	100
Fiji Stock Brokers Limited	Fiji	80	80
Structured Finance Securities Pty Limited	Australia	100	-

\* Percentage of voting power is in proportion to ownership

#### b. Acquisition of Controlled Entities

On 18 April 2019 Pritchard Equity Limited incorporated Structured Finance Securities Pty Limited as a 100% owned subsidiary. At the date of incorporation Structured Finance Securities Pty Limited had no assets or liabilities.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 3: REVENUE

	Consolidated	
	2019	2018
	\$	\$
<b>a. Income from investment portfolio</b>		
— dividends received	26,525	16,193
— trust distributions received	29,338	14,442
<b>Total Income from investment portfolio</b>	<b>55,863</b>	<b>30,635</b>
<b>b. Income from trading portfolio</b>		
— sales revenue	6,960	-
— cost of sales	(4,234)	(3,250)
— net profit/ (loss) from trading portfolio	2,726	(3,250)
<b>Total Income from trading portfolio</b>	<b>2,726</b>	<b>(3,250)</b>
<b>c. Income from deposits</b>		
— interest received	21,687	21,848
<b>Total Income from deposits</b>	<b>21,687</b>	<b>21,848</b>
<b>d. Income from the provision of services</b>		
— brokerage received	122,425	104,349
— other income received	65,565	65,885
<b>Total Income from the provision of services</b>	<b>187,990</b>	<b>170,234</b>
<b>e. Income from structured finance products</b>		
— fees received	66,106	18,293
— interest received	12,163,116	13,896,014
— interest paid	(7,725,772)	(8,862,934)
— acquisition fees	(4,038,192)	(4,678,892)
<b>Total Income from structured finance products</b>	<b>465,258</b>	<b>372,481</b>



# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 4: INCOME TAX EXPENSE

	Note	Consolidated	
		2019	2018
		\$	\$
<b>a.</b>			
The components of tax expense comprise:			
Prior year adjustment		(936)	3,275
Current tax payable		(117,118)	(16,826)
Deferred tax liability	16	(1,580)	139
Deferred tax asset	16	36	(79,723)
		<b>(119,598)</b>	<b>(93,135)</b>
<b>b.</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 profit from ordinary activities before income tax at 30% (2018: 30%)			
— Consolidated		128,974	100,383
Less:			
Tax effect of:			
— tax offset for franked dividends		5,811	3,261
— under provision for tax previous year		(3,090)	3,275
— foreign exchange		-	-
— share of net profit of associated company netted directly		2,533	2,625
— recoupment of unused prior year tax losses now recognised		-	63
— Difference in tax/accounting distribution		(56)	(136)
— Difference in tax rate		(4,151)	3,407
— Realised losses on investment portfolio		1,636	(3,388)
— tax losses not brought to account		55	(1,117)
— other permanent differences		6,638	(742)
Income tax expense attributable to entity		<b>119,598</b>	<b>93,135</b>
Amounts recognised directly through other comprehensive income			
<b>c.</b>			
Increase in deferred tax assets relating to capital gains tax on the movement in unrealised gains/ losses in the investment portfolio		13,046	1,247

### NOTE 5: AUDITORS' REMUNERATION

Remuneration of the auditor of the company for

— auditing the financial report	<b>41,751</b>	<b>40,724</b>
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# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 6: DIVIDENDS

	Consolidated	
	2019	2018
	\$	\$
<b>a. Dividend Paid</b>		
No dividends paid (2018: no dividends paid)	-	-
<b>b. Dividends declared</b>		
No dividends declared (2018: no dividends declared).	-	-
<b>c. Franking account</b>	<b>572,609</b>	<b>565,759</b>
Impact on franking account balance of dividends not recognised	-	-

### NOTE 7: EARNINGS PER SHARE

	Consolidated	
	2019	2018
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	1,966,010	1,932,792
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive earnings per share	1,966,010	1,932,792
<b>a. Basic and diluted earnings per share</b>	<b>\$</b>	<b>\$</b>
Profit attributable to members of the Group	305,694	236,748
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	15.55	12.24
Diluted earnings per share	15.55	12.24

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated	
	2019	2018
	\$	\$
Cash at bank	1,237,771	244,477
Deposits at call	214,677	967,776
Term deposit	265,753	16,043
	<b>1,718,201</b>	<b>1,228,296</b>

The effective interest rate on deposits at call was 1.25% (2018: 1.65%).

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	1,718,201	1,228,296
	<b>1,718,201</b>	<b>1,228,296</b>

### NOTE 9: TRADE AND OTHER RECEIVABLES

#### CURRENT

Dividends and trust distributions receivable	36,288	20,669
Goods and services tax refund	32,315	32,137
Other debtors	97,497	47,568
Accrued income	810,664	1,254,834
Loan acquisition fees prepaid	1,993,535	3,682,912
	<b>2,970,299</b>	<b>5,038,120</b>

#### NON CURRENT

Loan acquisition fees prepaid	415,126	1,892,220
	<b>415,126</b>	<b>1,892,220</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>46,426</b>	<b>41,451</b>
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# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 11: FINANCIAL ASSETS

	Consolidated	
	2019	2018
	\$	\$
CURRENT		
- Unsecured notes	226,275,183	195,435,939
	<b>226,275,183</b>	<b>195,435,939</b>
a The interest payable on the unsecured notes is fixed for the term of the notes. These notes have been pledged as security to the holders of the limited recourse secured notes. Refer Note 17b.		
NON CURRENT		
Secured		
- Loans and advances	53,442,898	98,942,898
	<b>53,442,898</b>	<b>98,942,898</b>
b. The interest payable on the loans and advances is fixed for the term of the loans and advances. The loans and advances are secured over by the holders interests in various managed investments schemes. These loans and advances have been pledged as security to the holders of the limited recourse secured notes. Refer Note 17c.		

### NOTE 12: INVESTMENT PORTFOLIO

#### NON-CURRENT

##### Listed Investments, at fair value

- Shares and trust units	737,203	585,004
	<b>737,203</b>	<b>585,004</b>

##### Unlisted Investments, at fair value

- Shares and trust units	280,576	476,986
	<b>1,017,779</b>	<b>1,061,990</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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

Interest held in the following associated company:

Name	Principal activities	Country of incorporation	Class of shares	Ownership interest		Carrying amount of interest	
				2019 %	2018 %	2019 \$	2018 \$
<b>Unlisted:</b>							
Hamilton Capital Pty Limited	Investing	Australia	Ordinary	45.10	39.36	501,104	473,892
						<b>501,104</b>	<b>473,892</b>

	Note	Consolidated	
		2019 \$	2018 \$
<b>a. Movements during the year in equity accounted investment in associated company</b>			
Balance at beginning of the financial year		473,892	465,497
<b>Add:</b> New investments during the year		18,768	-
Share of associated company's profit/ (loss) after income tax	13b	8,444	6,282
<b>Balance at end of the financial year</b>		<b>501,104</b>	<b>473,892</b>
<b>b. Equity accounted profit of associates are broken down as follows:</b>			
Share of associate's profit before income tax benefit		8,125	9,901
Share of associate's income tax benefit /(expense)		319	(1,506)
<b>Share of associate's profit/ (loss) after income tax</b>		<b>8,444</b>	<b>8,395</b>
<b>c. Summarised presentation of aggregate assets, liabilities and performance of associate</b>			
Current assets		1,016,473	1,557,144
Non-current assets		1,104,319	1,001,641
<b>Total assets</b>		<b>2,120,792</b>	<b>2,558,785</b>
Current liabilities		601,044	1,242,104
Non-current liabilities		84,811	20,772
<b>Total liabilities</b>		<b>685,855</b>	<b>1,262,876</b>
<b>Net assets</b>		<b>1,434,937</b>	<b>1,295,908</b>
Revenues		269,444	319,113
<b>Profit after income tax of associate</b>		<b>18,722</b>	<b>21,331</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 14: PLANT AND EQUIPMENT

	Consolidated	
	2019	2018
	\$	\$
<b>Plant and equipment</b>		
At cost	33,292	31,659
Accumulated depreciation	(30,251)	(29,219)
	<b>3,041</b>	<b>2,440</b>
<b>Reconciliation</b>		
Plant and equipment		
Carrying amount at the beginning of the year	2,440	1,633
Additions	1,632	2,081
Depreciation	(1,031)	(1,336)
Foreign exchange difference	-	62
Carrying amount at the end of the year	<b>3,041</b>	<b>2,440</b>

### NOTE 15: TAX

#### a. Liabilities

##### NON-CURRENT

Deferred tax liability comprises:

Other temporary differences	82	36
Total	<b>82</b>	<b>36</b>

#### b. Assets

Deferred tax assets comprise:

Deferred tax assets attributable to realised capital losses	175,758	178,550
Deferred tax assets attributable to tax losses	55,250	53,695
Revaluation adjustments taken directly to other comprehensive income	29,117	42,163
Other temporary differences	5,991	7,255
	<b>266,116</b>	<b>281,663</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 15 TAX (CONTINUED)

	Consolidated	
	2019	2018
	\$	\$
<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:		
Other temporary differences		
Opening balance	36	175
Credited to the income statement	46	(139)
Closing balance	82	36
<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	178,550	181,840
Credited to the income statement	(2,792)	(3,290)
Closing balance	175,758	178,550
Deferred tax assets attributable to tax losses		
Opening balance	53,695	115,600
Credited to the income statement	1,555	(61,905)
Closing balance	55,250	53,695
Impairment of non current assets		
Opening balance	-	-
Credited to the income statement	-	-
Closing balance	-	-
Unrealised loss on investments		
Opening balance	42,163	40,917
Credited to the reserve	(13,046)	1,246
Closing balance	29,117	42,163
Other temporary differences		
Opening balance	7,255	12,531
Credited to the income statement	(1,264)	(5,276)
Closing balance	5,991	7,255
	<b>266,116</b>	<b>281,663</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 16: TRADE AND OTHER PAYABLES

	Note	Consolidated	
		2019	2018
		\$	\$
CURRENT			
Trade payables		437,102	148,638
Accrued charges		838,263	1,247,957
Prepaid interest		2,170,253	3,905,670
Income tax payable		103,084	16,826
Withholding tax		196,955	273,573
		<b>3,745,657</b>	<b>5,592,664</b>
NON CURRENT			
Prepaid interest		463,124	2,041,629
Withholding tax		-	60,121
		<b>463,124</b>	<b>2,101,750</b>

### NOTE 17: BORROWINGS

#### CURRENT

##### Unsecured

- Loans payable to:			
- other corporations		74,774	89,283
		<b>74,774</b>	<b>89,283</b>

##### Secured

- Short-term borrowings	18a	39,987	23,626
- Limited Recourse Secured Notes	18b	226,275,183	195,435,939
		226,315,170	195,459,565
		<b>226,389,944</b>	<b>195,548,848</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>36,767</b>	<b>78,968</b>
---------------	---------------

- b. The limited recourse secured notes are secured over unsecured notes. The liability to pay interest and the repayment of the principal on these notes is limited to the receipt of interest and principal, if any, from the issuer of the unsecured notes. Refer Note 11a.



# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 17: BORROWINGS (Continued)

	Note	Consolidated	
		2019	2018
		\$	\$
NON CURRENT			
Secured			
- Limited Recourse Secured Notes	17c	<b>53,442,898</b>	<b>98,942,898</b>

- c. The limited recourse secured notes are secured over loans and advances to third parties. The liability to pay interest and the repayment of the principal on these notes is limited to the receipt of interest and principal, if any, from the borrowers. Refer Note 11b.

### NOTE 18: ISSUED CAPITAL

1,079,654 (2018: 1,048,373) A ordinary shares fully paid	18a	806,869	797,485
960,659 (2018: 899,378) B ordinary shares fully paid	18b	448,097	429,712
		<b>1,254,966</b>	<b>1,227,197</b>

#### a. A ordinary shares

At the beginning of reporting period	797,485	797,485
Shares issued during the year	9,384	-
At reporting date	<b>806,869</b>	<b>797,485</b>

#### b. B ordinary shares

At the beginning of reporting period	429,712	420,712
Shares issued during the year	18,385	9,000
At reporting date	<b>448,097</b>	<b>429,712</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 19: RESERVES

Asset revaluation reserve	19a	68,921	11,982
Capital profits	19b	69,712	55,473
Foreign exchange reserve	19c	56,614	44,396
		<b>195,247</b>	<b>111,851</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 19: RESERVES (CONTINUED)

	Consolidated	
	2019	2018
	\$	\$
<b>a. Asset revaluation reserve</b>		
<b>Movements during the year</b>		
Opening balance	11,982	(67,790)
Revaluation of non current assets	69,986	78,525
Provision for tax on unrealised (gains)/ losses	(13,045)	1,247
Closing balance	<b>68,921</b>	<b>11,982</b>
The asset revaluation reserve records revaluations of non-current assets. Under certain circumstances dividends can be declared from this reserve		
<b>b. Capital profits reserve</b>		
<b>Movements during the year</b>		
Opening balance	55,473	55,473
Transfer from retained profits	14,239	-
Closing balance	<b>69,712</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.		
<b>c. Foreign exchange reserve</b>		
<b>Movements during the year</b>		
Opening balance	44,396	41,448
Transfer to retained profits	12,218	2,948
Closing balance	<b>56,614</b>	<b>44,396</b>

### 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.

The Group manages credit risk by regularly monitoring loans and receivable balances. At 30 June 2019, the Group had credit exposure with loans totalling \$279,718,081. The loans and advances are secured over by the holders interests in various managed investments schemes. These loans and advances have been pledged as security to the holders of the limited recourse secured notes.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

#### Liquidity Risk

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

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

The timing of the repayments of principal and interest on the limited recourse notes is equivalent to the timing of the repayment of the principal and interest on the loans and advances and the unsecured notes.

The Group's other 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 are 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 as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price.

The Group is 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.

Loans and advances/ unsecured notes are not subject to market risk. The Group's Investment & Trading Portfolios are subject to market risk. 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 \$53,211 or \$106,423 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.

	2019	2018
The Group's investment & trading portfolio by sector is as follows:	%	%
Materials	4.04	1.96
Banks	0.19	0.02
Capital goods	6.17	4.96
Commercial	1.12	0.62
Consumer Services	0.04	0.01
Energy	0.30	0.35
Healthcare Equipment & Services	0.29	0.06
Media	0.45	0.29
Food and beverage	2.75	1.43
Food & Staples Retailing	0.07	0.01
Diversified financials	57.40	69.53
Pharmaceuticals, Biotech & Life Sciences	0.20	0.06
Real estate	21.68	18.68
Retailing	1.15	0.7
Telecommunication Services	1.54	1.05
Transportation	0.06	0.01
Software, hardware & services	2.54	0.26
	<b>100.00</b>	<b>100.00</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

Securities representing over 5 per cent of the combined investment and trading portfolio at 30 June 2019 were:

	Portfolio %
VB Holdings Limited	19.51
Newcastle Securities and General Trust	18.63
Illuminator Investment Company Limited	15.82
Florin Mining Investment Company Limited	8.17

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 7.29% (2018: 7.12%)
- (b) long term borrowings was 7.29% (2018: 7.12%).

As at the 30 June 2019 the Group's interest bearing short term borrowings excluding the limited recourse secured notes totalled \$114,761.

The interest rates on the limited recourse secured notes are fixed for the term of the notes.

The interest rates on the unsecured notes and loans and advances are fixed for the term of the notes and loans and advances.

Accordingly, the Group is not exposed to any interest rate risk in relation to the above.

#### 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);

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

- (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).

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 2019	\$	\$	\$	\$
Financial assets at fair value through other comprehensive income				
Investment portfolio	737,203	280,576	-	1,017,779
Financial assets at fair value through profit or loss				
Trading portfolio	46,426	-	-	46,426
Other financial assets at fair value	-	-	279,718,081	279,718,081
<b>Total</b>	<b>783,629</b>	<b>280,576</b>	<b>279,718,081</b>	<b>280,782,286</b>

	Level 1	Level 2	Level 3	Total
30 June 2018	\$	\$	\$	\$
Financial assets at fair value through other comprehensive income				
Investment portfolio	585,004	476,986	-	1,061,900
Financial assets at fair value through profit or loss				
Trading portfolio	41,451	-	-	41,451
Other financial assets at fair value	-	-	294,378,837	294,378,837
<b>Total</b>	<b>626,455</b>	<b>476,986</b>	<b>294,378,837</b>	<b>295,482,278</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 securities 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 2019.

#### (ii) Investment Portfolio – Level 1

The Company's Level 1 investments consist of securities 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 2019.

#### (iii) Investment Portfolio – Level 2

The Company's Level 2 Investment portfolio investments consist of unlisted securities and trusts. For trusts & unlisted securities, the valuations of these investments have been determined on the basis of the Company's share of the investment's net assets as at 30 June 2019

#### (iv) Unsecured notes and loans and advances – Level 3

The Company's Level 3 financial assets consist of unsecured notes and loans and advances. The financial asset and liabilities are carried at amortised cost.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 20: FINANCIAL INSTRUMENTS (CONTINUED)

#### Reconciliation of Level 3 fair value measurements:

	Consolidated	
	2019	2018
	\$	\$
Opening balance	294,378,837	276,968,328
Issues	43,322,805	57,264,144
Redemptions	(57,983,561)	(39,853,635)
Closing balance	<u>279,718,081</u>	<u>294,378,837</u>

### NOTE 21: CASH FLOW INFORMATION

#### a. Reconciliation of cash flow from operations with profit after income tax

Profit after income tax	310,315	241,475
Non-cash flows in profit		
Dividends re-invested	(9,593)	1,406
Write-downs to recoverable amount	1,031	1,372
Share of associated companies net (profit)/ loss after income tax and dividends	(8,444)	(8,395)
Decrease/ (increase) in trade and other receivables	3,276,653	4,690,661
Directors fees – shares issued	9,000	-
Increase in the trading portfolio	(4,975)	(22,854)
(Decrease)/ increase in trade payables and accruals	(3,306,398)	(4,930,260)
Increase in income taxes payable	86,196	20,681
Increase in deferred taxes	2,848	70,332
<b>Cash flow from operations</b>	<b><u>356,633</u></b>	<b><u>64,418</u></b>

### 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.

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 22: SEGMENT REPORTING (CONTINUED)

2019	Investments	Financial Services	Structured Finance Products	Total
	\$	\$	\$	\$
Revenue	80,276	187,990	465,258	733,524
Results	(178,247)	18,683	465,258	305,694
Assets	3,989,988	-	282,937,406	286,927,394

2018	Investments	Financial Services	Structured Finance Products	Total
	\$	\$	\$	\$
Revenue	50,539	168,928	372,481	591,948
Results	(153,819)	18,086	372,481	236,748
Assets	3,190,227	-	301,208,682	304,398,909

### NOTE 23: KEY MANAGEMENT PERSONNEL

The key management personnel of the company and their remuneration is reflected in the Remuneration Report on page 7 of the annual report.

### NOTE 24: RELATED PARTY TRANSACTIONS

	Consolidated	
	2019	2018
	\$	\$

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

Interest receivable from RAM Investment Partners No.1 Pty Limited	104,137	674,815
Purchase/ (redemption) of unsecured note from RAM Investment Partners No.1 PtyLtd	(15,769,849)	(7,530,151)
Interest receivable from RAM Investment Partners No.2 Pty Limited	702,808	579,898
Purchase/ (redemption) of unsecured note from RAM Investment Partners No.2 PtyLtd	4,081,092	33,841,660
Accounting fees paid/payable to Rees Pritchard Pty Limited	51,868	52,737
Share registry fees paid to Newcastle Capital Markets Registries Pty Limited	8,430	8,656
Distribution receivable from Tyrex Solutions Pty Limited	34,673	16,182
Units held in Tyrex Solutions Unit Trust	50,000	50,000
Other income receivable from Hamilton Asset Management Limited	-	4,375
Trustee fees payable to Hamilton Asset Management Limited	4,583	31,900
Loan payable to Hamilton Capital Proprietary Limited	74,774	89,283
Loan payable to Steven Shane Pritchard	14,466	12,809

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 24: RELATED PARTY TRANSACTIONS (CONTINUED)

	Parent	
	2019	2018
	\$	\$
<b>Loans and advances to subsidiaries</b>		
Balance at beginning of year	290,508	279,605
Advances	973,538	11,257
Repayments	(116,044)	-
Impairment adjustment	-	(354)
Closing balance	<b>1,148,002</b>	<b>290,508</b>
<b>Loans and advances from subsidiaries</b>		
Balance at beginning of year	-	-
Advances	1,000	-
Repayments	841	-
Closing balance	<b>159</b>	-

### NOTE 25: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AT 30 JUNE 2019

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	
	2019	2018
	\$	\$
<b>Australian Equities</b>		
Accent Group Limited	282	69
Alexium International Group Limited	7,750	-
Beacon Lighting Group Limited	366	103
Bega Cheese Limited	9,956	-
Bendigo and Adelaide Bank Limited	1,308	249
Betashares Geared Australian Equity Fund	13,355	-
BHP Billiton Limited	1,152	203
Bounty Oil & Gas NL	1,800	-
Capral Limited	806	1,210
Challenger Limited	6,640	-
Cochlear Limited	2,068	400
Costa Group Holdings Limited	444	173
CSL Limited	2,150	385
Danger Close Rights Holdings Pty Ltd	20,000	20,000
Dawney & Co Ltd	3,625	750
Domain Holdings Australia Limited	515	-



# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 25: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AT 30 JUNE 2019 (CONTINUED)

	Consolidated	
	2019	2018
	\$	\$
<b>Australian Equities</b>		
East 72 Holdings Limited	8	-
Elanor Investors Group	456	103
Event Hospitality and Entertainment Limited	412	94
Florin Mining Investment Company Limited	86,942	86,942
Graincorp Limited	908	177
Huon Aquaculture Group Limited	504	94
Illuminator Investment Company Limited	168,395	146,987
Iluka Resources Limited	1,217	257
Imperial Pacific Limited (previously Belmont Holdings Limited)	699	725
Jupiter Mines Limited	5,175	-
Kalina Power Limited	-	-
Kemp & Denning Limited	17,317	9,929
Ku-ring-gai Financial Services Limited	5,500	5,000
Link Administration Holdings Limited	10,355	-
Longevity Group Australia Limited	19,620	19,620
Myer Holdings Limited	10,900	7,400
National Australia Bank	534	-
Newcastle Securities & General Trust	198,257	154,193
Newcrest Mining Limited	798	109
NSX Limited	1	1
Octanex Limited	360	-
OFX Group Limited	315	82
Onemarket Limited	11,527	3
Platinum Asset Management Limited	548	132
Qube Holdings Limited	650	104
Ramsay Health Care Limited	1,011	162
Reece Limited	11,194	430
RuralCo Holdings Limited	707	104
Shopping Centres Australasia Property Group	900	189
Sundance Resources Limited	6,508	-
Tyrex Solutions Unit Trust	50,000	50,000
Vaneck Vectors Australian Equal Weight ETF	17,925	343
Vanguard All World Ex-US	7,243	7,003
Vanguard Australian shares Index ETF Fund	42,300	39,880
Vanguard US Total Market Shares Index	10,640	9,525

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 25: SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AT 30 JUNE 2019 (CONTINUED)

	Consolidated	
	2019	2018
	\$	\$
<b>Australian Equities</b>		
Vocus Group Limited	16,350	11,550
Weebit Nano Limited	1,760	-
Westpac Banking Corporation	255	-
Woodside Petroleum Limited	1,091	177
Woolworths Limited	731	122
Xref Limited	3,360	-
	<b>785,590</b>	<b>817,435</b>
<b>International Equities</b>		
Amalgamated Telecom Holdings Limited	4,274	3,658
Atlantic & Pacific Packaging Company Limited	2,137	1,566
Blue Lagoon Cruises Limited	4,503	4,327
Communications Fiji Limited	3,874	3,093
Kinetic Growth Fund	765	545
Paradise Beverages (Fiji) Limited	17,298	15,315
RB Patel Group Limited	2,688	1,556
South Pacific Stock Exchange Limited	27,816	26,726
Toyota Tsusho (South Sea) Limited	7,681	3,145
VB Holdings Limited	207,579	184,624
	<b>278,615</b>	<b>244,555</b>
<b>Total Equities</b>	<b>1,064,205</b>	<b>1,061,990</b>

# PRITCHARD EQUITY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

### NOTE 26: PARENT ENTITY FINANCIAL INFORMATION

#### Summary Financial Information

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

#### Statement of financial position

Current assets	230,590,548	201,723,745
<b>Total assets</b>	<b>285,274,952</b>	<b>303,354,349</b>
Current liabilities	229,688,655	200,931,098
<b>Total liabilities</b>	<b>283,594,677</b>	<b>301,975,746</b>
<b>Net assets</b>	<b>1,680,275</b>	<b>1,378,603</b>

#### Equity

Issued capital	1,254,966	1,227,197
Reserves		
Asset revaluation reserve	(57,474)	(78,329)
Capital profits reserve	55,597	55,597
Retained earnings	427,186	174,138
<b>Total equity</b>	<b>1,680,275</b>	<b>1,378,603</b>

<b>Profit/ (loss) for the year</b>	<b>267,443</b>	<b>211,036</b>
<b>Total comprehensive income</b>	<b>253,048</b>	<b>191,452</b>

### 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: 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

1. In the opinion of the Directors of Pritchard Equity Limited:
  - a. The financial statements and notes as set out on pages 10 to 38 are in accordance with the Corporations Act 2001, including:
    - (i) Giving a true and fair view of its financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
    - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - b. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. The financial statements comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.



Steven Shane Pritchard  
Director



Gordon Elkington  
Director

13 September 2019

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

### Report on the Financial Report

#### Opinion

We have audited the accompanying financial report of Pritchard Equity Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and 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.

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 2019 and of its performance for the year ended on that date; and
  - ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

#### Independence

We are independent of the Company in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matters below, our description of how our audit addressed each matter is provided in that context.

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## 1. Recognition and classification of Structured Products

### Why significant

As at 30 June 2019, a significant proportion of the consolidated entity's assets (98%) and liabilities (99%) are in structured finance products related to significant investor visa's ("SIVs"). The fair value of these financial assets is \$279,718,081 (2018: \$294,378,837) and the fair value of liabilities is \$279,832,842 (2018: \$294,491,746) as disclosed in Notes 11 and 17 of the financial report.

The assets are classified as 'level 3' financial instruments in accordance with the classification under Australian Accounting Standards where measurements are based on unobservable inputs. Accordingly, the financial assets and liabilities are carried at amortised cost. Refer to Note 20 (b) for the fair value hierarchy.

Based on the above, we have considered the valuation, completeness and existence of the related assets and liabilities to be a Key Audit Matter.

### How our audit addressed the key audit matter

We have audited the following documentation in relation to the structured finance products:

- Legal agreements including contracts, note deeds and investment agreements to identify and confirm the valuation, existence and treatment of rights and obligations therein;
- Reconciliations completed by management to ensure interest calculations and current and non-current classifications of the related assets and liabilities are correct.

We also assessed the appropriateness of the related disclosures in Notes 11 and 17.

## 2. Valuation & Existence of Trading & Investment Portfolios

### Why significant

As at 30 June 2019, the consolidated entity's assets included trading and investment securities. The fair value of these assets is \$1,064,205 (2018: \$1,103,441) as disclosed in Notes 10 and 12 of the financial report.

Of these assets, \$783,629 were listed securities classified as 'level 1' financial instruments in accordance with the classification under Australian Accounting Standards where quoted prices in active markets are available for identical assets. The remaining \$280,576 were unlisted securities classified as 'level 2' financial instruments where inputs other than quoted prices included in level 1 that are observable for the asset are used.

Refer to Note 1 (j) for details of these assets and Note 20 (b) for the fair value hierarchy.

Based on the above, we have considered the valuation and existence of financial assets to be a Key Audit Matter.

### How our audit addressed the key audit matter

We performed substantive testing on a sample of financial assets. This included:

- agreeing the quantity of securities held and recognised in the financial report to external independent trading registers;
- confirming the market value as at 30 June 2019 using reputable and active trading websites such as the Australian Securities Exchange ("ASX"), New York Stock Exchange ("NYSE") and London Stock Exchange ("LSE");
- confirming international shares are converted to Australian dollars using appropriate foreign exchange rates and the value of shares are accounted for appropriately at 30 June 2019;
- reviewing the financial statements of unlisted investments to ensure that the investment is not impaired; and
- reviewing reconciliations prepared by management and supporting documentation to confirm market movements. This included agreeing the gain/loss incurred throughout the period to transaction reports.

We also assessed the appropriateness of the related disclosures in Notes 1 (j), 10 and 12.

### 3. Recognition and Valuation of Deferred Tax Asset

#### Why significant

As disclosed in Note 15 of the financial report, at 30 June 2019 the consolidated entity's has recorded a deferred tax asset of \$266,116 relating to capital losses, deductible temporary differences and tax losses incurred.

As noted in Note 1(m) of the financial report, deferred tax assets are only recognised if the consolidated entity considers it probable that future taxable income will be generated to utilise these temporary differences and losses.

Significant judgement is required in forecasting future taxable income.

Based on the above, we have considered the recognition and valuation of deferred tax assets to be a Key Audit Matter.

#### How our audit addressed the key audit matter

We have assessed and challenged management's judgements relating to the consolidated entity's ability to generate future taxable income, and also the recognition criteria under AASB 112.

Our procedures included but were not limited to:

- assessing the reasonableness of key assumptions with respect to future income and expenditure;
- reviewing the nature of the deferred tax asset (i.e. temporary differences or revenue / capital losses) and its probability of being realised.

We have also assessed the appropriateness of the disclosures included in Note 15 in respect of the deferred tax balances.

#### Other Information

The Directors are responsible for the other information. The other information comprises the information included in the company's Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.



## Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

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 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 consolidated entity's preparation of the financial report that gives a true and fair view 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 consolidated entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Pritchard Equity Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

### Responsibilities

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.



PKF  
CHARTERED ACCOUNTANTS



PAUL PEARMAN  
PARTNER

13 SEPTEMBER 2019  
NEWCASTLE, NSW

# PRITCHARD EQUITY LIMITED

## STOCK EXCHANGE INFORMATION

### Top 20 A Ordinary Shareholders as at 5 September 2019

Shareholder	Shares	% of Issued
Steven Pritchard Investments Pty Limited	505,645	46.83
Illuminator Investment Company Limited	44,040	4.08
Hamilton Capital Pty Ltd	42,328	3.92
Dr Gordon Bradley Elkington	33,635	3.12
WCL Nominees Pty Ltd	31,281	2.90
Fuggle Nominees Pty Limited	29,750	2.76
Newcastle Capital Markets Registries Pty Limited	28,610	2.65
Longbow Croft Capital Pty Limited	28,565	2.65
Mrs Aija Valija Mackenzie	27,795	2.57
Wilcorp No. 41 Pty Limited	22,778	2.11
Abelia Grove Pty Ltd	20,460	1.90
Bell IXL Investments Limited	17,500	1.62
Mrs Milly Elkington	14,530	1.35
Mr Steven Shane Pritchard	10,958	1.01
Mr Douglas Robert Graham Neild	8,940	0.83
Mark Jon Tovey	7,960	0.74
Margaret Diane Murphy	7,960	0.74
Dianne Muriel Stewart	7,960	0.74
Diane Gardner	7,960	0.74
Anthony Illingworth	7,960	0.74
Dean Frances Coupland + Keitha Kim Coupland	7,960	0.74
Richard Benjamin Cook + Kim Elizabeth Cook	7,960	0.74
Tammy Mitchum & Ray Mitchum	7,960	0.74
LA Milt Pty Ltd	7,960	0.74
WBD Enterprises Pty Ltd	7,960	0.74
Diamantina Superannuation Pty Ltd	7,960	0.74
	954,375	88.44

### Number of A ordinary shares held

### Number of Shareholders

1 – 1,000	18
1,001 – 5,000	34
5,001 – 10,000	19
10,001 – 100,000	13
100,001 and over	1

# PRITCHARD EQUITY LIMITED

## STOCK EXCHANGE INFORMATION

### Top 20 B Ordinary Shareholders as at 5 September 2019

Shareholder	Shares	% of Issued
Steven Pritchard Investments Pty Limited	512,500	56.98
Mr Steven Shane Pritchard	50,000	5.21
Dr Gordon Bradley Elkington	45,200	4.71
WCL Nominees Pty Ltd	31,281	3.26
Mr Enzo Pirillo	30,000	3.12
Hamilton Capital Pty Ltd	28,000	2.91
Dr T Hansen & Ms Z Greenwood	26,100	2.72
Fuggle Nominees Pty Limited	25,000	2.60
Mrs Margaret Jane Pritchard	25,000	2.60
Mrs Aija Valija Mackenzie	23,330	2.43
Wilcorp No 41 Pty Limited	19,168	2.00
Abelia Grove Pty Limited	17,230	1.79
Illuminator Investment Company Limited	17,000	1.77
Newcastle Capital Markets Registries Pty Limited	16,000	1.66
Longbow Croft Capital Pty Limited	13,500	1.41
Mr John Barry Roberts and Mrs Judith Elizabeth Roberts	5,000	0.52
Mr John Richard Gilbert and Mrs Jane Patricia Gilbert	5,000	0.52
Jarfem Pty Ltd	5,000	0.52
Winpar Holdings Limited	5,000	0.52
BCK Pty Ltd	2,500	0.26
Bond Street Custodians Limited	2,500	0.26
Seven Bob Investments Pty Ltd	2,500	0.26
Hall Nominee Company Pty Ltd	2,500	0.26
Mr John Richard Gilbert	2,500	0.26
Mrs Milly Elkington	2,500	0.26
Great Northern Laundry Pty Ltd	2,500	0.26
Community & Regional Investment Company Pty Ltd	2,500	0.26
	919,309	99.33

#### Number of B ordinary shares held

#### Number of Shareholders

1 – 1,000	33
1,001 – 5,000	21
5,001 – 10,000	1
10,001 – 100,000	14
100,001 and over	1

#### Substantial Shareholders

As at 5 September 2019 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	607,500	63.24

# 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 Newcastle  
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**

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10 Murray Street  
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Telephone (02) 4920 2877  
Facsimile (02) 4920 2878

### **Stockbroker and Nominated Advisers**

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Facsimile (02) 4920 2878