

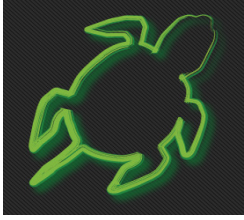


# PROFITS INCORPORATED SOCIETY LIMITED

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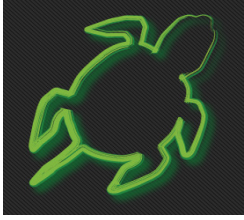
## SUMMARY OF PROFITS

For the year ended 31 March 2013



**Profits Incorporated Society Limited  
Summary of Profits  
For the Year Ended 31 March 2013**

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## **Profits Incorporated Society Limited 2013 Directors Report**

Dear Shareholder,

The 2013 financial year saw continued uncertainty and volatility in the global markets, driven by ongoing debt issues in many European countries and subdued growth in the developing BRIC economies. As I write this address, the US economy continues to show signs of a recovery, and access to significant low cost shale gas reserves presents a potential opportunity for a revival of the US Manufacturing sector and potential coal and gas export markets in the medium to long term. However, progress is slow, and the risk of further short term shocks cannot be ruled out.

Closer to home, the New Zealand economy has continued to recover from the lows of 2008/09 however many of the export sectors continue to struggle against a relatively strong dollar and sluggish global demand.

The Australian economy has arguably been one of the strongest performers in the developed world during the recent global downturn, buoyed by continued strong growth for Iron Ore and Coal exports to China and a strong banking system. However, the back half of FY13 saw a sharp decline in commodity prices, particularly for Australia's coal exports. The decline in global commodity demand and prices looks set to continue, suggesting Australia may not be out of the woods just yet and perhaps the worst is yet to come.

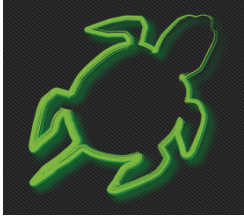
These are challenging times for a global investment firm such as Profits Incorporated Society Limited. In these uncertain market conditions, investment firms must seek to minimize investment losses in turbulent markets, whilst ensuring they position for the next wave of growth.

I am pleased to say that the PISL directors have continued to do just that. Throughout FY2013, PISL has resisted the temptation to invest heavily in internationally exposed companies in these turbulent market conditions. Instead, the business has continued to focus on building a strong cash position that will provide a foundation for profitable growth into more certain investment markets in the 2014 financial year.

In FY2013, PISL more than doubled its cash balance to \$3.7k. Investments of \$2.5k were made during the period, primarily driven by an opportunistic play into the New Zealand domestic party light industry through the investment in Adventure Artist bonds, and continued reinvestment of dividends in its strongest performing investments namely Westpac Banking Corporation.

Whilst investment growth was not on the agenda for 2013, the PISL portfolio performed strongly, recording a net gain of c.8% for the year, primarily driven by the continued strong performance of the WBC investment, however Fletcher Building and Barramundi also made strong contributions.

Unfortunately, Rakon continued to underperform in FY2013, delivering a net loss of just over \$500 for the period. PISL continues to hold a relatively small position in the struggling business, as we see the risk to be on the upside rather than the downside from its current trading position given the potential for strong growth in the Chinese smart phone market over the next 12-18 months. However, the Directors will continue to monitor the businesses performance over the next six months.



## **Profits Incorporated Society Limited 2013 Directors Report Continued**

The directors will also be keeping a close eye on the business's investment in Adventure Artist bonds over the next 6 months, as much like our Rakon investment, this business has promised much but delivered very little to date. The original AA bonds were due to vest in the 2013 financial year, however due to execution challenges within Adventure Artists PISL made the decision to extend its investment in the hope of recovering at least some of its invested capital. As a result of performance to date, the PISL directors are also considering renaming the bonds on the PISL balance sheet from 'AA Bonds' to 'CCC- Bonds', to reflect the quality of this investment, rather than the initials of the company name.

In corporate matters, PISL continues to operate with a geographically diverse leadership team. This has provided numerous challenges for the business over the years, however this has somewhat benefited by the gradual convergence of the director base towards the Northern Hemisphere with the announcement of the more permanent relocation of Vincent Chan to our UK operation supported by Mr. Luxton, Mr. Patterson and Mr. Pritchard. Close by, Keith Haiden has maintained a diligent oversight of our continental Europe operations in trying market conditions while Mr. Russell and I have continued day to day oversight of Asia Pacific operations.

The 2014 financial year is an exciting one for the business. Not only do we begin the period with a strong balance sheet poised for growth in the international markets, but the directors also share in personal success, each celebrating over 30 years on planet earth and over 5 years managing a successful global investment firm together in 2014.

To mark such an occasion, I am pleased to announce that the first global PISL directors retreat will be held in the 2014 calendar year, in a yet to be determined low cost location. I am sure this will be a grand occasion for old friends to reunite, celebrate success and debate matters of great global insignificance.

In summary, this has been a strong year for PISL in a challenging global market environment. Your directors remain committed to themselves, the shareholders, and we will continue to deliver shareholder value either in sustainable market returns, or failing that, by leveraging the company's existing investments to fund the 2014 PISL director's retreat.

On a personal note, I would like to congratulate Mr. Luxton on his recent nuptials in the 2013 financial year, and for his continued service to the company in capacity as CFO and thank all PISL directors for their ongoing contribution to the success of the business.

Grant Wright



## Profits Incorporated Society Limited 2013 Investment Performance Summary

### Investment Value

	2013	2012	Gain/Loss
Rakon Limited	511	1,064	- 553
Westpac Banking Corporation	4,547	3,118	1,192
Origin Energy Limited	1,316	1,318	- 26
Barramundi Limited	1,600	1,224	247
Algae.Tec Limited	897	1,242	- 345
BHP Billiton	1,183	1,272	- 89
Fletcher Buildings Limited	1,970	1,490	419
Adventure Artist Bond	2,000	-	-
<b>Investment Total</b>	<b>14,025</b>	<b>10,728</b>	<b>845</b>

Gain/loss on investment is a gross return for the period, excluding the cost of investments made. The total cost of investments at 31 March 2013 was \$15,028 (\$12,576 in 2012).

### Total Return

This is the return, based on the total funds available to the company. It is calculated based on the expected timing of cash flow, and market value of investments.

Total return for the year ended 31 March 2013	7.42%
Total return for the year ended 31 March 2012	-9.99%
Total return for the year ended 31 March 2011	9.92%
Total return for the year ended 31 March 2010	-1.09%
Total return for the period ended 31 March 2009	0.06%
Total return since inception	<u>2.94%</u>

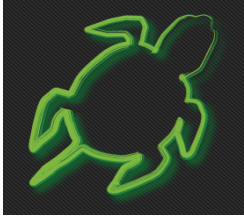
### Earnings/Asset Per Share (cents)

	2013	2012	
Earnings Per Share (EPS)	0.000003	0.000018	-81%
Net Total Assets Per Share (NTA/S)	0.000253	0.000177	43%



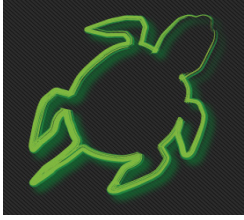
**Profits Incorporated Society Limited  
Statement of Financial Performance  
For the Year Ended 31 March 2013**

	Note	2013	2012
Income			
Interest		5	4
Dividends		507	420
Gain on Investment		0	1,007
Total Income		<u>512</u>	<u>1,430</u>
Expenses			
Brokerage		0	158
Other		0	0
Total Expenses		<u>0</u>	<u>158</u>
Net Profit		<u>512</u>	<u>1,272</u>
Tax Paid	(4)	<u>272</u>	<u>2</u>
<b>Net Profit After Tax</b>		<u><u>240</u></u>	<u><u>1,270</u></u>



**Profits Incorporated Society Limited  
Statement of Movements in Equity  
For the Year Ended 31 March 2013**

	<b>Invested Capital</b>	<b>Investment Reserve</b>	<b>Retained Earnings</b>	<b>Total</b>
Balance at 1 April 2011	7	637	-6	638
Net Profit for the period			1,270	1,270
Change in Investments		-2,487		-2,487
Balance at 31 March 2012	<u>7</u>	<u>-1,850</u>	<u>1,264</u>	<u>-579</u>
Balance at 1 April 2012	7	-1,850	1,264	-579
Net Profit for the period			240	240
Change in Investments		845		845
Balance at 31 March 2013	<u>7</u>	<u>-1,006</u>	<u>1,504</u>	<u>506</u>



## Profits Incorporated Society Limited Statement of Financial Position

	Note	2013	2012
Assets			
Cash		3,683	1,695
Investments (cost)	(2)	15,028	12,576
Gain on Investments	(1)	-1,006	-1,850
<b>Total Assets</b>		<b><u>17,706</u></b>	<b><u>12,421</u></b>
Liabilities			
Loans	(3)	17,200	13,000
Total Liabilities		<u>17,200</u>	<u>13,000</u>
Equity			
Invested Capital		7	7
Investment Reserve	(1)	-1,006	-1,850
Retained Earnings		1,504	1,264
Total Shareholders Equity		<u>506</u>	<u>-579</u>
<b>Total Equity and Liabilities</b>		<b><u>17,706</u></b>	<b><u>12,421</u></b>





## Profits Incorporated Society Limited Notes to the Financial Statements

### Note 1 - General

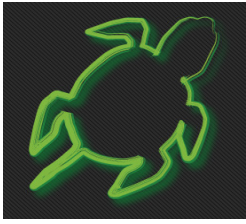
Accounts are prepared on a cash basis. As such income, expenses, assets, and liabilities are only recorded when cash is received or payments are made. Therefore;

- Investments are recorded at their cost price. Changes in value are recorded on a separate line and is reflected directly in equity. Gains or losses will only be recognised in the Statement of Financial Performance when part or all of an investment is sold. The investment performance summary which details the current value of each investments is included on page 4 of this report.
- Outstanding loan balances are the amounts received from the respective debtholder as at the reporting date.
- Tax is reported in the statement of financial performance as the amount paid during the current financial period and does not reflect the tax liability of the company. These balances are reconciled in Note 4, which includes the tax liability (or credit) of the company for the current financial period. Any outstanding tax liability will be paid and recorded in the following financial period.

All amounts are stated in New Zealand Dollars unless otherwise noted.

### Note 2 - Investments (Cost)

	2013	2012
Rakon Limited	2,002	2,002
Westpac Banking Corporation	3,323	3,085
Origin Energy Limited	1,716	1,691
Barramundi Limited	1,696	1,567
Algae.Tec Limited	1,409	1,409
BHP Billiton Limited	1,417	1,417
Fletcher Buildings Limited	1,466	1,406
Adventure Artist Bond	2,000	-
<b>Total</b>	<b>15,028</b>	<b>12,576</b>



**Profits Incorporated Society Limited  
Notes to the Financial Statements  
Continued...**

**Note 3 - Loans**

	<b>2013</b>	<b>2012</b>
V Chan	2,500	1,900
K Haiden	2,450	1,850
B Luxton	2,450	1,850
M Patterson	2,450	1,850
D Pritchard	2,450	1,850
M Russell	2,450	1,850
G Wright	2,450	1,850
<b>Total</b>	<b><u>17,200</u></b>	<b><u>13,000</u></b>

**Note 4 - Income Tax**

	<b>2013</b>	<b>2012</b>
Opening Balance	255	-6
Tax Paid	-319	-73
Tax Liability	131	335
Other	0	0
<b>Closing Balance - Tax Liability / (Credit)</b>	<b><u>67</u></b>	<b><u>255</u></b>

**Note 5 - Imputation Credit Account**

	<b>2013</b>	<b>2012</b>
Opening Balance	0	34
Imputation Credits Received	319	37
Imputation Credits Applied	0	-71
<b>Closing Balance - Credit / (Liability)</b>	<b><u>319</u></b>	<b><u>0</u></b>



**rakon**



**bhpbilliton**

