



PISL

PROFITS INCORPORATED SOCIETY LIMITED

SUMMARY OF PROFITS 2017

Wages make you a living, **Profits** make you a fortune.



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Profits Incorporated Society Limited  
Directors Report

Dear Shareholders,

2016 was a year where growing discontent for the establishment reached new heights and spurred people across the world into action. War, migration, sluggish economics and mounting inequality increased tension, and people took to the polls for change. Having no viable alternative did not hold them back; from Brexit to Trump, the unfolding of these events was a spectacle.

Even in NZ our over popular top dog, Mr J Key, took a very novel approach to leaving office..... by resigning of his own free will. This elevates PISL director Mr M Patterson one step closer to the hot seat. Some in our own ranks have referred to him as 'Chode of the year', others even as 'a man with no talent', but we should not be too hasty to judge for these may be the very founding qualities needed to rule in this new political age.

Amongst all this turmoil and surprise, Profits Incorporated Society Limited's steady accumulation of profits has brought a much needed sense of calm and consistency to proceedings. The business is pleased to report on a very successful year. The directors are proud of the progress made as the business continues to consolidate the investment portfolio, secure income, and build cash reserves in anticipation of the next lustrum trip for shareholders.

The directors must be commended for an excellent job delivering a more balanced portfolio, which has already demonstrated its value with PISL benefiting from a buoyant share market throughout the year. This led the company to its second highest ever return of 9.12%; beaten only by the post financial crisis rally of 2011.

There were two notable activities throughout an otherwise quiet investment year. Firstly; the last in the current round of director investments was made in Infratil Limited chosen by Mr B Luxton. Initial price movements have not been favourable however the longer term prospect is enticing as Infratil grows earnings from new investments and looks to deploy its \$600m+ war chest. Secondly; and with a sigh of relief, PISL has sold its long dragging investment in Rakon Limited. It comes with a tinge of sadness as this was the inaugural investment that made PISL a reality, however given it delivered less than a lost carrier pigeon Mr M Russell is surely preparing himself for a Lustrum Court Sentence.

The directors have been very active in their governance and oversight of operations, meeting at frequent intervals to ensure tight control in this challenging environment. They kept a global view, with meetings in London, Europe, Melbourne and New Zealand. Special mention must go to Mr V Chan who executed an ambitious plan to marry twice in one year without committing adultery. All directors were able to attend one of these, some doing the double. During the event in New Zealand Mr V Chan claimed to be the richest man in the world, which was a bold oversight on his behalf as he disregarded his 6 equal shareholders in Profits Incorporated Society Limited.

Strategic relocations have taken place as the directors respond to a changing market and business. They have strengthened their presence across Australasia with Mr B Luxton transferring to New Zealand from London, leaving the big city life behind for country tranquillity in Waitoa, while Mr M Russell is also laying new foundations by settling on the beautiful Kapiti Coast. Mr K Hayden continued his gruelling schedule between Luxembourg and Dusseldorf while the remaining directors maintained a far more sensible presence in our other international locations of London, Melbourne and Dunedin.

It continues to be a pleasure to be in business with this group of distinguished gentlemen, all directors are applauded for their on-going enthusiasm and hard work pursuing profits. As we publish this year's report Mr M Russell has just become a father to little Theo. And it is on this note we wish him, as well as all directors and their families the very best for another prosperous and profitable year ahead.



Mr. Brett Luxton



Profits Incorporated Society Limited  
Investment Performance Summary

**Portfolio Investments**

	2017	2016	Gain/Loss
Rakon Limited	-	532	(106)
Westpac Banking Corporation	6,017	4,926	801
Barramundi Limited	1,973	1,807	2
Algae.Tec Limited	179	169	10
Fletcher Buildings Limited	2,113	1,941	99
Synlait Milk Limited	1,929	1,433	193
Smartfonz	1,825	1,696	54
Fisher & Paykel Healthcare	2,018	1,999	(19)
ANZ	1,997	1,450	517
Infratil	1,321	-	(182)
<b>Investment Total</b>	<b>19,374</b>	<b>15,954</b>	<b>1,370</b>

Investments are quoted at the year end market value.

The total cost of investments at 31 March 2017 was \$17,914 (\$17,440 in 2016).

**Total Return**

Total return for the year ended 31 March 2017	9.12%
Total return for the year ended 31 March 2016	(1.85%)
Total return for the year ended 31 March 2015	3.58%
Total return for the year ended 31 March 2014	0.14%
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>2.59%</u>

**Earnings /Asset Per Share (cents)**

	2017	2016	Change
Earnings Per Share (EPS)	0.000032	(0.000005)	-
Net Total Assets Per Share (NTA/S)	0.000427	0.000294	45%



Profits Incorporated Society Limited  
Statement of Financial Performance  
For the Year Ended 31 March 2017

	Note	2017	2016
Interest		131	80
Dividends		862	559
Total Income		<u>993</u>	<u>640</u>
Brokerage		60	90
Other		30	46
Tax Paid	(4)	41	49
Total Expenses		<u>131</u>	<u>185</u>
Operating Profit		<u>861</u>	<u>455</u>
Change in Investments		1,370	(798)
<b>Net Profit</b>		<b><u>2,232</u></b>	<b><u>(343)</u></b>

Profits Incorporated Society Limited  
Statement of Financial Position  
As at 31 March 2017

	Note	2017	2016
Cash	(6)	10,420	4,614
Investments	(1),(2)	19,374	15,954
Other		94	38
<b>Total Assets</b>		<b><u>29,887</u></b>	<b><u>20,606</u></b>
Loans	(3)	26,820	19,770
Total Liabilities		<u>26,820</u>	<u>19,770</u>
Invested Capital		7	7
Investment Reserve	(1),(2)	1,459	(1,487)
Retained Earnings		1,601	2,315
Total Shareholders Equity		<u>3,067</u>	<u>836</u>
<b>Total Equity and Liabilities</b>		<b><u>29,887</u></b>	<b><u>20,606</u></b>



Profits Incorporated Society Limited  
Notes to the Financial Statements

**Note 1 – General**

Accounts are prepared on a cash basis; i.e. income, expenses, assets, and liabilities are recorded when cash is received or payments are made. The exception being investments, which are recorded at their fair market value. The gain or loss on investments is reflected in the statement of financial performance and held in a investment reserve account until realised.

The income tax reported in the statement of financial performance is the amount of tax paid during the current financial year and does not reflect the tax liability of the company. These amounts are reconciles in note 4.

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

**Note 2 – Investments (Cost)**

	2017	2016
Rakon Limited		2,002
Westpac Banking Corporation	4,541	4,251
Barramundi Limited	2,301	2,137
Algae.Tec Limited	1,409	1,409
Fletcher Buildings Limited	1,671	1,598
Synlait Milk Limited	1,805	1,502
Smartfonz	1,605	1,530
Fisher & Paykel Healthcare	1,546	1,509
ANZ	1,534	1,504
Infratil	1,503	
<b>Total</b>	<b>17,914</b>	<b>17,440</b>

**Note 3 – Loans**

	2017	2016
V Chan	3,874	2,974
K Haiden	3,874	2,974
B Luxton	3,874	2,974
M Patterson	3,874	2,974
D Pritchard	3,874	2,974
M Russell	3,574	2,374
G Wright	3,874	2,524
<b>Total</b>	<b>26,820</b>	<b>19,770</b>



Profits Incorporated Society Limited  
Notes to the Financial Statements (continued)

**Note 4 – Income Tax**

	2017	2016
Opening Balance	15	30
Tax Liability	0	97
Tax Paid	(41)	(49)
Other Tax Credits	26	(63)
<b>Closing Balance – Tax Payable</b>	<b><u>(0)</u></b>	<b><u>15</u></b>

Following the 2017 operating year and realisation of loss on investment in Rakon Limited, PISL has a tax loss to carry forward of \$1,352.22.

**Note 5 – Imputation Credit Account**

	2017	2016
Opening Balance	848	736
Imputation Credits Received	134	112
Imputation Credits Applied	0	0
<b>Closing Balance</b>	<b><u>982</u></b>	<b><u>848</u></b>

**Note 6 – Statement of Cash Flow**

	2017	2016
Opening Balance	4,614	3,917
Receipts	241	81
Payments	(105)	(167)
<b>Net Cash Flow from Operations</b>	<b><u>136</u></b>	<b><u>(86)</u></b>
Receipts	426	0
Payments	(1,806)	(4,667)
<b>Net Cash Flow from Investments</b>	<b><u>(1,380)</u></b>	<b><u>(4,667)</u></b>
Receipts	7,050	5,450
Payments	0	0
<b>Net Cash Flow from Contributions</b>	<b><u>7,050</u></b>	<b><u>5,450</u></b>
<b>Net change in cash</b>	<b><u>5,806</u></b>	<b><u>697</u></b>
<b>Closing Balance</b>	<b><u>10,420</u></b>	<b><u>4,614</u></b>







INVESTMENTS