



Prime Financial Group Ltd & Controlled Entities

**ABN 70 009 487 674
AND CONTROLLED ENTITIES**

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2007**

This half-year financial report is to be read in conjunction
with the financial report for the year ended 30 June 2007

Prime Financial Group Ltd

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Prime Financial Group Ltd & Controlled Entities

**FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2007**

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Prime Financial Group Ltd & Controlled Entities

Director's Report

The directors present their report together with the condensed financial report of the consolidated entity consisting of Prime Financial Group Ltd and the entities it controlled, for the half-year ended 31 December 2007 and independent review report thereon. This financial report has been prepared in accordance with Australian Equivalents of International Financial Reporting Standards.

Directors Names

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

<u>Name</u>	<u>Period of directorship</u>
C. Newman	15 months
S. Madder	13 months
S. Bennett	13 months
L. laFrate	60 months
S. James	20 months
P. Madder	13 months
N. Pike	36 months

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of Operations

The consolidated profit of the company for the half-year after providing for income tax amounted to \$3,109,985 (\$2006: \$1,337,835).

Basic earnings per share (EPS) has increased over the previous corresponding half from 1.56 cents per share (CPS) to 2.28 cps, a 46% increase. The interim dividend declared for the 1st half of 1.4 cps fully franked is a 180% increase over the previous half-year dividend of 0.5 cps.

This result has been achieved for a number of reasons, including strong organic growth in revenue for financial planning and accounting services, cost control, and continued cross-selling of services within the group.

During the last six months, Prime completed four EPS accretive transactions and combined with previous acquisitions in financial advice are exceeding expectations. These four transactions are separate to the recently announced acquisition of the remaining 51% equity (previously 49% owned) in Carroll, Pike & Piercy Pty Ltd (CPP), a foundation investment of Prime since December 2004.

A brief review of the operations of Prime Financial Group Ltd, its controlled entities and its investee companies for the half year under review are contained in the report to the ASX dated 20 February 2008.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration in relation to the review for the half-year is provided with this report.

Signed in accordance with a resolution of the director:



Director (C. Newman)

Dated: 20th day of February 2008

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF PRIME FINANCIAL GROUP LTD**

In relation to the half-year independent review for the six months to 31 December 2007, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001
- (ii) No contraventions of any applicable code of professional conduct

**PITCHER PARTNERS
Melbourne**

**B J BRITTEN
Partner
20 February 2008**

Prime Financial Group Ltd & Controlled Entities

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	Half-year	
	2007	2006
	\$	\$
Revenue		
Revenue from ordinary activities	4,063,545	-
Profit on sale of investments and assets held for sale	625,117	590,723
Other income	157,508	118,825
	4,846,170	709,548
Accounting expenses	(66,621)	(21,683)
Administration expenses	(192,805)	-
Contractor expense	(66,468)	(84,212)
Depreciation expense	(27,672)	(6,932)
Directors Fees	(81,634)	(69,705)
Employee benefits expense	(1,427,686)	(96,753)
Interest expense	(241,376)	-
Legal Fees	(21,835)	(27,186)
Licence fees	(76,199)	-
Listing and registry fees	(39,452)	(39,643)
Rent and outgoings	(143,143)	(18,503)
Travel	(64,608)	-
Other expenses from ordinary activities	(260,774)	(29,795)
	(2,710,273)	(394,412)
Share of net profit of associates and partnerships accounted for using the equity method	1,631,979	1,262,706
	3,767,876	1,577,842
Profit before income tax	3,767,876	1,577,842
Income tax expense	(657,891)	(240,007)
Profit for the half-year	3,109,985	1,337,835
Profit attributable to minority interests	-	-
Profit attributable to the members of the parent	3,109,985	1,337,835
Basic earnings per share (cents)	2.28	1.56
Diluted earnings per share (cents)	2.24	1.40

The accompanying notes form part of these financial statements

Prime Financial Group Ltd & Controlled Entities

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007**

	31 Dec 2007	30 June 2007
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	3,480,187	2,204,067
Trade and other receivables	1,661,478	2,748,958
Other current assets	25,405	117,198
TOTAL CURRENT ASSETS	<u>5,167,070</u>	<u>5,070,223</u>
NON-CURRENT ASSETS		
Property, plant and equipment	168,909	161,256
Financial assets at fair value through profit and loss	2,083,129	3,935,461
Investments accounted for using the equity method	30,475,035	32,180,898
Intangible assets	29,237,328	29,237,328
TOTAL NON-CURRENT ASSETS	<u>61,964,401</u>	<u>65,514,943</u>
TOTAL ASSETS	<u>67,131,471</u>	<u>70,585,166</u>
CURRENT LIABILITIES		
Payables	1,723,289	1,912,628
Current tax payable	688,507	755,424
Provisions	95,744	110,246
Borrowings	9,664	9,664
TOTAL CURRENT LIABILITIES	<u>2,517,204</u>	<u>2,787,962</u>
NON-CURRENT LIABILITIES		
Payables	-	1,000,000
Deferred tax liabilities	145,911	213,731
Borrowings	791,475	4,222,783
TOTAL NON-CURRENT LIABILITIES	<u>937,386</u>	<u>5,436,514</u>
TOTAL LIABILITIES	<u>3,454,590</u>	<u>8,224,476</u>
NET ASSETS	<u>63,676,881</u>	<u>62,360,690</u>
EQUITY		
Contributed equity	64,042,981	63,373,141
Accumulated Losses	(366,100)	(1,012,451)
TOTAL EQUITY	<u>63,676,881</u>	<u>62,360,690</u>

The accompanying notes form part of these financial statements

Prime Financial Group Ltd & Controlled Entities

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	Half-year	
	2007	2006
	\$	\$
TOTAL EQUITY AT THE BEGINNING OF THE HALF-YEAR	62,360,690	19,361,073
Profit for the half year	3,109,985	1,337,835
Total recognised income and expense for the period	65,470,675	20,698,908
Transactions with equity holders in their capacity as equity holders:		
Contributions	676,667	200,000
Dividends paid	(2,463,634)	(856,183)
Capital raising costs	(6,827)	(4,050)
Deferred tax asset - capital raising costs	-	(14,721)
	(1,793,794)	(674,954)
TOTAL EQUITY AT THE END OF THE HALF-YEAR	63,676,881	20,023,954

The accompanying notes form part of these financial statements

Prime Financial Group Ltd & Controlled Entities

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	Half-year	
	2007	2006
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	5,365,147	-
Payments to suppliers and employees	(3,251,481)	(308,276)
Interest received	86,821	84,479
Dividends and distributions received	2,829,727	1,214,840
Interest paid	(218,797)	-
Income tax paid	(1,157,016)	(447,158)
Net cash provided by operating activities	<u>3,654,401</u>	<u>543,885</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Payment for equity accounted investments	(6,090,397)	(1,116,154)
Payment for other investments	-	-
Payment for property, plant and equipment	(32,632)	(40,202)
Proceeds from disposal of equity investments	7,457,442	-
Proceeds from disposal of other investments	1,507,795	-
Loans to other entities	(215,202)	3,000
Loans repaid by other entities	180,400	-
Net cash used in investing activities	<u>2,807,406</u>	<u>(1,153,356)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net proceeds from share issue	669,342	200,000
Net repayment of borrowings	(3,400,000)	-
Dividends paid	(2,455,029)	(851,488)
Net cash used in financing activities	<u>(5,185,687)</u>	<u>(651,488)</u>
Net increase/ (decrease) in cash and cash equivalents	1,276,120	(1,260,959)
Cash and cash equivalents at beginning of half year	<u>2,204,067</u>	<u>3,607,046</u>
Cash and cash equivalents at end of the half-year	<u><u>3,480,187</u></u>	<u><u>2,346,087</u></u>

The accompanying notes form part of these financial statements

Prime Financial Group Ltd & Controlled Entities

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2007**

Note 1: Basis of Preparation of the Half-year Financial Report

This half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2007 and any public announcements made by Prime Financial Group Ltd during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of preparation of the half-year financial report

This general purpose half year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*.

The half year financial report has been prepared on an accruals basis and under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(b) Summary of the significant accounting policies:

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2007.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which Prime Financial Group Ltd controlled from time to time during the half year.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

(d) Revenue recognition

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

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting for investments in associates. Distribution revenue is recognised when the right to receive a distribution has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts.

(f) Property, plant and equipment

All classes of property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

The carrying amount of plant and equipment is reviewed for impairment annually by directors for events or changes in circumstances that indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are recognised in the income statement.

Depreciation

The depreciable amounts of all other fixed assets are depreciated on a straight-line basis over their estimated useful lives commencing from the time the asset is held ready for use.

The useful lives for each class of assets are:

	2007	2006
Office equipment:	6 to 10 years	6 to 10 years
Computer equipment:	2.5 years	2.5 years
Plant and equipment::	3 to 20 years	-
Motor Vehicles:	5 years	-

Prime Financial Group Ltd & Controlled Entities

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2007****Note 1: Basis of Preparation of the Half-year Financial Report (cont'd)****(g) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to entities within the consolidated entity are classified as finance leases. Finance leases are capitalised, recording at the inception of the lease an asset and liability equal to the present value of the minimum lease payments, and disclosed as plant and equipment under lease.

Operating leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

(h) Intangibles

Goodwill on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired entities at the date of acquisition. Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

(i) Impairment of assets

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortization are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(j) Taxes

Current income tax expense is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(k) Employee benefits

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Prime Financial Group Ltd & Controlled Entities

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2007

Note 1: Basis of Preparation of the Half-year Financial Report (cont'd)

(l) Investments

Associated Entities and Partnerships

Investments in associated entities and partnerships are recognised in the financial statements by applying the equity method of accounting.

(m) Financial instruments

Classification

The group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

Investments in unlisted unit funds are carried at fair value through profit and loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in the profit and loss of the current period. Fair value of unlisted unit funds are based on current net tangible assets of the fund, which equates to the redemption value of leaving the fund.

Financial Liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation 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 balance sheet are shown inclusive of GST.

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

Note 2: Subsequent Events

During January 2008, Prime sold 970,780 units in the Armyatge Strategic Opportunities Fund (ASOF) for \$1,000,000.

On 14th February 2008, Prime acquired the remaining 51% equity in Carroll Pike & Piercy Pty Ltd (CPP). The acquisition gives the company 100% ownership of CPP. Consideration for the 51% equity in CPP is \$9,014,437 cash and 3,595,730 fully paid ordinary shares. If the net profit before tax of CPP for the financial year 2011 is greater than or equal to an amount increased by a compounding annual growth of 15% for 4 years, then Prime will pay the vendors an uplift payment of \$4,320,000. The CPP acquisition is effective from 12th February 2008. The cost of the acquisition, and in particular the fair value of the equity instruments issued as consideration, is currently being determined. The fair value of the assets and liabilities acquired is unable to be determined at present.

On 15th February 2008, Prime announced a share buy-back as part of an ongoing capital management strategy. The buy-back will be an on market buy-back of ordinary fully paid shares. The company intends to buy-back up to 3,000,000 shares from 3rd March 2008 to 31 December 2008.

Note 3: Significant Items

During July 2007, Prime announced the acquisition of a 35% equity interest in Pacifica Pty Ltd, the consideration was paid in cash for \$1.47m.

During September 2007, Prime announced the acquisition of a 50% equity interest in Demeyer Consulting Pty Ltd (Strategic PBS), the consideration was paid in cash for \$1.176m.

During September 2007, Prime announced the acquisition of a 50% equity interest in Rundles CPP Pty Ltd (Rundles), the consideration was paid in cash for \$1.416m.

Prime Financial Group Ltd & Controlled Entities

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2007

Note 3: Significant Items (cont'd)

During September 2007, Prime announced the disposal of its 40% equity interest in Garnaut Private Client Advisors Pty Ltd (GPCA), the consideration received was paid in cash of \$7.5m. The profit on disposal of GPCA was \$0.97m.

During the last 6 months, Prime sold 1,193,927 units of its 2,992,519 units in the ASOF.

During November 2007, Prime's jointly owned financial planning business with Bridge Partners Pty Ltd acquired the self managed superannuation fund operations from the accounting firm Bridge Partners Pty Ltd for \$0.688m.

Note 4: Revisions of Accounting Estimates

The Company has not made any changes in estimates of amounts reported in prior annual reporting periods.

Note 5: Accumulated Losses

	Half-year	
	2007	2006
	\$	\$
Total Accumulated Losses at the beginning of the half-year	(1,012,451)	(6,259,114)
Profit for the half-year	3,109,985	1,337,835
Dividends paid	<u>(2,463,634)</u>	<u>(856,183)</u>
Total Accumulated Losses at the end of the half-year	<u>(366,100)</u>	<u>(5,777,462)</u>

Note 6: Dividends

	Half-year	
	2007	2006
	\$	\$
Dividends paid during the half-year:		
Ordinary Shares	<u>2,463,634</u>	<u>856,183</u>
Proposed dividends not recognised at the end of the half-year	<u>1,916,159</u>	<u>649,902</u>

Note 7: Segment Information

The Company operates in one business segment, being investing solely in Australia.

Note 8: Issuances, Repurchases & Repayments of Debt & Equity Securities

A total of 3,333,333 ordinary shares in Prime were issued during the half year as a result of the exercise of options. All shares were issued at 20 cents per share.

During July 2007 Prime drew down on commercial bills totalling \$2.4m for acquisitions. As at 31 December 2007, Prime had repaid \$5.8m of commercial bills.

Note 9: Commitments & Contingent Liabilities

As at the date of this financial report, a commitment existed for the Company to pay the third and final instalment of \$1,000,000 for the 45% acquisition of Armytage private Ltd on the 11th July 2008. The second instalment of \$1,000,000 was paid on 11th July 2007.

Prime Financial Group Ltd

Director's Declaration

The directors declare that the financial statements and notes set out on pages 5 to 13 in accordance with the *Corporations Act 2001*:

- (a) Comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*, and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Prime Financial Group Ltd will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Christopher Newman
Director

Melbourne
Date 20 February 2008

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF PRIME FINANCIAL GROUP LTD**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Prime Financial Group Limited. The half-year financial report comprises the condensed consolidated balance sheet as at 31 December 2007, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, for the company and the entities it controlled at the half-year or from time to time during the period, together with a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of Prime Financial Group Ltd are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Prime Financial Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Prime Financial Group Ltd is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PITCHER PARTNERS
Melbourne

B J BRITTEN
Partner
20 February 2008