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national financial services  
& advisory group



# Annual Report 2010

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Prime is a national diversified financial services and advisory group operating across: Financial Planning, Self Managed Superannuation and Accounting.

Prime's aim: to deliver financial planning, self managed superannuation and accounting services through a team of specialist advisers, to support our client's goals and objectives through the convenience of a single service provider - we call this 'integrated financial advice'.



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## **PRIME**

Prime Financial Group Ltd's ('Prime's') operations are focussed in Victoria, New South Wales, Western Australia and Queensland. In the last twelve months all states have grown in client numbers and Funds Under Management ('FUM') as the business has expanded with a focus on client service.

Our dedicated team of staff directly in Prime and through our investees, numbers in excess of 200.

## **STRATEGY**

Prime's strategy is to invest in quality people and businesses, and to build efficient processes that leverage our core strengths which include delivering integrated financial advice and services for clients via a team approach.

Prime's business model is focussed on Financial Planning, Self Managed Superannuation and Accounting Services where we have a strong history of success, a proven business model and where opportunities for growth are available.

We prefer to grow organically, however we will tuck-in complementary businesses and invest in new businesses that can provide scale benefits or additional services that are appropriate for our clients.

Prime avoids investing in principal dependent businesses and mitigates key person risk by building teams and supporting their development.

Prime aims to become a client's key trusted adviser, central to the ongoing delivery of services to them. Prime's value add is through unbiased strategic advice via our connected service lines of Financial Planning, Self Managed Superannuation and Accounting Services. We seek to eliminate unnecessary and duplicated costs that clients often incur using a multitude of service providers in the financial services sector. By eliminating inefficient practices for clients and multiple service providers, we can deliver a more cost effective service and generate higher margins.

A cornerstone strategy for Prime has, and continues to be, centralising services and infrastructure where efficiencies can be gained and operating margins can be maximised whilst not impacting on the delivery of quality services to clients.

Prime encourages staff ownership and an equity interest in both Prime and the group businesses and advocates both a co-investment structure, often a 50/50 shared equity interest in new business investments, and/or through a strongly supported employee share plan. We believe all interests are best served where the team delivering the services to clients have an equity interest and therefore a vested interest in the ongoing development and success of the business and advice we provide clients.

In summary, Prime's strategy is to continue its organic growth across Financial Planning, Self Managed Superannuation and Accounting via both its retail and wholesale distribution base. Importantly, the wholesale distribution base provides access to over 40,000 potential clients and will continue to be a source of future growth.

Prime will selectively consider acquisitions that integrate with Prime's core operations of Financial Planning, Self Managed Superannuation and Accounting, particularly with reference to improving scale and margin accretion.



## Chairman's Report

I am pleased to report that the company achieved a substantial growth in operating results for 2010. This result reflected a strong business recovery after the effects of the Global Financial Crisis with normalised EBIT increasing 26% to \$5.36M from \$4.24M in 2009. The profit after tax for 2010 was \$3.66M compared to \$1.08M in 2009.

The other core business objectives, including consolidation of existing Financial Planning operations and expanding the client services offering, were implemented, positioning the company for future growth. The proposed legislative changes within the Financial Services sector are not expected to impact on the company or the current business model.

The Directors believe the business is well positioned for growth with an increasing level of service provided to clients, utilising our industry competitive fee structure. Consideration will be given to appropriate tuck in acquisitions, but only if they meet our investment criteria and provide superior returns and benefits.

The Directors are pleased to announce a final dividend of 0.75 cents per share, which when added to the interim dividend of 0.75 cents per share, brings the full year dividend to 1.5 cents per share. This equates to a dividend payout ratio of approximately 66% which exceeds Prime's dividend guidance of a payout ratio of 50% - 60% which was subject to potential acquisitions and debt reduction.

The 2011 financial year has commenced well, but due to market volatility and economic uncertainty the Directors believe that profit guidance is difficult at this time.

**Stuart James**  
Chairman

Melbourne  
19 August 2010

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# Managing Director and CEO's Report

The 2010 financial year, as forecast at the November 2009 Annual General Meeting (AGM) has seen a significant improvement in Prime's operating performance. This has included a 26% increase in normalised EBIT, a reduction in net debt and a return to paying dividends. Stock market volatility subsided over the course of the year and the stock market ended the financial year 9.9% higher than it commenced, even though it tailed off in the final few months.

The overhead and operational adjustments that were made to strengthen and consolidate Prime in 2009 to position the business for future growth and margin improvement have been successfully implemented and have been a strong contributor to the result.

Clients have increasingly sought advice with overall investment and Financial Planning activity increasing.

The industry focus in the past months by the government has been around proposed changes to the Financial Services sector, Self Managed Superannuation Funds (SMSF's) and Superannuation. Importantly, these proposed changes, which would still have to be legislated, will not materially impact our group as Prime's business model has and continues to be structured/positioned to deliver financial services where clients make a direct payment to Prime for those services.

## SUMMARY

- Normalised Profit After Tax up 34% to \$3.66M;
- Dividends reinstated in 2010 at 1.5 cents per share (CPS);
- Normalised EBIT up 26% on FY09;
- Group overheads lower in FY10 due to integration and operational efficiencies;
- Financial Planning new business and recurring income up a combined 13%;
- New funds under management (FUM) in FY10 of approximately \$80.0M;
- Maintained a higher level of client contact, servicing existing clients;

- Self Managed Superannuation (SMS) steady, opportunities exist for growth and cross-selling of Investment, Accounting & Administration services;
- Accounting Firm contribution to earnings in line with FY09;
- Prime's focussed business model across Financial Planning, Self Managed Superannuation and Accounting Services now contributes 100% of Prime's revenue;
- Kept a low level of gearing and reduced debt levels during FY10 to 7% net debt; and
- Remained cash flow positive.

## OPERATIONS

Prime's business model has proved resilient over the past two years and in FY10 has returned to its growth profile with a substantial improvement in operational performance. Subject to the future performance of stock markets and the economic outlook, Prime remains confident of a continuing improvement in short-term operating profits and growth in long-term shareholder value.

Financial Planning new business and recurring income in both the 'Retail and Wholesale' Financial Planning operations have steadily improved in line with stock markets and client confidence. The group operating margin has improved from 36% in FY09 to 43% in FY10, a substantial improvement achieved through a combination of cost control and revenue improvements.

Prime continues to see strong long-term opportunities for growth in Financial Planning via the expansion of its client centric independent operating model free from conflicts of interest. This structure, which the wider Financial Services Industry is now moving to, ideally places Prime to take advantage of the significant opportunities to advise clients by promoting its competitive, integrated service offering.

Prime's Self Managed Superannuation & Accounting Services Investments have been consistent performers. The earnings contribution from these areas has been in line with FY09 however this area presents opportunity for improvement in its own right, separate to the support it provides for growing Financial Planning revenue and FUM.

Prime's primary focus will remain on organic growth in Financial Planning & Self Managed Superannuation; however Prime has and continues to selectively consider acquisitions in its core operations where there are clear benefits for consolidation and margin improvement and where those acquisitions can integrate with current operations.

**THE TEAM**

Prime's dedicated team of professionals are an important component of the Company's growth plan.

The Prime team was dedicated to delivering quality service and ongoing advice to clients over the past 12 months. In an economic environment that was and continues to be challenging for clients and staff, Prime benefited from the Group's combined skills and resources.

Prime will continue to support the ongoing career development of its staff and provide the appropriate environment and resources to help develop knowledge, capabilities and personal growth.

I thank the team for their efforts and look forward to their ongoing contribution and encourage new ideas for the continued development of the Group and client offering. Directors also strongly acknowledge the advantages of aligning staff interests with those of shareholders in order to build long-term shareholder value. In line with this, Prime will continue to promote and encourage staff participation in the Group's Employee Share Plan (ESP).

**LOW DEBT**

Prime has taken a prudent approach and reduced debt levels in FY10 further from FY09 levels. Prime has a low gearing level with net debt of \$5.0M at 30 June 2010 equating to a gearing ratio of approximately 7%.

**DIVIDEND POLICY**

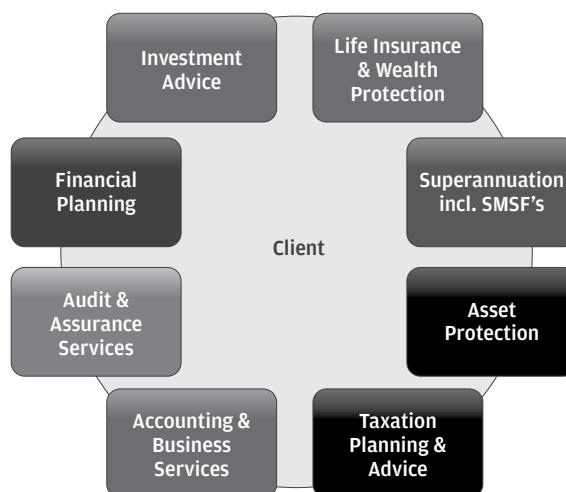
Directors are pleased to reinstate Prime's dividend programme after a period of restraint in FY09. The full year dividend of 1.5 CPS represents a dividend payout ratio of approximately 66%. Subject to potential acquisitions and debt reduction, Prime's Directors expect that future payouts will be in line with these levels.

**INTEGRATED FINANCIAL ADVICE**

As a national diversified financial services and advisory group, Prime can service clients across a broader range of areas and provide 'integrated financial advice' and services for our clients' individual, business and investment needs.

Prime's financial advisory services cater to the full range of issues impacting a client's financial situation. Unlike most services available, it brings together a team of advisers in Financial Planning, Self Managed Superannuation and Accounting, in order to achieve the most appropriate solution for a client's needs, rather than assessing their circumstances in isolation.

Prime aims to become a client's key trusted adviser, central to the ongoing delivery of services for them. Prime's value add is through unbiased strategic advice through correlated services across our core service lines of Financial Planning, Self Managed Super Funds and Accounting Services. We seek to eliminate unnecessary and duplicated costs that clients often incur using a multitude of service providers in the financial services sector. By eliminating inefficient practices for clients and multiple service providers we can deliver a more cost effective service and generate higher margins.





## **A TEAM OF FINANCIAL ADVISERS AND SERVICES THAT HELP OUR CLIENTS REACH THEIR FINANCIAL GOALS**

Prime's financial services are personalised to our clients' needs.

We can adopt a comprehensive approach to the management of a client's financial affairs, taking into account issues such as financial planning, investment advice and structures, portfolio management and administration, superannuation, including self managed superannuation advice, and tax considerations. Alternatively, advice can be limited to a particular service or situation.

## **FINANCIAL PLANNING, SELF MANAGED SUPERANNUATION & ACCOUNTING**

Prime's Financial Planning and Self Managed Superannuation operations include direct to market retail and 50/50 equity/distribution relationships with 30 accounting firms. The Financial Planning operations enjoyed improved conditions during the year including an increase in new business and recurring income as the Australian stock market and world stock markets experienced improvement and investment confidence reached higher levels.

The year included new FUM from clients of approximately \$80.0M as both new and existing clients provided Prime with additional funds to manage and advise on. Prime continued to focus attention on ensuring existing clients were well serviced and advised. This strategy meant that during the past two years the Financial Planning operations did not lose a significant number of its well diversified client base. Moreover, Prime's focus on long term planning and ongoing management with clients positioned the operations well.

Subject to the impact of sharemarkets and the prevailing economic environment Prime will be seeking to grow operating revenue through:

- further development of the retail Financial Planning & Self Managed Superannuation operations;
- ownership in distribution and access to over 40,000 potential clients for Financial Planning via structured equity/distribution relationships with 30 accounting firms;

- the ability to offer clients access to Direct Equity investing;
- Prime's integrated SMSF offering and the growing SMSF sector;
- established referral systems driving access to new client opportunities across the Group;
- fostering long-term client relationships with existing clients and where appropriate the provision of additional services to existing clients;
- continued superannuation inflows and exposure to mandated superannuation; and
- Prime's independent operating model and prospective industry changes which are likely to favourably impact on Prime's business model.

## **Financial Planning**

Prime's Financial Planning operation is the main contributor to earnings. Services broadly include:

- Financial Planning - Wealth Creation and Retirement Planning Advice;
- Investment Advice - Direct Investment Management;
- Wealth Protection and Life Insurance; and
- Superannuation Advice including SMSF's.

Prime's client centric direct service offering supported through Prime's independent operating model will provide the opportunity to build upon this already successful area of operation. Client value is added through eliminating duplicated service providers, and therefore costs for clients. New client referrals from both the retail and wholesale distribution base of investees, plus the appropriate provision of additional services to existing clients have sustained the growth profile.

## **SMSF's and Direct Equities**

SMSF's are the fastest growing area in superannuation and as a result of the substantial growth in this sector, Prime established a full service offering for clients covering investment advice (including direct equities), online reporting and compliance requirements. Prime's fully integrated SMSF service also includes access to a web based portfolio administration service which will allow SMSF trustees to keep track of their investment portfolio online.



Prime's Direct Equities advisory service is designed to assist with developing, reviewing and managing a client's direct equities portfolio. This service is also appropriate for clients with a SMSF who wish to actively participate in the selection of investments and would receive quality information, research and advice.

There is a significant opportunity for advisers and accountants working together in the SMSF sector. Prime has commenced capitalising on this opportunity by providing clients with an integrated SMSF service. By offering clients a full and comprehensive SMSF service there are few limitations to what Prime can provide from an advice perspective.

#### Accounting

Accounting Firms may not typically grow at the rate of other sectors of the financial services industry; however they generally do not suffer as much during an economic slowdown with clients continuing to seek advice from their accountant, especially with respect to business advice and asset protection strategies.

Prime's Accounting operations have performed, in FY10, in line with FY09. However, a more active programme to develop revenue streams is being undertaken as part of Prime's 'Integrated Advice Model'.

Prime's Accounting Firm investees and team of accountants and advisers are located in Victoria, New South Wales, Western Australia and Queensland and assist with the provision of our 'integrated financial advice' model for clients. This service provides clients with access to a full range of accounting, taxation and business services advice for their individual and business needs, including:

- Accounting and Business Services;
- Taxation Planning and Advice;
- Asset Protection; and
- Audit and Assurance Services.

#### THE YEAR AHEAD

The continued implementation of Prime's business plan and progressive improvement in stock markets will result in delivering long-term shareholder value.

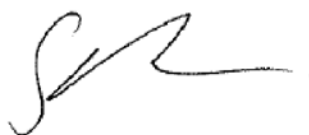
Prime's business model continued to prove resilient and in FY10 Prime saw a significant improvement in operating performance and earnings.

Future growth can be optimised by continuing to execute the core business plan which has been in place for 11 years.

It is important to note the following:

- Prime has a focussed strategy in its core operating areas of Financial Planning, Self Managed Superannuation and Accounting Services which are considered high growth areas;
- Prime generated approximately \$80.0M in new FUM in FY10 with little client loss;
- Asset based ongoing service fees increase as new clients join the group and sharemarket values increase;
- The Company has positive cash flow from operating activities;
- The Company has returned to paying dividends in FY10;
- The Company's gearing ratio is lower than FY09 and in FY10 is 7%.

The team looks forward to continuing to grow Prime and are focussed on improving shareholder value and ongoing client service.



**Mr Simon Madder**  
Managing Director and CEO



# Directors' Report

The Directors present their Report together with the financial report of the consolidated entity consisting of Prime Financial Group Ltd (Prime) and the entities it controlled ('the Group'), for the financial year ended 30 June 2010 and auditors report thereon. This financial report has been prepared in accordance with Australian Equivalents of International Financial Reporting Standards.

Compliance with Australian equivalents of International Financial Reporting Standards ensures compliance with the International Financial Reporting Standards ('IFRS').

## OVERVIEW

Prime and the Group delivered a full year profit after tax of \$3,663,362.

Prime achieved substantial growth in operating results for 2010. This result reflected a strong business recovery after the effects of the Global Financial Crisis with normalised EBIT increasing 26% to \$5.36M from \$4.24M in 2009.

Prime's business model has proved resilient over the past two years and in FY10 has returned to its growth profile with a substantial improvement in operational performance. Subject to the future performance of stock markets and the economic outlook, Prime remains confident of a continuing improvement in short-term operating profits and growth in long-term shareholder value.

Financial Planning new business and recurring income in both the 'Retail and Wholesale' Financial Planning operations have steadily improved in line with stock markets and client confidence. The group operating margin has improved from 36% in FY09 to 43% in FY10, a substantial improvement achieved through a combination of cost control and revenue improvements.

Prime continues to see strong long-term opportunities for growth in Financial Planning via the expansion of its client centric independent operating model free from conflicts of interest. This structure, which the wider Financial Services Industry is now moving to, ideally places Prime to take advantage of the significant opportunities to advise clients by promoting its competitive, integrated service offering.

Prime's Self Managed Superannuation & Accounting Services Investments have been consistent performers. The earnings contribution from these areas has been in line with FY09 however this area presents opportunity for improvement in its own right, separate to the support it provides for growing Financial Planning revenue and FUM.

Prime's primary focus will remain on organic growth in Financial Planning & Self Managed Superannuation; however Prime has and continues to selectively consider acquisitions in its core operations where there are clear benefits for consolidation and margin improvement and where those acquisitions can integrate with current operations.

## PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were Financial Planning, Self Managed Superannuation and Accounting Services.

## RESULTS

The consolidated profit after income tax was \$3,663,362 (2009: \$1,078,058). Prime's normalised EBIT increased by 26% to \$5,358,369 compared to the previous year.

## AFTER BALANCE DATE EVENTS

There has not been any matter or circumstance that has arisen since the end of the financial year, that has significantly affected the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future periods.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the 2010 financial year there were no significant changes in the state of affairs of the Company.

## STRATEGY

Prime's strategy is to invest in quality people and businesses, and to build efficient processes that leverage our core strengths which include delivering integrated financial advice and services for clients via a team approach.

Prime's business model is focussed on Financial Planning, Self Managed Superannuation and Accounting Services where we have a strong history of success, a proven business model and where opportunities for growth are available.

We prefer to grow organically, however we will tuck-in complementary businesses and invest in new businesses that can provide scale benefits or additional services that are appropriate for our clients.

Prime avoids investing in principal dependent businesses and mitigates key person risk by building teams and supporting their development.

Prime aims to become a client's key trusted adviser, central to the ongoing delivery of services to them. Prime's value add is through unbiased strategic advice via our connected service lines of Financial Planning, Self Managed Superannuation and Accounting Services. We seek to eliminate unnecessary and duplicated costs that clients often incur using a multitude of service providers in the financial services sector. By eliminating inefficient practices for clients and multiple service providers, we can deliver a more cost effective service and generate higher margins.

A cornerstone strategy for Prime has, and continues to be, centralising services and infrastructure where efficiencies can be gained and operating margins can be maximised whilst not impacting on the delivery of quality services to clients.

Prime encourages staff ownership and an equity interest in both Prime and the group businesses and advocates both a co-investment structure, often a 50/50 shared equity interest in new business investments, and/or through a strongly supported employee share plan. We believe all interests are best served where the team delivering the services to clients have an equity interest and therefore a vested interest in the ongoing development and success of the business and advice we provide clients.

In summary, Prime's strategy is to continue its organic growth across Financial Planning, Self Managed Superannuation and Accounting via both its retail and wholesale distribution base. Importantly, the wholesale distribution base provides access to over 40,000 potential clients and will continue to be a source of future growth.

Prime will selectively consider acquisitions that integrate with Prime's core operations of Financial Planning, Self Managed Superannuation and Accounting, particularly with reference to improving scale and margin accretion.

## ENVIRONMENTAL REGULATION

The consolidated entity's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

## DIVIDEND PAID, RECOMMENDED AND DECLARED

During the 2010 financial year, Prime paid an interim fully franked dividend of 0.75 cents per ordinary share in respect of the half year result. Prime has resolved to pay a final fully franked dividend of 0.75 cents per ordinary share in respect of the full year result. Prime did not declare any dividends in respect of the 12 months result to 30 June 2009.

## SHARE OPTIONS

There were no options granted during the financial year.



## SHARES UNDER OPTION

Unissued ordinary shares of Prime under option, as at the date of this report, are as follows:

### 2010

Options outstanding as at 30 June 2009	Options granted	Options expired	Options outstanding as at 30 June 2010	Exercise price of shares (\$)	Expiry date of options
1,000,000	-	(1,000,000)	-	0.20	31/12/09
75,763	-	(75,763)	-	0.92	30/06/10
105,103	-	-	105,103	0.25	30/06/11

### 2009

Options outstanding as at 30 June 2008	Options granted	Options expired	Options outstanding as at 30 June 2009	Exercise price of shares (\$)	Expiry date of options
681,492	-	(681,492)	-	1.04	30/06/09
284,611	-	(284,611)	-	1.12	30/06/09
123,667	-	(123,667)	-	1.21	30/06/09
1,227,880	-	(1,227,880)	-	0.56	30/06/09
1,000,000	-	-	1,000,000	0.20	31/12/09
75,763	-	-	75,763	0.92	30/06/10
-	105,103	-	105,103	0.25	30/06/11

105,103 options were granted to investee companies on 22 October 2008 with an exercise period from 30 June 2010 to 30 June 2011 with an exercise price of \$0.25. As at grant date all options had a fair value of nil. There were no members of the Key Management Personnel who held any options during the periods ending 30 June 2010 and 30 June 2009.

No option holder has any right under the options to participate in any share issue of the Company.

## SHARES ISSUED ON EXERCISE OF OPTIONS

There were no ordinary shares in Prime issued during the financial year as a result of the exercise of options.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

As outlined in the Company's constitution, to the extent permitted by law, the Company indemnifies every person who is or has been an officer of the Company against any liability incurred by that person, as such an officer of the Company, and to a person other than the Company or a related body corporate of the Company, unless the liability arises out of conduct on the part of the officer which involves a lack of good faith, or is contrary to the Company's express instructions.

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The Company indemnifies every person who is or has been an officer of the Company against any liability for costs and expenses incurred by the person in his or her capacity as an officer of the Company, in defending any proceedings, whether civil or criminal, in which judgement is given in favour of the person or in which the person is acquitted, or in connection with an application, in relation to such proceedings, in which the Court grants relief to the person under the Corporations Law.

Insurance premiums of \$16,618 were paid during the financial year, for all Directors and Officers of the consolidated entity.

No indemnities have been given, or insurance premiums paid for auditors of the Company.

#### PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

#### INFORMATION ON DIRECTORS AND COMPANY SECRETARY

The qualifications, experience and special responsibilities of each person who has been a Director of Prime at any time during or since the end of the financial year is provided below, together with details of the company secretary as at the year end.

**Mr Stuart James** BA (Hons)  
Chairman (Appointed 16 May 2006)

Mr James has held a number of high profile executive positions during his career and has extensive experience in the financial services sector. Mr James' past roles have included Managing Director of Australian Financial Services for Colonial and Managing Director of Colonial State Bank (formerly the State Bank of N.S.W). Mr James' most recent executive role was as CEO of the Mayne Group. He is also a Member of the Supervisory Board of Wolters Kluwer NV and a Member of the Advisory Board of Gresham Private Equity Ltd. Mr James is the Chairman of Pulse Health Ltd, Progen Pharmaceuticals Ltd, NED of Greencross Ltd and former Director of Coneco Ltd (now World Wide Entertainment Limited). Mr James is a member of the Audit Committee and Chairman of the Remuneration and Nomination Committees.

**Mr Simon Madder** B.Comm  
Managing Director & CEO (Appointed 2 January 2007)

Mr S Madder is the Managing Director and CEO of Prime. Mr S Madder was the co-founder and Managing Director of Prime Development Fund Ltd ('PDF') (since 1998). Mr S Madder has 13 years experience in the financial services and advisory industry across operations, strategy and acquisitions. Mr S Madder is a member of the Remuneration and Nomination Committees.

**Mr Stephen Bennett** B.Bus, FCA  
(Appointed 2 January 2007)

Mr Bennett has 30 years experience in the accounting profession in both an international firm and Sydney based Wynn & Bennett Pty Ltd ('Wynn & Bennett'), where he is Managing Partner. Apart from providing taxation and accounting solutions, he is heavily involved in providing business and structuring advice to start up and growing businesses. Mr Bennett is the Chairman of the Audit Committee and member of the Remuneration Committee.

**Mr Peter Madder** FCA, FCPA, ACIS  
(Appointed 2 January 2007)

Mr P Madder is the co-founder of PDF and has also been the Managing Partner of two accounting firms. Mr P Madder has 30 years experience advising clients on financial matters as a Chartered Accountant, as well as experience across business structuring, corporate finance and acquisitions. Mr P Madder is a member of the Audit and Nomination Committees.

**Mr Campbell Kennedy** B.Comm, CA, Grad Dip App Corp Gov  
Company Secretary (Appointed 2 February 2005)

Mr C Kennedy is a Chartered Accountant who has more than 11 years experience in a variety of accounting roles, both in Australia and the United Kingdom.



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#### DIRECTORS' MEETINGS

The number of meetings of the Board of Directors and of each Board Committee held during the financial year and the number of meetings attended by each Director were:

	Board of Directors		Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended
Mr James	11	11	3	2
Mr S Madder	11	11	0	0
Mr Bennett	11	10	3	3
Mr P Madder	11	11	3	3

A meeting of the Remuneration Committee was held during the year ending 30 June 2010 and attended by all Directors who were members of the Remuneration Committee.

#### DIRECTORS' INTERESTS IN SHARES OR OPTIONS

Directors' relevant interests in shares and options over shares in the company are detailed below:

Director's relevant interests in:	Ordinary shares	Options over shares
Mr James	3,900,000	-
Mr S Madder	8,587,439	-
Mr Bennett	496,843	-
Mr P Madder*	4,195,560	-

\* Includes partly paid shares.

#### DIRECTORS' INTERESTS IN CONTRACTS

Mr Bennett is the Managing Director of, and shareholder in Wynn & Bennett, in which PDF is a significant shareholder. Mr Bennett receives a commercial remuneration in respect of this role.

During the financial year, interests associated with Mr P Madder received consulting fees for work performed on a commercial basis (refer also note 23).

Mr Stuart James is a Director of Balnave Capital Group Pty Ltd ('Balnave'). Balnave has been contracted by Prime to provide research advice. Fees will be paid on a commercial basis. No fees were paid during the 2010 financial year (refer also note 23).

#### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration under section 307C in relation to the audit of the financial year is provided with this report.

#### REMUNERATION REPORT

The Board and the Remuneration Committee assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

The Board policy for determining the nature and amount of remuneration of Directors is agreed by the Board of Directors as a whole. Remuneration for executives is determined by the Board's Remuneration Committee.

The Board and its Remuneration Committee has the right to obtain professional advice, where necessary. During the year, the Remuneration Committee sought external advice to confirm the appropriateness of Prime's remuneration policies.

**(I) PRINCIPLES OF COMPENSATION**

The Company will remunerate its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy, and subject to the determination of the Remuneration Committee, the remuneration of senior executives may be comprised of the following:

- Fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- A performance bonus designed to reward actual achievement by individuals of performance objectives and for materially improved Company performance;
- Participation in any Executive Share Plan and Executive Option Plan which the Company may establish; and
- Superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company's objective is to align the interests of senior executives with those of shareholders and increase performance of the Company.

The philosophy of deploying this remuneration structure/strategy is to provide a clear intention to improve the Company's fiscal performance, and thereby increase underlying shareholder value.

The executive management team are eligible for a bonus based on the principles outlined above, and a set of clearly defined KPIs relating to growing the company and its earnings. Any bonus payment is at the sole discretion of the Remuneration Committee.

Non-Executive Directors are paid their fees within the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not, and will not receive performance based bonuses and shall not participate in equity-based remuneration schemes of the Company which the Company may elect to establish in the future. Non-Executive Directors are entitled to statutory superannuation, in accordance with the law.

**(II) KEY MANAGEMENT PERSONNEL**

**Non-Executive Directors**

Mr Stuart James	Non-Executive Chairman
Mr Stephen Bennett	Non-Executive Director

**Executive Directors**

Mr Simon Madder	Managing Director and CEO
Mr Peter Madder	Executive Director - Accounting Investees and Acquisitions

**Other Key Management Personnel**

Mr Steven Carroll	Manager Financial Planning
Mr Mark Johnson	Manager Equities and Research
Mr Nick Pike	Manager Investments
Mr Alistair Piercy	Manager Paraplanning and Technical
Mr Campbell Kennedy	Chief Financial Officer and Company Secretary



(III) KEY MANAGEMENT PERSONNEL COMPENSATION

2010	Short-term			Post employment		Long-term	Share-based	Total	Total performance related
	Salary/fees	Cash bonus	Non-monetary	Super	Retirement benefits	Incentive plans	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-Executive Directors</b>									
Mr S James	91,743	-	-	8,257	-	-	-	100,000	0
Mr S Bennett	34,604	-	-	396	-	-	-	35,000	0
<b>Sub-total</b>	<b>126,347</b>	<b>-</b>	<b>-</b>	<b>8,653</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>135,000</b>	
<b>Executive Directors</b>									
Mr S Madder	400,000	-	-	36,000	-	-	-	436,000	0
Mr P Madder*	302,500	-	-	-	-	-	-	302,500	0
<b>Other Key Management Personnel</b>									
Mr S Carroll	195,917	-	-	17,633	-	-	-	213,550	0
Mr M Johnson	160,956	-	-	14,486	-	-	-	175,442	0
Mr N Pike	195,917	9,358	-	18,475	-	-	-	223,750	4
Mr A Piercy	178,106	-	-	16,030	-	-	-	194,136	0
Mr C Kennedy	160,550	-	-	14,450	-	-	-	175,000	0
	1,720,293	9,358	-	125,727	-	-	-	1,855,378	

\* The above includes executive services provided by Mr P Madder (refer note 23 for further details).

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2009	Short-term			Post employment		Long-term	Share-based	Total	Total performance related
	Salary/fees	Cash bonus	Non-monetary	Super	Retirement benefits	Incentive plans	Options		
	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-Executive Directors</b>									
Mr S James	89,708	-	-	-	-	-	-	89,708	0
Mr S Bennett	35,000	-	-	-	-	-	-	35,000	0
Mr C Newman	8,000	-	-	-	-	-	-	8,000	0
Mr L IaFrate	5,573	-	-	-	-	-	-	5,573	0
<b>Sub-total</b>	<b>138,281</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>138,281</b>	
<b>Executive Directors</b>									
Mr S Madder#	400,000	100,000	-	45,000	-	-	-	545,000	20
Mr P Madder*	361,625	-	-	-	-	-	-	361,625	0
<b>Other Key Management Personnel</b>									
Mr S Carroll	207,088	-	-	18,638	-	-	-	225,726	0
Mr M Johnson	155,655	-	-	14,009	-	-	-	169,664	0
Mr N Pike	207,088	-	-	18,638	-	-	-	225,726	0
Mr A Piercy	179,261	-	-	16,133	-	-	-	195,394	0
Mr C Kennedy	160,550	-	-	14,450	-	-	-	175,000	0
	<b>1,809,548</b>	<b>100,000</b>	<b>-</b>	<b>126,868</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,036,416</b>	

# Includes a \$100,000 cash bonus for Mr S Madder relating to the performance during the 2008 Financial Year.

\* The above includes executive services provided by Mr P Madder (refer note 23 for further details).

#### (IV) COMPENSATION BY CATEGORY

	Consolidated Entity	
	2010	2009
	\$	\$
Short-term employment benefits	1,729,651	1,909,548
Post employment benefits	125,727	126,868
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<b>1,855,378</b>	<b>2,036,416</b>



## (V) NUMBER OF SHARES HELD BY KEY MANAGEMENT PERSONNEL:

Key Management Personnel Compensation 2010					
	Balance 01/07/09	Received as remuneration	Options exercised	Net change other	Balance 30/06/10
<b>Non-Executive Directors</b>					
Mr S James	3,900,000	-	-	-	3,900,000
Mr S Bennett	100,000	-	-	396,843	496,843
<b>Sub-total</b>	<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>396,843</b>	<b>4,396,843</b>
<b>Executive Directors</b>					
Mr S Madder	8,587,439	-	-	-	8,587,439
Mr P Madder	4,195,560	-	-	-	4,195,560
<b>Other Key Management Personnel</b>					
Mr S Carroll	993,108	-	-	-	993,108
Mr M Johnson	679,920	-	-	-	679,920
Mr N Pike	897,490	-	-	-	897,490
Mr A Piercy	260,840	-	-	-	260,840
Mr C Kennedy	310,000	-	-	-	310,000
<b>Total</b>	<b>19,924,357</b>	<b>-</b>	<b>-</b>	<b>396,843</b>	<b>20,321,200</b>

### Explanation of Net Change Other

**Mr S Bennett** - during the financial year, interests associated with Mr S Bennett acquired 396,843 shares.

**Key management personnel 2009**

	Balance 01/07/08	Received as remuneration	Options exercised	Net change other	Balance 30/06/09
<b>Non-Executive Directors</b>					
Mr S James	3,900,000	-	-	-	3,900,000
Mr S Bennett	100,000	-	-	-	100,000
Mr C Newman*	443,000	-	-	-	443,000
Mr L IaFrate*	4,750,000	-	-	-	4,750,000
<b>Sub-total</b>	<b>9,193,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,193,000</b>
<b>Executive Directors</b>					
Mr S Madder	9,635,219	-	-	(1,047,780)	8,587,439
Mr P Madder	3,147,780	-	-	1,047,780	4,195,560
<b>Other Key Management Personnel</b>					
Mr S Carroll	843,108	-	-	150,000	993,108
Mr M Johnson	679,920	-	-	-	679,920
Mr N Pike	897,490	-	-	-	897,490
Mr A Piercy	260,840	-	-	-	260,840
Mr C Kennedy	310,000	-	-	-	310,000
<b>Total</b>	<b>24,967,357</b>	<b>-</b>	<b>-</b>	<b>150,000</b>	<b>25,117,357</b>

\* Closing balance at date of resignation as a Director.

Signed in accordance with a resolution of the Directors.



**Mr Stuart James**  
Chairman

19 August 2010



# Auditor's Independence Declaration

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19 August 2010

The Board of Directors  
Prime Financial Group Limited  
Level 17, Como Office Tower,  
644 Chapel Street,  
SOUTH YARRA VIC 3141

Dear Board Members

**AUDITOR'S INDEPENDENCE DECLARATION  
IN ACCORDANCE WITH SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF PRIME FINANCIAL GROUP LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Prime Financial Group Limited.

As lead audit partner for the audit of the financial report of Prime Financial Group Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporation Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

**Hugh D. Paton**  
Director  
William Buck Audit (VIC) Pty Ltd  
ABN 59 116 151 136

Dated in Melbourne, Australia on this 19<sup>th</sup> day of August 2010

Sydney  
Melbourne  
Brisbane  
Perth  
Adelaide  
Auckland

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# Corporate Governance Statement

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## OVERVIEW

The Board of Prime is committed to the highest standards of corporate governance, whereby shareholder' interests are paramount.

The Board is responsible for the corporate governance of the consolidated entity and monitors the business and affairs of Prime on behalf of all shareholders, by whom they are elected and to whom they are accountable.

In accordance with the Australian Stock Exchange's Corporate Governance 'Revised Principles and Recommendations' ('the Recommendations'), this Corporate Governance Statement is required to contain certain information and report on Prime's adoption of the Recommendations. To this end, disclosure is required in respect of any recommendations which have not been adopted by Prime, together with reasons why they have not been adopted.

Prime's Corporate Governance Policy is structured with reference to the Council's Recommendations, which are as follows:

### Prime's Corporate Governance Policy

Principle 1	Lay solid foundation for management and oversight
Principle 2	Structure the Board to add value
Principle 3	Promote ethical and responsible decision making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Remunerate fairly and responsibly

Prime substantially complies with the Recommendations. The Board aims to adhere to the Recommendations set down by the Council with due regard to economic practicalities and the underlying interests of stakeholders.

A full copy of the Prime's Corporate Governance Policy can be found on Prime's website ([www.primefinancial.com.au](http://www.primefinancial.com.au)).

## INDEPENDENCE

Recommendation 2.1 requires a majority of the Board to be independent Directors.

The Corporate Governance Council ('the Council') defines 'independence' as being free from any business or other relationship that could materially interfere with - or could reasonably be perceived to materially interfere with - the exercise of unfettered and independent judgement.

The Directors who are independent in accordance with the Council's definition are Mr James and Mr Bennett. Prime does not have a majority of independent Directors on the Board at this time, however, Prime does have an equal number of Directors who are independent and not independent. The composition of the Board shall be reviewed by Prime and the Board with due regard to Prime's evolving business activities.

Mr James (Chairman) is considered independent.

Mr Bennett is the Managing Partner of Wynn & Bennett Chartered Accountants (Wynn & Bennett), in which a subsidiary of Prime holds a 50% interest. Wynn & Bennett does not in its own right satisfy the definition of material investee. On this basis, Mr Bennett is considered independent.

Mr S Madder is the Chief Executive Officer and Managing Director of Prime. Mr S Madder is also the Managing Director of Prime Development Fund Pty Ltd (PDF) (Formerly Prime Financial Group Ltd) and is a co-founder (together with Mr P Madder) of that company which is a wholly owned subsidiary. Mr S Madder is not classified as independent.

Mr P Madder is the Chairman and co-founder of PDF. PDF is a wholly owned subsidiary and material investee of the Company. Mr P Madder is an executive of Prime and is considered to be an Executive Director. Mr P Madder is not classified as independent.

The Chairperson of the Board is currently Mr James who is an independent Director.



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The Board is required to establish a Nomination Committee to examine the selection and appointment of Directors. Prime has established a Nomination Committee which currently comprises Mr James (Chairman), Mr P Madder and Mr S Madder. No formal meeting of the Nomination Committee was held during the year ended 30 June 2010.

The Board undertakes periodic performance evaluations based upon appropriate commercial criteria, having due regard to the cost/ benefit thereof. The Board's performance shall be measured against both "qualitative" and "quantitative" indicators (subject to basic commercial principles). The objective of this evaluation is to adhere to "best practice corporate governance" for the Company. No formal performance evaluation of the Board members was undertaken during the year ending 30 June 2010.

Any other Directors shall be appointed, based on the specific governance skills required by the Company after detailed evaluation of the cost/ benefit to the Company, and hence its shareholders. The Company acknowledges that it will at all times require at least two Directors with (direct and current) experience in the financial services industry, having due regard to the Company's market and its current and intended activities.

### STRUCTURE OF THE BOARD

An effective Board is one that facilitates the efficient discharge of its duties under the law and adds value to Prime. The skills, experience and expertise of each Director of Prime as at the date of this Annual Report are included in the Directors' Report.

The term of office of each Director as at the date of this Annual Report is as follows:

Name	Term of office
Mr James	51 months
Mr S Madder	43 months
Mr Bennett	43 months
Mr P Madder	43 months

Prime has established procedures which enable the Board collectively and each Director individually to seek independent professional advice at the expense of Prime.

### CODE OF CONDUCT

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has committed to adhere to an underlying corporate "Code of Conduct" to guide compliance with legal and other obligations to legitimate stakeholders. A full copy of the Company's Code of Conduct can be found within the Company's Corporate Governance Policy on Prime's website ([www.primefinancial.com.au](http://www.primefinancial.com.au)).

### TRADING POLICY

The Company has implemented a Policy under which Designated Officers may only trade in the Company's securities during the four weeks commencing immediately after each of the three "trading windows". The three trading windows are, the release by the Company of its half-yearly results to the ASX, the release by the Company of its annual results to the ASX, and the close of the annual general meeting of the Company. If Designated Officers wish to trade in the Company's Securities outside of the trading windows, they must first seek permission from the Chairman. The Chairman will only approve the request where the Designated Officer has provided a compelling reason for needing to trade outside of the trading windows and the Designated Officer has confirmed that they are not in possession of any unpublished price sensitive information. A full copy of the Company's Trading Policy is contained in Prime's Corporate Governance Policy, which is publicly available on Prime's website.

### AUDIT COMMITTEE

The Board has established an Audit Committee. The Committee's Chairman is Mr Bennett. The other members of the Committee are Mr P Madder and Mr James. Two of the three Audit Committee members are independent Directors, being Mr Bennett and Mr James. Mr P Madder is not an independent Director. The qualifications of the Directors are included in the Directors' Report.

A formal charter of the Audit Committee's role and responsibilities is contained in Prime's Corporate Governance Policy, which is publicly available on Prime's website.

Details concerning the frequency of and attendance at meetings of the Audit Committee are included in the Directors' Report.

#### ASX LISTING RULES COMPLIANCE POLICY

The Company has a continuous disclosure policy to ensure compliance with its legal obligations and the ASX listing rules. This policy is contained in the Prime Corporate Governance Policy.

#### SHAREHOLDER COMMUNICATION

The Company recognises its role as a representative/charge of its shareholders. The Company will facilitate the effective discharge of its duty to shareholders. The Company, inter alia, is committed to communicating effectively with shareholders through releases to the market via ASX and information mailed to shareholders and the general meetings of the Company. Furthermore, communicating clearly and succinctly in relation to the general and fiscal affairs of the Company, in a plain manner. Allowing and enabling shareholders to participate in general meetings of the Company. The Company will also make available a telephone number and email address for shareholders to make enquiries of the Company, in relation to day to day enquiries.

#### REMUNERATION

The Board has established a Remuneration Committee. The members of the Committee are Mr James, Mr S Madder and Mr Bennett. A meeting of the Remuneration Committee was held during the year ending 30 June 2010 and was attended by all Directors who were members of the Remuneration Committee. The Chairman of the Remuneration Committee of Prime is Mr James, who is recognised as an independent Director in accordance with the definition of 'independence' contained in Prime's Corporate Governance Policy.

The disclosure of the nature and amount of each element of the fee and salary of each Director is included in the Directors' Report.

#### RISK MANAGEMENT

The Company recognises the importance of effective risk management. The Company's risk management policies are contained throughout Prime's Corporate Governance Policy. Measures taken by the Company to manage material risks, namely liquidity and interest rate risks are contained in this Annual Report. The Company also maintains rigorous quality control programmes.

Management has reported to the Board as to the effectiveness of the Company's risk management programmes and processes. The Board has also received assurance from the CEO and CFO that the s.295A declaration is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial risks.



# Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

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# Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Consolidated Entity	
		2010 \$	2009 \$
Revenue	3	12,395,413	12,282,935
Accounting expenses		(82,300)	(147,606)
Administrative expenses		(348,733)	(402,409)
Amortisation	4	(156,000)	(156,000)
Collection/ broking fees		(328,401)	(392,624)
Contractors' expense		(163,500)	(184,341)
Depreciation expense	4	(388,866)	(274,012)
Directors' fees		(135,000)	(138,282)
Employee benefits expense		(3,884,180)	(4,572,332)
Insurance		(210,319)	(201,474)
Interest expense	4	(551,985)	(739,518)
Legal fees		(183,624)	(153,175)
Licence fees		(43,699)	(42,415)
Listing and registry fees		(59,706)	(50,819)
Loss on sale of investments		-	(1,661,558)
Rent and outgoings		(311,195)	(403,536)
Travel		(109,401)	(111,591)
Other expenses from ordinary activities		(979,008)	(788,751)
Share of net profit of associates and partnerships accounted for using the equity method	10(i)	463,545	46,382
<b>Profit before income tax</b>		<b>4,923,041</b>	<b>1,908,874</b>
Income tax expense	5	(1,259,679)	(830,816)
<b>Profit for the year</b>		<b>3,663,362</b>	<b>1,078,058</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>3,663,362</b>	<b>1,078,058</b>
<b>Basic earnings per share</b>	21	<b>2.3</b>	<b>0.8</b>
<b>Diluted earnings per share</b>	21	<b>2.3</b>	<b>0.8</b>

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

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# Consolidated Statement of Financial Position

AS AT 30 JUNE 2010

	Notes	Consolidated Entity	
		2010	2009
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	1,433,095	3,224,130
Trade and other receivables	8	4,706,470	4,363,136
Other current assets	9	172,042	238,152
<b>Total current assets</b>		<b>6,311,607</b>	<b>7,825,418</b>
<b>NON CURRENT ASSETS</b>			
Receivables	8	1,804,454	1,855,395
Plant and equipment		892,422	583,919
Investments accounted for using the equity method	10	24,166,267	23,560,694
Intangible assets	11	44,643,590	44,799,590
<b>Total non current assets</b>		<b>71,506,733</b>	<b>70,799,598</b>
<b>Total assets</b>		<b>77,818,340</b>	<b>78,625,016</b>
<b>CURRENT LIABILITIES</b>			
Payables	12	1,498,175	1,060,506
Current tax payable	5	1,099,340	410,500
Provisions	13	437,619	409,208
Borrowings	14	1,343,051	9,076,354
<b>Total current liabilities</b>		<b>4,378,185</b>	<b>10,956,568</b>
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liabilities	5	43,384	74,594
Borrowings	14	6,093,384	1,666,466
<b>Total non current liabilities</b>		<b>6,136,768</b>	<b>1,741,060</b>
<b>Total liabilities</b>		<b>10,514,953</b>	<b>12,697,628</b>
<b>Net assets</b>		<b>67,303,387</b>	<b>65,927,388</b>
<b>EQUITY</b>			
Contributed equity	15	66,883,355	65,399,889
Treasury shares held	15	(2,653,365)	(100,598)
Accumulated profits	16	3,073,397	628,097
<b>Total equity</b>		<b>67,303,387</b>	<b>65,927,388</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.



# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated Entity	
	2010 \$	2009 \$
<b>TOTAL EQUITY AT THE BEGINNING OF THE YEAR</b>	65,927,388	64,855,148
Total comprehensive income for the year	3,663,362	1,078,058
	69,590,750	65,933,206
<b>Transactions with equity holders in their capacity as equity holders:</b>		
Dividends paid	(1,218,062)	(1,883,314)
Share buy-back	-	(288,051)
Issue of shares for capital raising	-	2,400,000
Issue of shares for an acquisition	102,433	-
Issue of shares for an employee share trust	1,386,000	-
Purchases of shares made by Prime for an employee share trust	(2,552,767)	(100,598)
Capital raising costs	(4,967)	(133,855)
	(2,287,363)	(5,818)
<b>TOTAL EQUITY AT THE END OF THE YEAR</b>	67,303,387	65,927,388

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Consolidated Entity	
		2010 \$	2009 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		12,880,453	12,520,876
Payments to suppliers and employees		(7,504,433)	(9,724,722)
Interest received		83,240	38,897
Dividends and distributions received		315,317	637,225
Interest paid		(551,985)	(739,518)
Income tax paid		(585,097)	(1,342,453)
<b>Net cash provided by operating activities</b>	17(a)	4,637,495	1,390,305
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for equity accounted investments		-	(2,197,472)
Payments for plant and equipment		(697,369)	(260,255)
Proceeds from disposal of equity investments		-	1,208,704
Loans repaid by other entities		(32,851)	-
<b>Net cash used in investing activities</b>		(730,220)	(1,249,023)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Share buy-back		-	(288,051)
Capital raising		-	2,208,779
Proceeds from borrowings		-	2,000,000
Repayment of borrowings		(3,306,385)	(69,366)
Purchases of shares made by Prime for an employee share trust		(1,173,863)	(100,598)
Dividends paid		(1,218,062)	(1,883,314)
<b>Net cash provided by/ (used in) financing activities</b>		(5,698,310)	1,867,450
<b>Net increase/ (decrease) in cash and cash equivalents</b>		(1,791,035)	2,008,732
Cash and cash equivalents at beginning of year		3,224,130	1,215,398
<b>Cash and cash equivalents at end of the year</b>	17(b)	1,433,095	3,224,130

The above Consolidated Statement of Cashflows should be read in conjunction with the accompanying notes.

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# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

## NOTE 1: BASIS OF PREPARATION

This financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report was approved by the directors as at the date of the director's report.

The financial report covers Prime Financial Group Ltd and controlled entities as a consolidated entity. Prime Financial Group Ltd is a company limited by shares, incorporated and domiciled in Australia.

The following is a summary of material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Compliance with IFRS

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards. Compliance with Australian equivalent International Financial Reporting Standards ensures compliance with International Financial Reporting Standards (IFRSs).

### Historical Cost Convention

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

#### (a) Principles of Consolidation

Details of the investments are contained in Note 23(a).

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.

#### (b) Revenue Recognition

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

Dividends and distributions received from associates are accounted for in accordance with the equity method of accounting for investments in associates.

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).

#### (c) 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.

#### (d) Plant and equipment

All classes of 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.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will eventuate and the cost of the item can be measured reliably.

#### 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.

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**NOTE 1: BASIS OF PREPARATION** continued

The useful lives for each class of assets are:

	2010	2009
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	3 to 20 years
Motor vehicles	5 years	5 years

(e) 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.

(f) Intangibles

*Goodwill*

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.

*Research and development*

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life, that has been determined as 5 years, and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(g) 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 amortisation 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.

(h) Taxes

Current income tax expense or revenue 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 recognised 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.

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*Tax consolidation*

The parent entity and its controlled entities have formed an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses, for the tax consolidated group. The tax consolidated group has also entered a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(i) 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.

(j) Investments

*Investments in associates*

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(k) Financial instruments

*Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

*Classification and subsequent measurement*

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost is calculated as:*

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- less any reduction for impairment.



The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interest in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

#### *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.

#### *Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

#### (l) 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.

#### (m) Equity-settled compensation

The group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

#### (n) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

### **NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are based on past performance and management's expectation for the future.

#### **CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The group makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed following:



(a) Estimated impairment of investments in associates, subsidiaries and goodwill

Investments are allocated to cash generating units (CGU's) according to applicable business operations. Prime has split its investments into two CGU's, the first for the financial planning operations and the second for the accounting operations. The recoverable amount of a CGU is based on value-in-use calculations. These calculations are based on projected cash flows approved by management covering a period not exceeding five years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using a discount rate of 11.4% to determine value-in-use for both CGU's. The financial planning CGU uses an average revenue growth rate of 12%, whilst the accounting CGU uses 5%. These assumptions have not changed from 2009.

(b) Income taxes

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**NOTE 3: REVENUE**

	Notes	Consolidated Entity	
		2010 \$	2009 \$
<b>REVENUES FROM OPERATING ACTIVITIES</b>			
Licence fees		1,774,652	1,435,028
Staff recoveries		1,068,549	1,575,153
Consulting fees		2,531,679	2,499,353
Brokerage Commission		2,737,188	2,057,054
Advice fees		2,871,778	2,432,104
Financial planning income		1,118,536	2,214,894
Total income from operating activities		12,102,382	12,213,586
<b>REVENUES FROM NON-OPERATING ACTIVITIES</b>			
Interest Received - from other persons		293,031	69,349
Total revenues		12,395,413	12,282,935



#### NOTE 4: EXPENSES

	Consolidated Entity	
	2010	2009
	\$	\$
Profit from ordinary activities before income tax has been determined after:		
<b>DEPRECIATION OF NON-CURRENT ASSETS</b>		
Computer equipment	312,614	172,322
Office equipment	21,377	32,835
Plant and equipment	23,270	32,640
Motor Vehicles	3,620	5,346
Leasehold Improvements	27,985	30,869
Total depreciation of non current assets	388,866	274,012
<b>AMORTISATION OF NON CURRENT ASSETS</b>		
Development Costs	156,000	156,000
<b>FINANCE COSTS</b>		
Interest expense	551,985	739,518

#### NOTE 5: INCOME TAX

<b>(A) THE COMPONENTS OF TAX EXPENSE:</b>		
Current tax	1,288,760	645,167
Deferred tax	(29,081)	185,649
Total Income tax expense	1,259,679	830,816
<b>(B) THE PRIMA FACIE TAX ON PROFIT DIFFERS FROM THE INCOME TAX PROVIDED IN THE FINANCIAL STATEMENTS AS FOLLOWS:</b>		
Total profit before income tax	4,923,041	1,908,874
At the statutory income tax rate of 30% (2009: 30%)	1,476,912	572,662
Add: Tax effect of:		
- Dividends received from associates	135,136	257,977
- Other non-allowable items	62,703	88,360
- Capital loss on sale of investments	-	498,467
Less: Tax effect of:		
- Accounting profit of associates	(139,064)	(13,917)
- Other allowable deductions	(90,031)	(287,834)
- Capitalisation deductions	(36,018)	(62,202)
- Imputation credits received	(135,136)	(222,697)
Under (over) provision in prior years	(14,823)	-
Income tax expense attributable to ordinary activities	1,259,679	830,816

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	Consolidated Entity	
	2010	2009
	\$	\$
<b>(C) TAX ASSETS AND LIABILITIES</b>		
Current tax payable		
- Opening Balance	410,500	1,107,786
- Tax paid	(585,097)	(1,342,453)
- Current tax payable	1,288,760	645,167
- Over provision in prior years	(14,823)	-
Closing balance	1,099,340	410,500
Deferred tax assets		
- Provision for employee entitlements	132,988	122,762
- Provision for audit fees	15,090	19,770
- Capital raising costs	39,100	52,874
	187,178	195,406
Deferred tax liabilities		
- Deferred revenue	230,562	270,000
Net Deferred tax asset liabilities	(43,384)	(74,594)
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 1(h) occur - tax losses: capital losses	498,467	498,467
<b>(D) DEFERRED INCOME TAX RELATED TO ITEMS CREDITED DIRECTLY TO EQUITY</b>		
- Capital raising costs	2,129	57,366
	2,129	57,366

**NOTE 6: DIVIDENDS ON ORDINARY SHARES****(A) DIVIDENDS PAID DURING THE YEAR**

(i) Current year interim Fully franked dividend	1,218,062	-
(ii) Previous year final Fully franked dividend	-	1,883,314
	1,218,062	1,883,314

**(B) FRANKING CREDIT BALANCE**

Balance of franking account at year-end adjusted for franking credits arising from payment of provision for income tax and after deducting franking credits:	5,144,689	4,282,240
Impact on the franking account of dividends recommended by the Directors since the year end but not recognised as a liability at year end	(522,027)	-
	4,622,662	4,282,240



#### NOTE 7: CASH AND CASH EQUIVALENTS

	Notes	Consolidated Entity	
		2010 \$	2009 \$
<b>CURRENT</b>			
Cash at bank		1,433,095	3,224,130
		1,433,095	3,224,130

#### NOTE 8: RECEIVABLES

<b>CURRENT</b>			
Trade receivables		1,314,901	1,489,251
Loans to related entities		3,168,174	2,676,536
Loan to executives	(a)	223,395	197,349
		4,706,470	4,363,136
<b>NON-CURRENT</b>			
Employees of Carroll Pike & Piercy Pty Ltd		1,804,454	1,855,395
		1,804,454	1,855,395

(a)

- Prime made an advance of \$129,841 during the 2006 financial year, to Mr C Kennedy, an officer of the Company to acquire 300,000 shares in the Company. The balance of this loan as at 30 June 2010 is \$147,079 (\$137,937 at 30 June 2009). Interest payable on the loan for the 30 June 2010 financial year is \$11,392. The interest rate used during the period was 8%. The highest amount of indebtedness during the 2010 financial year was \$147,079. The loan has been made on a non-recourse basis, as part of Mr C Kennedy's employment arrangements with the Company, on normal commercial terms (refer to note 23).
- PDF has made an advance of \$38,150 (\$29,701 at 30 June 2009) since the 2004 financial year, to Mr S Madder, a Director of the Company to acquire 160,575 shares in the Company. The Prime shares are held as security against the loan, with the Prime dividend payments offsetting the loan. Interest payable on the loan for the 2010 financial year is \$2,792. The interest rate used during the period was 8%. The highest amount of indebtedness during the 2010 financial year was \$38,150.
- PDF has made an advance of \$38,166 (\$29,711 at 30 June 2009) since the 2004 financial year, to Mr P Madder, a Director of the Company to acquire 160,575 shares in the Company. The Prime shares are held as security against the loan, with the Prime dividend payments offsetting the loan. Interest payable on the loan for the 2010 financial year is \$2,794. The interest rate used during the period was 8%. The highest amount of indebtedness during the 2010 financial year was \$38,166.

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**NOTE 9: OTHER CURRENT ASSETS**

	Consolidated Entity	
	2010	2009
	\$	\$
<b>CURRENT</b>		
Prepayments	51,599	117,709
Other assets	120,443	120,443
	172,042	238,152

**NOTE 10: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

Associated companies	24,166,267	23,560,694
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Interests are held in the following associated companies:

Name	Country of Incorporation	Ownership Interest held by consolidated entity	
		2010	2009
		%	%
Aintree Group Financial Services Pty Ltd	Australia	50	50
Brentnalls NSW Financial Services Pty Ltd	Australia	50	50
MGI Perth Financial Planning Pty Ltd	Australia	50	50
Bstar Financial Services Pty Ltd	Australia	50	50
Butler Settineri Financial Services Pty Ltd	Australia	50	50
CP Financial Planners Pty Ltd	Australia	50	50
Crispin & Jeffery Financial Services Pty Ltd	Australia	50	50
DM Financial Planners Pty Ltd	Australia	50	50
Dormers Financial Services Pty Ltd	Australia	40	40
GG Financial Services Pty Ltd	Australia	50	50
Hughes O'Dea Corredig Financial Services Pty Ltd	Australia	50	50
IMMS Financial Planning Pty Ltd	Australia	50	50
Lym Securities Pty Ltd	Australia	50	50
Madder & Co Financial Services Pty Ltd	Australia	50	50
McBurney Financial Services Pty Ltd	Australia	50	50
McHenry Financial Services Pty Ltd	Australia	50	50
Munro's Financial Advisors Pty Ltd	Australia	50	50
M V Anderson Financial Services Pty Ltd	Australia	50	50



**NOTE 10: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD continued**

Name	Country of Incorporation	Ownership Interest held by consolidated entity	
		2010 %	2009 %
ORD Nexia Financial Services Pty Ltd	Australia	50	50
Pacifica Financial Services Pty Ltd	Australia	50	50
Pascoe Partners Financial Services Pty Ltd	Australia	50	50
PRM Financial Services Pty Ltd	Australia	50	50
Prime Wealth Consultants Pty Ltd	Australia	50	50
Prior & Co Financial Services Pty Ltd	Australia	50	50
RMM Financial Services Pty Ltd	Australia	50	50
RJS Financial Solutions Pty Ltd	Australia	50	50
Rundles Financial Services Pty Ltd	Australia	50	50
Selingers Financial Services Pty Ltd	Australia	50	50
Signum Business Advisors Financial Services Pty Ltd	Australia	50	50
SPBS Financial Services Pty Ltd	Australia	50	50
Stanwycks Financial Services Pty Ltd	Australia	50	50
Wynn & Bennett Financial Services Pty Ltd	Australia	50	50
Bstar Pty Ltd	Australia	20	20
Demeyer Consulting Pty Ltd	Australia	50	50
Hughes O'Dea Corredig Pty Ltd	Australia	50	50
Ord Nexia Pty Ltd	Australia	50	50
Pacifica Pty Ltd	Australia	35	35
Rundles CPP Pty Ltd	Australia	50	50
Wynn & Bennett Pty Ltd	Australia	50	50

The principal activity of all the associates listed above is providing financial services, except for Bstar Pty Ltd, Demeyer Consulting Pty Ltd, Hughes O'Dea Corredig Pty Ltd, Ord Nexia Pty Ltd, Pacifica Pty Ltd, Rundles CPP Pty Ltd and Wynn & Bennett Pty Ltd, whose principal activities are providing accounting and/or business advisory services. Prime's voting power within its investments in associates is equivalent to its shareholding ownership. The associates listed above all have a year end and reporting date of 30 June 2010.

	<b>Consolidated Entity</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>(i) Share of associates' profit</b>		
Share of associates':		
- net profit before income tax	639,918	121,260
- income tax expense attributable to net profit	(176,373)	(74,878)
<b>Share of associate's net profit</b>	<b>463,545</b>	<b>46,382</b>
<b>(ii) Share of associates' revenues</b>	<b>11,498,356</b>	<b>11,633,722</b>
<b>(iii) Carrying amount of investment in associate</b>		
Balance at the beginning of the financial year	23,560,694	25,824,326
- Contributions to existing investments	473,344	1,197,473
- Share of associates' net profit for the financial year	463,545	46,382
- Dividends/ distributions received from associates	(331,316)	(637,225)
- Disposal of associate	-	(2,870,262)
<b>Carrying amount of investment in associate at the end of the financial year</b>	<b>24,166,267</b>	<b>23,560,694</b>
<b>(iv) Share of associates' assets and liabilities</b>		
Current assets	5,811,930	6,218,736
Non current assets	6,244,449	4,644,828
Current liabilities	(3,118,166)	(3,357,598)
Non current liabilities	(776,585)	(325,217)
<b>NET ASSETS</b>	<b>8,161,628</b>	<b>7,180,749</b>



**NOTE 11: INTANGIBLE ASSETS**

	Consolidated Entity	
	2010	2009
	\$	\$
<b>GOODWILL</b>		
Cost	44,234,500	44,234,500
	44,234,500	44,234,500
<b>DEVELOPMENT COSTS</b>		
Cost	799,090	799,090
Accumulated amortisation	(390,000)	(234,000)
	409,090	565,090
Total intangibles	44,643,590	44,799,590

Intangible assets represent goodwill on prior period acquisitions of subsidiary companies and associates in the financial services industry and their goodwill on acquisition of businesses in the financial services industry during the past five years. Goodwill has been accounted for at historical cost and carried forward on the basis that these subsidiaries/ businesses and the goodwill to which they relate have an indeterminate life.

**NOTE 12: PAYABLES**

<b>CURRENT</b>		
Trade creditors	117,177	189,438
Other creditors and accruals	252,560	175,141
GST payable	208,629	224,667
Loans from associates	919,809	471,260
	1,498,175	1,060,506

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**NOTE 13: PROVISIONS**

	Notes	Consolidated Entity	
		2010 \$	2009 \$
<b>CURRENT</b>			
Employee entitlements		437,619	409,208
<b>Movements in provisions other than employee benefit</b>			
Employee entitlements			
- Carrying amount at the beginning of the Year		409,208	418,880
- Additional provisions recognised		28,411	(9,672)
Carrying amount at the end of the year		437,619	409,208

**NOTE 14: BORROWINGS**

<b>CURRENT</b>			
Secured liabilities:			
Commercial bills	(a)	-	9,050,000
Bank loans	(b)	1,331,323	-
Other borrowings		11,728	26,354
		1,343,051	9,076,354
<b>NON CURRENT</b>			
Secured liabilities:			
Commercial bills	(a)	6,050,000	-
Bank loans		-	1,666,466
Other borrowings		43,384	-
		6,093,384	1,666,466

- (a) The commercial bills are secured by a registered fixed and floating charge over all assets and uncalled capital of the Group.
- (b) \$990,416 of the \$1,331,323 bank loan is secured by way of a fixed and floating charge over CPP, with Prime acting as guarantor to this bank loan. \$340,907 of the \$1,331,323 bank loan is secured by a registered fixed and floating charge over all assets and uncalled capital of the Group.



#### NOTE 15: CONTRIBUTED EQUITY

##### (A) ISSUED AND PAID UP CAPITAL

	Consolidated Entity	
	2010 \$	2009 \$
Ordinary shares fully paid	66,864,495	65,381,029
Ordinary shares partly paid	18,860	18,860
	66,883,355	65,399,889

Fully paid ordinary shares carry one vote per share and carry the right to dividends and the proceeds on winding up of the parent entity in proportion to the number of shares sold.

The 2,095,560 partly paid ordinary shares are partly paid to \$0.009 with \$0.891 to pay. Any or all of the partly paid shares may be paid in full or in part at the election of the holder at any time. The partly paid shares will confer fractional voting rights and dividend entitlements in accordance with and subject to the Listing Rules of Australian Securities Exchange.

##### (B) MOVEMENTS IN SHARES ON ISSUE

	Consolidated Entity 2010		Consolidated Entity 2009	
	No of shares	\$	No of shares	\$
Beginning of the financial year	156,472,470	65,399,889	137,585,618	63,421,795
Issued during the year				
- Shares issued for capital raising	-	-	20,000,000	2,400,000
- Share buy-back	-	-	(1,113,148)	(288,051)
- Shares issued for employee share plan	7,700,000	1,386,000	-	-
- Shares issued for capital contribution to associate	310,404	102,433	-	-
- Capital raising costs	-	(4,967)	-	(133,855)
End of the financial year	164,482,874	66,883,355	156,472,470	65,399,889

##### (C) TREASURY SHARES HELD

During the prior year the Group purchased 5,443,473 of its own issued ordinary shares. The shares are designated to be held in trust until they will be purchased by employees as part of the terms of the employee share scheme. Each share held by the Group retains the same voting rights, rights to dividends and capital distributions as those of other ordinary shareholders.

	Consolidated Entity	
	2010 \$	2009 \$
Opening balance	100,598	-
Issue of shares for the employee share trust	1,386,000	-
Purchase of shares for the employee share trust	1,166,767	100,598
Closing balance	2,653,365	100,598

**(D) CAPITAL MANAGEMENT**

When managing capital, the Board's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board is constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the Board may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2010, the Board paid dividends of \$1,218,062 (2009: \$1,883,314). The Board's policy for dividend payments is a payout ratio of 50% - 60% which is subject to potential acquisitions and debt reduction.

The Board has no current plans to issue further shares on the market.

The Board monitors capital through the gearing ratio (net debt/ total capital). The target for the Group's gearing ratio is between 5% - 10%. The gearing ratios based on continuing operations at 30 June 2009 and 2010 were as follows:

	Notes	Consolidated Entity	
		2010 \$	2009 \$
Total borrowings <sup>#</sup>		6,446,019	9,752,404
Less cash and cash equivalents		(1,433,095)	(3,224,130)
Net debt		5,012,924	6,528,274
Total equity		67,303,387	65,927,388
Total capital		72,316,311	72,455,662
Gearing ratio:		6.9%	9.0%

# Includes interest-bearing loans and borrowings. Refer to Note 14. Excludes the Macquarie bank loan which has an offsetting receivable.

**NOTE 16: ACCUMULATED PROFITS**

Accumulated profits	(a)	3,073,397	628,097
<b>(A) ACCUMULATED PROFITS</b>			
Balance at the beginning of year		628,097	1,433,353
Total comprehensive income for the year		3,663,362	1,078,058
Total available for appropriation		4,291,459	2,511,411
Dividends paid		(1,218,062)	(1,883,314)
Balance at end of year		3,073,397	628,097



**NOTE 17: CASH FLOW INFORMATION**

	Consolidated Entity	
	2010	2009
	\$	\$
<b>(A) RECONCILIATION OF THE NET PROFIT AFTER TAX TO THE NET CASH FLOWS FROM OPERATIONS:</b>		
Net profit	3,663,362	1,078,058
Non-Cash Items		
Depreciation/ amortisation	544,866	430,012
Equity accounted profit after tax net of dividends & distributions received	(463,545)	590,843
Realised loss on disposal of investment	-	1,661,558
Deferred tax on capital raising costs	2,129	57,366
Changes in assets and liabilities		
(Increase)/decrease in current receivables	(316,089)	(1,233,073)
(Increase)/decrease in other assets and receivables	66,110	(204,573)
Increase/ (decrease) in payables	437,669	(411,211)
(Decrease)/increase in provisions	28,411	(9,672)
(Decrease)/increase in deferred tax	(31,210)	128,283
(Decrease)/increase in tax payable	705,792	(697,286)
Net cash flow from operating activities	4,637,495	1,390,305
<b>(B) RECONCILIATION OF CASH</b>		
Cash balance comprises:		
Cash at bank	1,433,095	3,224,130
Closing cash balance	1,433,095	3,224,130

**(C) FINANCING FACILITIES AVAILABLE**

Westpac Bank has in place an agreement with the Group to provide facilities amounting to \$11,590,907. At balance date these facilities have been utilised to the amount of \$6,390,907. The facility is reducing by \$375,000 per quarter until 31 December 2013 when the available facility will be \$5,000,000.

\$6,050,000 of the \$6,390,907 utilised facility has a term of four years commencing 31 December 2009. Interest rates are set at the time of rollover of the bills which is usually at monthly intervals. The current effective interest rate is 6.41% per annum. \$340,907 of the \$6,390,907 utilised facility consists of three separate loans which expire on 30 June 2011.

Macquarie Bank has in place an agreement with CPP to provide facilities amounting to \$1,000,000. As at 30 June 2010, the outstanding loan payable is \$990,416. CPP has a corresponding loan receivable with its employees totalling \$1,136,922. The repayment date is 31st December 2010.

**(D) NON-CASH FINANCING AND INVESTING ACTIVITIES**

- (i) During the year Prime issued 310,404 ordinary shares at \$0.33 per share for the deferred performance consideration for the acquisition of equity in a financial planning entity.
- (ii) During the year Prime issued 7,700,000 ordinary shares at \$0.18 per share to the Prime Employee Share Plan to foster an ownership culture within the Company and encourage employees to participate in the Company and to achieve targets of the Company.

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#### NOTE 18: BUSINESS COMBINATION

During the 2010 financial year, there were no business combinations.

#### NOTE 19: EXPENDITURE COMMITMENTS

##### (A) OPERATING LEASE COMMITMENTS

CPP has a commercial rental lease for Level 19, 90 Collins Street, Melbourne, Victoria, which is sub-leased to external parties. The commercial rental lease concludes on 30 April 2011.

PDF has entered into a commercial rental lease for Level 17, 644 Chapel Street, South Yarra, Victoria on 1 July 2010. The commercial rental lease has a life of four years from 1 July 2010. Future minimum rental payable under the operating lease is as follows:

	Consolidated Entity	
	2010 \$	2009 \$
Operating lease commitments		
- within one year	414,375	440,302
- after one year but not more than 5 years	801,227	167,575
Total	1,215,602	607,877

#### NOTE 20: COMMITMENTS AND CONTINGENCIES

PDF provides cross guarantees to Demeyer Consulting Pty Ltd for \$175,000, Pacifica Pty Ltd for \$357,000, ORD Nexia Pty Ltd for \$394,993, Rundles CPP Pty Ltd for \$250,000. The cross guarantee amounts were the same in 2009.

#### NOTE 21: EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

Net profit after tax	3,663,362	1,078,058
Earnings used in calculating basic and diluted earnings per share	3,663,362	1,078,058
	<b>2010</b>	<b>2009</b>
	<b>No of shares</b>	<b>No of shares</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	159,874,595	140,144,776
<b>Effect of dilutive securities:</b>		
Share options in the money	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	159,874,595	140,144,776
<b>Basic earnings per share (cents)</b>	2.3	0.8
<b>Diluted earnings per share (cents)</b>	2.3	0.8



**NOTE 22: AUDITOR'S REMUNERATION**

	Consolidated Entity	
	2010 \$	2009 \$
Amounts received or due and receivable by the auditor for:		
Auditing or reviewing the financial report	82,300	76,900
	82,300	76,900
Amounts received or due and receivable by other auditors for:		
Auditing or reviewing the financial report	-	26,330
	-	26,330

**NOTE 23: RELATED PARTY DISCLOSURES**

- (a) The consolidated financial statements include the financial statements of Prime Financial Group Ltd and its controlled entities listed below:

	Country of incorporation	Percentage owned	
		2010 %	2009 %
<b>Parent Entity:</b>			
Prime Financial Group Ltd	Australia		
<b>Subsidiaries of Prime Financial Group Ltd</b>			
Beksan Pty Ltd	Australia	100	100
Prime Development Fund Pty Ltd (PDF)	Australia	100	100

- (b) The total amount of transactions that were entered into with related parties for the relevant financial year is provided below:

**Transactions with Key Management Personnel of the entity or its parent and their personally-related entities**

Refer note 8 in relation to advances made to Mr S Madder, Mr C Kennedy and Mr P Madder to acquire shares in the Company.

**Other transactions with director and/or specified executives and their personally-related entities**

- (i) Mr Stephen Bennett is a founding shareholder in Wynn & Bennett, an associated company of Prime. Prime's transactions with its associated investments are described below.
- (ii) Interests associated with Mr Peter Madder received \$302,500 for executive services provided to the Company during the financial year.
- (iii) Mr Stuart James is a Director of Balnave Capital Group Pty Ltd ('Balnave'). Balnave has been contracted by Prime to provide research advice. Fees will be paid on a commercial basis. No fees were paid during the 2010 financial year.

**Transactions with investments in associates**

- (i) The entities listed in Note 10 are all associated investments of PDF or Prime. PDF derives consulting fees from its equity investments in accounting and advisory firms.

PDF receives 100% of the income and pays 100% of the expenses for its financial services equity accounted investments. PDF is reimbursed for the portion of expenses paid on behalf of the financial services equity accounted investment and transfers the portion of income relating to the financial services equity accounted investment.

Prime pays some day to day expenses for its associates which are reimbursed by the associates on a quarterly basis.

The aggregate of the transactions between PDF and its associated investments are:

	<b>Consolidated Entity</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Consulting fees received from accounting and advisory firms	2,531,679	1,855,000
Income received from financial services	4,646,867	3,892,689
Expenses reimbursed from financial services equity accounted investments	(3,341,798)	(3,644,576)
	<b>3,836,748</b>	<b>2,103,113</b>

The aggregate of the transactions between Prime and its associated investments are:

Expenses paid on behalf of associates	-	42,549
Expenses reimbursed by associates	-	(43,527)
	-	(978)

As at 30 June 2010, PDF has an outstanding loan receivable from the accounting firms of \$1,158,832 (loan receivable of \$1,295,859 at 30 June 2009). PDF also has an outstanding loan payable to its associated joint ventures of \$919,809 relating to unpaid dividends (loan payable of \$471,260 at 30 June 2009).

As at 30 June 2010, CPP has an outstanding loan receivable from the employees of Carroll Pike & Piercy Pty Ltd of \$1,919,645 (\$2,017,307 at 30 June 2009).

**Compensation for Key Management Personnel**

Short-term employment benefits	1,729,651	1,909,548
Post employment benefits	125,727	126,868
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<b>1,855,378</b>	<b>2,036,416</b>



#### NOTE 24: SEGMENT INFORMATION

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

#### NOTE 25: FINANCIAL RISK MANAGEMENT

##### (A) FINANCIAL LIABILITY AND FINANCIAL ASSET MATURITY ANALYSIS

The group's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payable, loans to and from subsidiaries and associates, bills, leases. The main financial risk that Prime is exposed to through its financial instruments is liquidity risk. This is reviewed on a monthly basis by the Board.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial Instruments	Fixed interest rate maturing in 1 year or less		Fixed interest rate maturing 1 to 5 years		Floating interest rate maturing in 1 year or less	
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
<b>(i) Financial assets</b>						
Cash	1,433,095	3,224,130	-	-	-	-
Receivables	1,776,183	1,857,245	1,804,454	1,855,395	-	-
Total financial assets	3,209,278	5,081,375	1,804,454	1,855,395	-	-
<b>(ii) Financial liabilities</b>						
Commercial bills	-	-	-	-	-	9,050,000
Other borrowings	11,728	26,354	43,384	-	-	-
Bank loans	1,331,323	-	-	1,666,466	-	-
Payables	-	-	-	-	-	-
Total financial liabilities	1,343,051	26,354	43,384	1,666,466	-	9,050,000

##### (i) Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2010 a majority of group debt is floating.

##### (ii) Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

##### (B) FINANCIAL INSTRUMENTS

##### (i) Fair values

The net fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the Balance Sheet and Notes to the financial statements. The Company did not directly hold any listed shares and equities at 30 June 2010.



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Floating interest rate maturing in 1 to 5 years		Non-interest bearing maturing 1 year or less		Total carrying amount as per balance sheet		Weighted average effective interest rate	
2010	2009	2010	2009	2010	2009	2010	2009
\$	\$	\$	\$	\$	\$	%	%
-	-	-	-	1,433,095	3,224,130	3.5%	1.7%
-	-	2,930,287	2,505,891	6,510,924	6,218,531	8.0%	8.0%
-	-	2,930,287	2,505,891	7,944,019	9,442,661	-	-
6,050,000	-	-	-	6,050,000	9,050,000	6.4%	5.4%
-	-	-	-	55,112	26,354	8.3%	9.5%
-	-	-	-	1,331,323	1,666,466	9.3%	8.6%
-	-	1,498,175	1,060,506	1,498,175	1,060,506	-	-
6,050,000	-	1,498,175	1,060,506	8,934,610	11,803,326	-	-



**NOTE 26: PARENT ENTITY DISCLOSURES**

	Parent Entity	
	2010	2009
	\$	\$
<b>(A) CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Current assets	23,254,214	24,382,662
Non current assets	41,187,706	38,454,837
Total assets	64,441,920	62,837,499
<b>LIABILITIES</b>		
Current liabilities	4,851,524	5,277,943
Non current liabilities	230,562	74,594
Total liabilities	5,082,086	5,352,537
Net assets	59,359,834	57,484,962
<b>Equity</b>		
Contributed equity	66,883,355	65,399,889
Accumulated losses	(7,523,521)	(7,914,927)
Total equity	59,359,834	57,484,962
<b>(B) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>		
Profit for the year	1,609,468	(353,063)
Other comprehensive income	-	-
Total comprehensive income	1,609,468	(353,063)

**NOTE 27: ECONOMIC DEPENDENCY**

The consolidated entity is not economically dependent upon another entity for revenue or financial support.

**NOTE 28: SUBSEQUENT EVENTS**

There has not been any matter or circumstance that has arisen since the end of the period, that has significantly affected, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future periods.

**NOTE 29: NEW ACCOUNTING STANDARDS AND INTERPRETATIONS**

During the current year Prime adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. There was no significant recognition, measurement or disclosure impact from adopting those standards in these financial statements.

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**NOTE 30: NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application for future reporting periods. Prime has elected to early adopt these standards, which had no significant recognition, measurement or disclosure impact from adopting those standards in these financial statements, with the exception of the following standard not early adopted:

*AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 (applicable for reporting periods commencing on or after 1 January 2013).*

The standards are applicable retrospectively and amend the classification and measurement of financial assets.

The major changes that are expected to impact on Prime include:

- Simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value; and
- Allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

Prime expects that its current fixed interest security investments, currently held at fair value through the profit and loss will be revalued to amortised cost on transition to the new standard (transition will be retrospective). Prime also expects to continue valuing its equity instruments not held for trading at fair value through the profit and loss.

*AASB128 Investment in Associates:* an investment in an associate is a single asset for the purpose of conducting impairment test, including any reversal of impairment. Any impairment is not separately allocated to the goodwill included in the investment balance. Any impairment is reversed if the recoverable amount of the associate increases. The group has amended its impairment accounting policy accordingly. The amendment has no impact on the group's financial position or performance. The group has amended its disclosures accordingly in Note 1.

*AASB136 Impairment of Assets:* when discounted cash flows are used to estimate "fair value less cost to sell" an additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use". The group has amended its disclosures accordingly in Note 1. The amendment also clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operation segment as defined in AASB8 before aggregation for reporting purposes. The amendment has no impact on the group as the annual impairment test is performed at this aggregated level.

Prime has not yet determined the potential impact on the financial statements arising from the adoption of these standards.



# Directors' Declaration

The Directors of the company declare that:

1. the financial statements and notes, as set out on pages 23 to 49, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards; and
  - b. give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company and consolidated group;
  - c. the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view.
3. in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

**Stuart James**  
Director

Melbourne  
19 August 2010



# Prime Financial Group Ltd And Controlled Entities Independent Audit Report

TO THE MEMBERS OF PRIME FINANCIAL GROUP LTD



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRIME FINANCIAL GROUP LIMITED AND ITS CONTROLLED ENTITIES

ABN 70 009 487 674

### Report on the Financial Report

We have audited the accompanying financial report of Prime Financial Group Limited and Controlled Entities (the consolidated entity), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Sydney  
Melbourne  
Brisbane  
Perth  
Adelaide  
Auckland

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# Prime Financial Group Ltd And Controlled Entities Independent Audit Report continued

TO THE MEMBERS OF PRIME FINANCIAL GROUP LTD

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRIME FINANCIAL GROUP LIMITED AND ITS CONTROLLED ENTITIES**

ABN 70 009 487 674 (Continued)

### **Independence**

In conducting our audit, we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

### **Auditor's Opinion**

In our opinion:

- a) the financial report of Prime Financial Group Limited and Controlled Entities 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 2010 and of their performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in the report of the directors for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### **Auditor's Opinion**

In our opinion the Remuneration Report of Prime Financial Group Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

**Hugh D. Paton**  
Director  
William Buck Audit (VIC) Pty Ltd  
ABN 59 116 151 136

Dated in Melbourne, Australia on this 19<sup>th</sup> day of August 2010



Additional information required by the Australian Stock Exchange and not shown elsewhere in this report is as follows:

The information is current as at 5 August 2010.

## (A) DISTRIBUTION OF EQUITY SECURITIES

The number of shareholders, by size of holding, in each class of share are:

Category (size of holding)	Ordinary fully paid shares	
	Number of holders	Number of shares
1 - 1,000	54	33,490
1,001 - 5,000	200	635,552
5,001 - 10,000	244	2,032,831
10,001 - 100,000	598	23,535,748
100,001 and over	177	136,149,693
	1,273	162,387,314

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**(B) TWENTY LARGEST SHAREHOLDERS**

The names of the twenty largest holders of quoted shares are:

		Listed ordinary shares	
	Name	Number of shares	Percentage of ordinary shares %
1.	Hudson Conway Investments Pty Ltd	8,028,789	4.94
2.	PFG Employee Share Plan Pty Ltd	8,011,454	4.93
3.	Garnfam Pty Ltd	7,766,666	4.78
4.	ACN 134 557 636 Pty Ltd	5,825,225	3.59
5.	Bardex Finance Pty Ltd	5,375,806	3.31
6.	29th Marsupial Pty Ltd	5,367,704	3.31
7.	Mr Jeremy Michael Feiglin	5,353,994	3.30
8.	National Nominees Limited	5,175,875	3.19
9.	UBS Wealth Management Australia Nominees Pty Ltd	4,050,000	2.49
10.	Sonning Road Pty Ltd	4,023,301	2.48
11.	Fenning Court Pty Ltd	4,000,000	2.46
12.	Mr Simon Madder	3,784,553	2.33
13.	Picton Cove Pty Ltd	3,700,000	2.28
14.	Top Pocket Pty Ltd	3,634,000	2.24
15.	Mr Steven Carroll + Mr Alistair Piercy	3,595,730	2.21
16.	Bell Potter Nominees Ltd	3,040,000	1.87
17.	Hamco Nominees Pty Ltd	2,996,765	1.85
18.	Lyndoc Holdings Pty Ltd	2,382,993	1.47
19.	Domain Investment (Melbourne) Pty Ltd	2,229,355	1.37
20.	Mr Gabor Eugene Hubay	1,866,491	1.15

**(C) VOTING RIGHTS**

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

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# Corporate Directory

## CORPORATE INFORMATION

ABN 70 009 487 674

## DIRECTORS

S. James

S. Madder

S. Bennett

P. Madder

## COMPANY SECRETARY

C.Kennedy

## REGISTERED OFFICE

Level 17, Como Office Tower

644 Chapel Street

South Yarra VIC 3141

Phone (03) 9827 6999

Facsimilie (03) 9827 9100

## SOLICITORS

Holman Fenwick Willan

## BANKERS

Westpac Banking Corporation

## SHARE REGISTER

Computershare Investor Services

Yarra Falls, 452 Johnston Street

Abbotsford VIC 3067

## AUDITORS

William Buck Audit (VIC) PTY LTD

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