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Company Announcements Office
Australian Stock Exchange Limited

Prime Financial Group Ltd
ACN 009 487 674

Level 17, Como Office Tower
644 Chapel Street
PO Box 6105
South Yarra VIC 3141

T 03 9827 6999
F 03 9827 9100

enquiries@primefinancial.com.au
www.primfinancial.com.au

2012 Full Year Results

Summary

- Normalised EBIT (excluding one-off's) down 9% to \$5.02M compared to FY2011
- Reported EBIT (including one-off's) down 21% to \$4.32M compared to FY2011
- Net Profit After Tax (including one-off's) down 27% to \$2.81M compared to FY2011
- Normalised Earnings Per Share 2.2cps down 8% compared to FY2011
- Final dividend of 0.25cps brings total Dividend Paid and Proposed for FY2012 to 1.0 cps
- Wealth Management (WM) = 85% of revenue
- Accounting and Self Managed Superannuation Services (AS) Investees = 15% of revenue
- FY2012 operating margin of 39% compared to 43% in FY2011
- New FUM for FY2012 of \$68.9M
- Total FUM at 30 June 2012 of \$1.001B, down \$54M from 30 June 2011
- Net debt of \$7.6M at 30 June 2012 compared to \$6.4M at 30 June 2011

Review of Operations

Throughout FY2012 the Financial Services sector has experienced a difficult business environment via a combination of low investor confidence, global and domestic uncertainty, a declining Australian stockmarket (down 11% from July 2011 to June 2012), ongoing regulatory change and pressure on margins.

Prime's normalised (excluding one-off's) Earnings Before Interest and Tax (N.EBIT) has declined 9% to \$5.02M in FY2012. In addition, Prime has realised a capital loss of \$0.7M relating to a non-core Accounting Firm Investee. Net Profit After Tax (including one-off's) (NPAT) has declined 27% to \$2.81M. During the period the Operating Margin decreased from 43% to 39%. Group Funds Under Management (FUM), where Prime receives 'Asset Based Management Fees', decreased by \$54M (including market movements) from 30th June 2011 to 30th June 2012 to \$1.001B, however this included Net New FUM of \$48M. This represented a decline of 5% compared to an overall market decline of approximately 11%.

Whilst Prime has been affected by these factors, Prime's diversified model across Wealth Management, Accounting and Self Managed Superannuation has proved to be resilient. Furthermore, a focus in the last two years on diversifying revenue and building a scalable Wealth Management Joint Venture Licensing strategy has proved to be beneficial. Strong indicators within the business that

demonstrate Prime's robust business model include:

- continued growth in Wealth Management New Leads,
- an increasing percentage of revenue from non stockmarket related activities and further diversification in Wealth Management revenue,
- net new Funds Under Management of \$48M (excluding market movement),
- a more consistent Wealth Management Client Engagement Model across the group to increase the number of services delivered to clients,
- growth in new joint venture licenses and 50/50 JV's with Accounting Firms, plus a growing pipeline of opportunities, and
- rationalisation and merger activity within Prime's Accounting Firm and Self Managed Superannuation Investees to help assist with margin and earnings growth.

Low Debt

Whilst debt levels have increased from \$6.4M to \$7.6M since 30th June 2011, this is a conservative gearing ratio of 10.3%.

Final Dividend

Directors have declared a Final Dividend of 0.25cps which when added to the Interim Dividend of 0.75cps equates to a full year dividend of 1.00cps, representing a 46% payout ratio based on the full year normalised Earnings Per Share (excluding one-off's). The Final Dividend is payable 16th October 2012 with a Record Date of 25th September 2012.

Directors have reduced the final dividend compared to FY2011 to ensure that Prime is in a position to continue to fund the growth and development of the Wealth Management division. By investing in this division in FY2012, this development program has yielded additional and new Wealth Management licensing revenue of \$1.8M via the Wealth Management Joint Venture Licensing structure. Plans remain on path to continue to grow Wealth Management licensing revenue however this growth is best funded by retaining capital in what is a difficult equity and debt funding environment.

It should be noted that this reduction in dividend is expected to be short term and that Prime intends to maintain a comparatively high dividend payout ratio in the near future.

A further more detailed presentation covering the full-year ended 30th June 2012 for Prime is contained in the full-year results presentation to the ASX dated 27th August 2012.

Prime

Prime is an Integrated Wealth Management Group providing Financial Planning, Investment Advice, Life Insurance, Asset Protection Advice incorporating Legal Services, Superannuation including Self Managed Superannuation and Accounting Services.

For more information on this announcement, please contact Simon Madder (Managing Director / CEO) on (03) 9827 6999.

Simon Madder (Managing Director/CEO)