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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

Tel 03 9827 6999
Fax 03 9827 9100

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

2013 Full Year Results

Summary

- EBIT down 13.4% to \$3.74M compared to FY2012
- Net Profit After Tax down 1.1% to \$2.78M compared to FY2012
- Earnings Per Share (EPS) 1.7 CPS, flat compared to FY2012
- Final dividend increased to 0.50 CPS up from 0.25 CPS brings total Dividend Paid and Proposed for FY2013 to 0.75 CPS
- Wealth Management (WM) = 88% of Revenue. (WM) Revenue up 6% on FY2012
- Accounting and Self Managed Superannuation Services (AS) Investees = 12% of Revenue. (AS) Revenue down 19% on FY2012
- FY2013 Operating Margin of 30% compared to 34% in FY2012
- Overheads up 7% on FY2012
- Restructured Cost Base - \$1.3M benefit to flow through in FY2014
- Solid New Funds Under Management (FUM) for FY2013 of approx. \$82M (FY2012 = \$68.9M)
- Total FUM at 30 June 2013 of \$1.098B up \$97M from 30 June 2012
- Net debt of \$5.9M at 30 June 2013 compared to \$7.6M at 30 June 2012

Review of Operations

In the 12 months from July 2012 to June 2013 (FY2013) the Financial Services sector experienced a more positive business environment compared with the full year ending 30 June 2012 (FY2012) with the Australian stockmarket increasing 15% for the year, peaking up 26% in May 2013.

Low investor confidence plus global and domestic uncertainty, which typified FY2012, started to abate, but to show how tenuous this short-term confidence was the stockmarket fell away 8% off its highs in May to its eventual closing level in June.

The significant stockmarket improvement (+15%) had a positive impact on Prime's Wealth Management Revenue as 88% of Prime's Revenue was derived from Wealth Management activity.

Prime's improving Wealth Management Revenue in 1H2013 accelerated further in 2H2013, mainly across Wealth Management New Business including 'Investment Brokerage' and 'New Issues & IPOs', but also 'Recurring Revenue' generated from Funds Under Management (FUM); this substantially accounted for the 6% increase in Wealth Management Revenue.

This improving activity and sentiment should be balanced against a backdrop of recent stockmarket fluctuations and the prospect of a sustained stockmarket recovery, accordingly, Prime is cautiously optimistic.

Separate to the positive stockmarket performance, wider business confidence in Australia has fallen in the last 12 months. Inevitably this impacts on Prime's clients and Accounting Investees and there has been a flow through to reduced Accounting Firm operating performance as clients wind back on business and consulting services. Prime's Accounting Investees represent 12% of Prime's Revenue, this was down 19% on FY2012.

The Operational Focus & Key Developments for Prime in FY2013 have been;

- Restructured Cost Base - \$1.3M benefit to flow through in FY2014;
- Continued improvement in traditional Wealth Management Revenue (New Business & Recurring Revenue) through Prime's Client Engagement Model (CEM) (up 6% on FY2012);
- Recruiting new Accounting Firm Wealth Management JV Partners for Prime's Client Engagement Model (CEM) (3 in FY2013 versus 1 in FY2012) whilst transitioning existing Partners (3 further transitions) to Prime's CEM;
- Improving new leads (up 14% on FY2012);
- Increasing FUM (plus \$82M);
- Revamping the Digital Branding Strategy as part of Prime's wider Brand build;
- Recruiting a dedicated Chief Investment Officer (CIO) to facilitate further development of Prime's investment offering;
- Finalising the review of the Accounting & SMSF Investee structure – Conclusion: Grow the number of Investees beyond the current 9 (15% - 50% non-controlling equity investments);
- Increased key management & employee ownership in the company, up from 20% to 35%;
- Reducing debt;
- Improving operating cash flow; and
- Increase the Final Dividend to 0.50 CPS up from 0.25 CPS.

Low Debt

Prime continues to take a prudent approach to debt having reduced its debt profile during the year to a current net debt level of \$5.9M at 30 June 2013 down from \$7.6M, equating to a gearing ratio of 8.8%. Debt levels reduced by \$1.7M due to factors such as a small capital raising and better operating cashflow.

Dividend Policy

Directors confirm an increase in final dividend to 0.50 cents per share (CPS) which when added to the interim dividend of 0.25 CPS equates to a full-year dividend of 0.75 CPS.

This represents a dividend payout ratio of approximately 44% based on the full year reported EPS of 1.7 CPS. On the basis of annualising the final dividend of 0.50 CPS Prime's dividend payout ratio is 59% which is within Prime's stated range of 50% - 60%.

Directors have increased the final dividend compared to the interim dividend FY2013 which reflects the companies improving cashflow and operating position. As it was noted in last year's Annual Report, the reduction in final dividend FY2012 was 'expected to be short-term and Prime intended to maintain a comparatively high dividend payout ratio in the near future'.

The Year Ahead

We look forward to expanding our company in the year ahead and continue to have a clear strategy for growing value, which now extends simply beyond organic growth.

We will seek to grow Wealth Management substantially organically through the recruitment of new Accounting Firms under Prime's proprietary Client Engagement Model (CEM) plus service our existing Firms better through this structure. This model delivers high levels of service and value for Prime's clients, our Accounting Firm and Financial Advisory Partners and Prime through a systematic and consistent service offering.

Separately, Prime will also actively pursue additional (currently 9) Accounting Firms for Prime to invest in (Investees) via 15% - 50% non-controlling equity interests. This strategy will further support the growth in Wealth Management as these Accounting Investees also become Wealth Management Partners through the CEM.

Prime

Prime is an Integrated Wealth Management Group providing Financial & Retirement 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)