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Company Announcements Office
Australian Stock Exchange Limited

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2013 First Half Results

Summary

- Normalised EBIT (N.EBIT, excluding one-off's) down 9% to \$2.43M compared to 1H2012
- Reported EBIT (including one-off's) down 37% to \$1.68M compared to 1H2012
- Net Profit After Tax (including one-off's) down 44% to \$1.017M compared to 1H2012
- Normalised Earnings Per Share (EPS) 0.96cps down 14% compared to 1H2012
- Interim Dividend of 0.25cps (Matching Final Dividend from FY2012)
- Wealth Management (WM) = 84% of revenue
- Accounting and Self Managed Superannuation Services (AS) Investees = 15% of revenue
- 1H2013 Operating Margin of 38% (excluding one-off costs) compared to 41% in 1H2012
- Restructured Cost Base - Reducing ongoing costs by \$750K in 2H2013 versus 1H2013, plus further reductions reflected in FY2014
- Strong New Funds Under Management (FUM) for 1H2013 of \$47.3M (FY2012 = \$68.9M)
- Total FUM at 31 December 2012 of \$1.083B up \$82M from 30 June 2012
- Net debt of \$7.6M (Flat) at 31 December 2012 compared to \$7.6M at 30 June 2012

Review of Operations

The Financial Services sector has experienced a more positive business environment in the 6 months ending 31 December 2012 (1H2013) compared with the full year ending 30 June 2012 (FY2012) in which the Australian stockmarket declined 11% for the year.

Low investor confidence plus global and domestic uncertainty, which typified FY2012, has started to abate, particularly in the last few months of 1H2013 and the start of 2H2013. This has seen the Australian stockmarket increase 13% between July 2012 and December 2012, and more recently by 19% when January 2013 is included.

These significant increases have a positive impact on Prime's Revenue, albeit often with a partial lag effect, as 84% of Prime's Revenue is derived from Wealth Management activity.

Prime's improving Wealth Management Revenue in 1H2013 has accelerated at the commencement of 2H2013, mainly across Wealth Management New Business including 'Investment Brokerage' and 'New Issues & IPO's, but also 'Recurring Revenue' generated from Funds Under Management (FUM).

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.

The Operational focus for Prime in 1H2013 has been;

- Restructuring the cost base, reducing ongoing costs by \$750K in 2H2013 versus 1H2013, and creating a more efficient and flexible structure leading to further reductions to be reflected in FY2014
- Improving operating cash flow, which will continue to be an ongoing focus
- Increasing Wealth Management New Business Activity through Prime's Client Engagement Model (CEM)
- Recruiting Accounting Firm Wealth Management JV Partners for Prime's CEM (10 in active discussions) whilst transitioning existing Partners to Prime's CEM, and
- Positioning Prime to allow for improved dividend payments

Prime's Normalised (excluding one-off's) Earnings Before Interest and Tax (N.EBIT) has declined 9% to \$2.43M in 1H2013. Net Profit After Tax (including one-off's) (NPAT) has declined 44% to \$1.017M. During the period the Operating Margin decreased from 41% to 38% (excluding one-off costs).

Group Funds Under Management (FUM), where Prime receives Recurring Revenue through 'Asset Based Management Fees', increased by \$82M (including market movements) between 30 June 2012 and 31 December 2012 to \$1.083B including Net New FUM of \$34.9M. This represented an increase of 8.2% compared to an overall market increase of approximately 13%.

Low Debt

Debt levels have remained flat since 30 June 2012 and Prime's gearing ratio has decreased from 11.3% (restated) at 30 June 2012 to 11.2% at 31 December 2012.

Interim Dividend

Directors have declared an Interim Dividend of 0.25cps. This represents a 40% payout ratio based on the reported half year Earnings Per Share (EPS) of 0.63cps. The Interim Dividend is payable 17 April 2013 with a Record Date of 20 March 2013.

Directors have reduced the Interim Dividend compared to 1H2012, but matched the Final Dividend for FY2012. This reduction from the previous period has been to ensure that Prime is in a position to continue to fund the growth and development of the Wealth Management division which has demonstrated improving results. The reduction in dividend is still expected to be short term with increasing dividend payments expected to commence in the next period.

A further more detailed presentation covering the half year ended 31 December 2012 for Prime is contained in the half-year results presentation to the ASX dated 28th February 2013.

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)