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Company Announcements Office
Australian Stock Exchange Limited

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2014 First Half Results

Summary

Operations & Investments

Operations

- EBIT up 10% to \$1.84M compared to 1H2013
- Net Profit After Tax up 14% to \$1.16M compared to 1H2013
- Earnings Per Share (EPS) 0.67 CPS, up 6% compared to 1H2013
- Interim Dividend increased to 0.40 CPS (60% payout ratio) up from 0.25 CPS
- Wealth Management (WM) = 84% of Revenue
- WM Revenue down 9% on 1H2013
- WM Revenue (Excluding Client Engagement Model (CEM)) up 3% on 1H2013
- Accounting and Self-Managed Superannuation Services (AS) Investees = 16% of Revenue
- AS Revenue up 1% on 1H2013
- 1H2013 Operating Margin of 28%, up from 26% in 1H2013
- Overheads down 18% on 1H2013
- New Funds Under Management (FUM) for 1H2014 of approx. \$39M
- Lost FUM for 1H2014 of approx. \$117M of which \$93M related to the restructuring
- Total FUM at 31 December 2013 of \$1.077B, down \$21M from 30 June 2013
- Operating Cash Flow improved by approx. \$1.0M versus 1H2013
- Net debt of \$6.4M at 31 December 2013 up \$0.5M (8%) compared to 30 June 2013

Investment

- Agreed to purchase (subject to due diligence) a 20% equity interest (commencing with a 10% investment) in a Melbourne based Accounting & Advisory Firm plus establish a Wealth Management entity in Partnership with the Firm on a 50 / 50 equity basis using Prime's CEM

Review of Operations & Investments

In the 6 months from July 2013 to December 2013 (1H2014) the Australian stockmarket increased by 12% delivering a strong portfolio performance for clients and creating a better business environment for Prime Financial Group Ltd (Prime).

The significant stockmarket improvement had a positive impact on Prime's Wealth Management Revenue (excluding Client Engagement Model (CEM)) which was up 3%. The Revenue increase was mainly driven by improved Recurring Revenue from Asset Based Management Fees which were up 6% from 1H2013.

Importantly, this result was achieved in an environment of lower overheads which were down 18% for the period compared with 1H2013. The strong cost control and benefit of the previously announced restructuring has flowed through and improved profitability and has seen cash flow from operations improve by approximately \$1.0M.

Transactional Licensing Revenue from Prime's CEM was 78% or \$0.72M lower than 1H2013. This was not unexpected given the nature of this Revenue line and the relationship to new investment. Encouragingly, the pipeline of investment opportunity continues to build through the ongoing Business Development program to recruit new Accounting and Self-Managed Superannuation Services Investees and Wealth Management JV Partners. It was noted as part of the November 2013 AGM update that Licensing Revenue was expected to be weighted to 2H2014 and that the target was to better the 3 new investments that occurred in FY2013, this continues to be the case.

Prime is very pleased to announce that we have made the first investment (subject to due diligence) as part of the expansion plan for combined Accounting & Wealth Management Investments. The investment, in a Melbourne based Accounting & Advisory Firm that has turnover of approximately \$4.0M, includes a staggered commitment to purchase 20% of the Accounting & Advisory Firm plus also establish a Wealth Management entity utilising Prime's CEM. This Wealth Management entity will be owned 50% by Prime and 50% by the Accounting & Advisory Firm with Prime operating the entity on behalf of both parties. This investment is part of Prime's plan to increase the number of combined Accounting & Advisory Investments incorporating Wealth Management JV's.

The Operational Focus & Key Developments for Prime in 1H2014 have been;

- Restructuring the Cost Base - \$1.3M benefit to flow through in FY2014 (ON TARGET - OVERHEADS DOWN 18% on 1H2013);
- Improvement in traditional Wealth Management Revenue (New Business & Recurring Revenue, excluding Licensing Revenue from Prime's CEM) (UP 3% on 1H2013);
- Building the pipeline and recruiting new Accounting Firm Wealth Management JV Partners for Prime's Client Engagement Model (CEM) (3 in FY2013, 1 in 1H2014 with the expectation recruitment will be weighted to 2H2014);
- Commencing the expansion plan for further investment in Accounting & Self-Managed Superannuation investees (FIRST INVESTMENT MADE - 20% staggered investment in a Melbourne based Accounting & Advisory Firm incorporating a 50% investment in Wealth Management);

- FUM;
 - New FUM (+\$39M for 1H2014 - lower run rate but expected to increase)
 - Lost FUM for 1H2014 of approx. \$117M of which \$93M related to the restructuring
- Commercial Property Investment Management Business – Protus Prime;
 - Design and complete the first client offering and Product Disclosure Statement (PDS) for launch in March 2014 (ON TARGET)
- As a result of consolidating the Employee Share Plan (ESP), the trustee changed for some ESP's which resulted in historical amounts receivable now classified as treasury shares in the consolidated financial statements;
- Improving operating cash flow (approx. \$1.0M versus 1H2013); and
- Increase the Interim Dividend to 0.40 CPS up from 0.25 CPS (60% increase on 1H2013 and 60% Dividend Payout Ratio)

Low Debt

Prime continues to take a prudent approach to debt. Debt did however increase by \$0.5M during the period ending 31 December 2013 equating to a gearing ratio of 9.8%. Debt levels will remain in balance and be conservatively managed as the investment program continues to expand.

Dividend Policy

Directors confirm a 60% increase in interim dividend to 0.40 cents per share (CPS) up from 0.25CPS in 1H2013. This represents a dividend payout ratio of approximately 60% (stated range of 50% – 60%) based on the half year reported EPS of 0.67 CPS.

Directors have increased the interim dividend compared to the interim dividend 1H2013 as a reflection of the companies improving cash flow and operating position.

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)