

Prime Financial Group Ltd & Controlled Entities

**ABN 70 009 487 674
AND CONTROLLED ENTITIES**

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2013**

This half-year financial report is to be read in conjunction
with the financial report for the year ended 30 June 2013

Prime Financial Group Ltd

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Prime 

Prime Financial Group Ltd & Controlled Entities

FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2013

TABLE OF CONTENTS

	Page
Directors' Report	3
Auditor's Independence Declaration	6
Financial Report for the half year ended 31 December 2013	
- Consolidated Statement of Profit and Loss and Other Comprehensive Income	7
- Consolidated Statement of Financial Position	8
- Consolidated Statement of Changes in Equity	9
- Consolidated Statement of Cash Flows	10
- Notes to the Financial Statements	11 – 12
Directors' Declaration	13
Independent Auditor's Review Report	14

Prime Financial Group Ltd & Controlled Entities

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, for the half-year ended 31 December 2013 and independent review report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors Names

The names of the Directors in office at any time during or since the end of the half-year are:

Name

S. James
S. Madder
P. Madder

The Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of Operations

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.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration in relation to the review for the half-year is provided with this report.

Signed in accordance with a resolution of the Directors made pursuant to Section 306 (3) of the Corporations Act 2001:



Chairman (S. James)

Dated: 26th day of February 2014

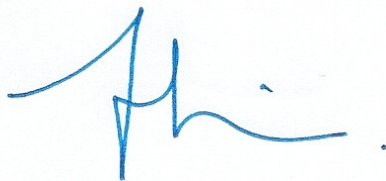
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF PRIME FINANCIAL GROUP LIMITED

I declare that, to the best of my knowledge and belief during the half year ended 31 December 2013 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.



William Buck Audit (VIC) Pty Ltd
ABN 59 116 151 136



J.C. Luckins
Director

Dated this 26th day of February, 2014

Prime Financial Group Ltd & Controlled Entities

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Half-year	
	2013	2012
	\$	\$
Wealth revenue	5,394,619	5,933,149
Accounting revenue – share of net profit of associates and partnerships accounted for using the equity method	1,044,575	1,042,000
Other income	166,029	136,999
	<u>6,605,223</u>	<u>7,112,148</u>
Employee benefits	(2,489,356)	(3,127,354)
Depreciation and amortisation	(253,294)	(265,169)
Finance costs	(214,458)	(297,848)
Information technology and communication	(408,034)	(460,652)
Insurance	(122,915)	(131,764)
Occupancy	(190,015)	(182,983)
Other expenses	(580,467)	(707,347)
	<u>(4,258,539)</u>	<u>(5,173,117)</u>
Profit before income tax	<u>2,346,684</u>	<u>1,939,031</u>
Income tax expense	(776,848)	(627,477)
Profit after income tax	<u>1,569,836</u>	<u>1,311,554</u>
Other comprehensive income	-	-
Total comprehensive income for the period	<u>1,569,836</u>	<u>1,311,554</u>
Total comprehensive income attributable to:		
- Members of the parent entity	1,162,569	1,016,840
- Non-controlling interest	407,267	294,714
	<u>1,569,836</u>	<u>1,311,554</u>
Earnings per share		
Basic earnings per share (cents)	0.67	0.63
Diluted earnings per share (cents)	0.67	0.63

The accompanying notes form part of these financial statements

Prime Financial Group Ltd & Controlled Entities

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013**

	31 Dec 2013	30 June 2013
CURRENT ASSETS	\$	\$
Cash and cash equivalents	295,405	707,071
Trade and other receivables	3,337,276	3,198,368
Other current assets	752,750	597,493
Total current assets	<u>4,385,431</u>	<u>4,502,932</u>
NON-CURRENT ASSETS		
Receivables	3,546,643	5,364,335
Plant and equipment	1,227,535	1,306,299
Investments accounted for using the equity method	12,143,227	12,123,159
Intangible assets	49,676,353	49,766,677
Deferred tax assets	-	18,608
Total non-current assets	<u>66,593,758</u>	<u>68,579,078</u>
Total assets	<u>70,979,189</u>	<u>73,082,010</u>
CURRENT LIABILITIES		
Bank overdraft	111,655	50,251
Payables	895,650	1,142,358
Current tax payable	1,550,553	776,554
Employee benefits	276,578	288,864
Total current liabilities	<u>2,834,436</u>	<u>2,258,027</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	35,115	-
Borrowings	7,740,416	7,740,416
Total non-current liabilities	<u>7,775,531</u>	<u>7,740,416</u>
Total liabilities	<u>10,609,967</u>	<u>9,998,443</u>
NET ASSETS	<u>60,369,222</u>	<u>63,083,567</u>
EQUITY		
Contributed equity	67,931,493	67,931,493
Treasury shares held	(6,608,806)	(4,106,169)
Non-controlling interest	280,578	466,628
Accumulated losses	(1,234,043)	(1,208,385)
TOTAL EQUITY	<u>60,369,222</u>	<u>63,083,567</u>

The accompanying notes form part of these financial statements

Prime Financial Group Ltd & Controlled Entities

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

	Attributable to owners of Prime Financial Group Ltd		Non- controlling interest	Total
	Contributed equity	Retained earnings		
	\$	\$		
Balance at 1 July 2012	63,269,421	(2,900,708)	1,004,990	61,373,703
Total comprehensive income for the period	-	1,016,840	294,714	1,311,554
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	(402,773)	(534,592)	(937,365)
Purchase of shares made by Prime for an employee share trust	(60,163)	-	-	(60,163)
Transactions with non-controlling interests	-	-	(25,874)	(25,874)
Total transactions with equity holders in their capacity as equity holders	(60,163)	(402,773)	(560,466)	(1,023,402)
Balance at 31 December 2012	63,209,258	(2,286,641)	739,238	61,661,855
Balance at 1 July 2013	63,825,324	(1,208,385)	466,628	63,083,567
Total comprehensive income for the period	-	1,162,569	407,267	1,569,836
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	(868,042)	(356,131)	(1,224,173)
Reallocation of shares held by the employee share trust	(1,840,952)	-	-	(1,840,952)
Acquisition of treasury shares	(661,685)	-	-	(661,685)
Transactions with non-controlling interests	-	(320,185)	(237,186)	(557,371)
Total transactions with equity holders in their capacity as equity holders	(2,502,637)	(1,188,227)	(593,317)	(4,284,181)
Balance at 31 December 2013	61,322,687	(1,234,043)	280,578	60,369,222

The accompanying notes form part of these financial statements

Prime Financial Group Ltd & Controlled Entities

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2013**

	Half-year	
	2013	2012
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	6,752,874	7,151,884
Payments to employees and suppliers	(4,438,817)	(5,671,202)
Interest paid	(214,458)	(297,848)
Income tax paid	(197,226)	(214,207)
Net cash provided by operating activities	<u>1,902,373</u>	<u>968,627</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(18,476)	(55,162)
Proceeds from disposal of equity investments	-	75,000
Net cash used in investing activities	<u>(18,476)</u>	<u>19,838</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of borrowings	-	(309,536)
Purchase of shares for the PFG Employee Share Plan	(661,685)	-
Dividends paid	(781,780)	(401,761)
Dividends paid to non-controlling interests	(356,131)	(534,592)
Transactions with non-controlling interests	(557,371)	(68,054)
Repayment of hire purchase agreements	-	(962)
Net cash used in financing activities	<u>(2,356,967)</u>	<u>(1,314,905)</u>
Net increase/ (decrease) in cash and cash equivalents	(473,070)	(326,440)
Cash and cash equivalents at beginning of half year	<u>656,820</u>	<u>290,606</u>
Cash and cash equivalents at end of the half-year	<u>183,750</u>	<u>(35,834)</u>

The accompanying notes form part of these financial statements

Prime Financial Group Ltd & Controlled Entities

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2013**

Note 1: Basis of Preparation of the Half-year Financial Report

This half-year financial report does not include all the notes of the type usually included in an annual financial report. It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2013 and any public announcements made by Prime Financial Group Ltd during the half-year in accordance with any continuous disclosure obligations arising under the ASX listing rules.

(a) Basis of preparation of the half-year financial report

This general purpose half year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

(b) Summary of Significant Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the consolidated entity's annual financial report for the year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(c) Changes in accounting policy

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year which resulted in changes to the accounting policies governing accounting for employee benefits.

Impact of the application of the revised AASB 119 Employee Benefits

The revised standard has changed the accounting for the consolidated entity's annual leave obligations. As the consolidated entity does not expect all annual leave to be taken within 12 months of the respective service being provided the balance is considered a long term employee benefit for measurement purposes. This did change the measurement of these obligations, as the obligations are now measured on a discounted basis. However, the impact of this change was immaterial.

The other new standard applicable for the first time in the current half year is AASB 13 Fair Value Measurement. The adoption of this standard has not affected accounting policies or amounts recognised or disclosed in these half year financial statements due to the nature of the consolidated entity's financial instruments.

Note 2: 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.

Prime Financial Group Ltd & Controlled Entities

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2013**

Note 3: Dividends

	Half-year	
	2013	2012
	\$	\$
Dividends paid during the half-year:		
Ordinary shares (0.4 cents per share)	694,434	402,773
Proposed dividends not recognised at the end of the half-year (0.4 cents per share)	694,434	402,773

Note 4: Segment Information

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

Note 5: Commitments & Contingent Liabilities

Prime Development Fund Pty Ltd continues to provide cross guarantees to Pacifica Pty Ltd for \$444,500 and Rundles Prime Pty Ltd for \$250,000

Prime Financial Group Ltd & Controlled Entities

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 7 to 12 are in accordance with the *Corporations Act 2001*, including:

- (a) Complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*, and
- (b) Giving a true and fair view of the financial position of the consolidated entity as at 31 December 2013 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Prime Financial Group Ltd 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 directors.



Stuart James
Chairman

Melbourne
Date 26th February 2014

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Prime Financial Group Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half-year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Prime Financial Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
PRIME FINANCIAL GROUP LIMITED AND CONTROLLED ENTITIES (Continued)**

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.


Conclusion

Based upon our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Prime Financial Group Limited is not in accordance with the *Corporations Act 2001* including:

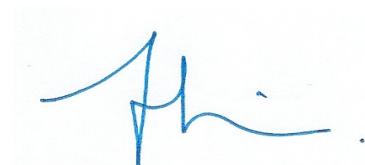
- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (ii) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Matters Relating to the Electronic Presentation of the Reviewed Half Year Financial Report

The auditor's review report relates to the half year financial report of Prime Financial Group Limited for the half year ended 31 December 2013 included on Prime Financial Group Limited's web site. The company's directors are responsible for the integrity of the Prime Financial Group Limited's web site. We have not been engaged to report on the integrity of the Prime Financial Group Limited's web site. The auditor's review report refers only to the half year financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half year financial report to confirm the information included in the reviewed financial report presented on this web site.

A handwritten signature in blue ink that reads 'William Buck'.

William Buck Audit (VIC) Pty Ltd
ABN 59 116 151 136

A handwritten signature in blue ink, appearing to be 'J.C. Luckins'.

J.C. Luckins
Director

Dated this 26th day of February, 2014