



Prime Financial Group Ltd & Controlled Entities

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

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2011**

This half-year financial report is to be read in conjunction
with the financial report for the year ended 30 June 2011

Prime Financial Group Ltd

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

T 03 9827 6999 **F** 03 9827 9100
W www.primefinancial.com.au

Prime Financial Group Ltd & Controlled Entities

**FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2011**

TABLE OF CONTENTS

	Page
Directors' Report	3
Auditor's Independence Declaration	5
Financial Report for the half year ended 31 December 2011	
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Financial Statements	10 - 11
Directors' Declaration	12
Independent Auditor's Review Report	13

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 31st December 2011 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:

<u>Name</u>	<u>Period of directorship</u>
S. James	68 months
S. Madder	61 months
S. Bennett	61 months
P. Madder	61 months

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

The Financial Services sector has experienced a difficult six months to 31st December 2011. Global and domestic economic uncertainty saw the Australian stockmarket retreat 12% from 30th June resulting in declining investor confidence. Furthermore, regulatory reforms and volatile sharemarkets across the globe have collectively placed pressure on margins for Financial Services companies.

Prime's Earnings before interest and tax (EBIT) has declined 6% to \$2.66M in 1H12 from \$2.82M in 1H11. Net profit after tax (NPAT) has declined 10% to \$1.81M. During the period the Operating Margin decreased from 45% to 41%. Group Funds Under Management (FUM), where Prime receives 'Asset Based Management Fees', decreased by \$47M (including market movements) from 30th June 2011 to 31st December 2011 to \$1.008B. This represented a decline of 4% compared to an overall market decline of approximately 12%.

Whilst earnings have declined there were a number of strong indicators within the business that demonstrate Prime's robust business model. Within Prime's Wealth Management business, new leads continued to grow beyond that of the previous period and there was also growth in new business earned from Life Insurance. New income earned from the sale of Wealth Management licenses was recorded as the Asset Protection Wealth Management strategy commenced its roll out. In addition, Prime's strong market position has generated Net FUM Inflows of \$24.0 million which was consistent with prior periods and delivered a consistent Net FUM Margin of 0.94% for the period to 31st December 2011.

Furthermore, underlying Accounting Services Income produced a consistent result for the period to 31st December 2011.

Low Debt

Whilst debt levels have increased from \$6.4M to \$7.2M since 30th June 2011, this is a conservative gearing ratio of 9.6%.

Interim Dividend

Directors have declared an Interim Dividend of 0.75cps, representing a 67% payout ratio. The Interim Dividend is payable 17th April 2012 with a Record Date of 20th March 2012.

The interim dividend has been maintained at 0.75 cents per share reflecting Prime's optimism that its robust business model is well positioned in the Wealth Management sector.

A further more detailed presentation covering the half-year ended 31st December 2011 for Prime is contained in the half-year results presentation to the ASX dated 24th February 2012.

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:



Chairman (S. James)

Dated: 24th day of February 2012

**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 2011 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



H.D. Paton
Director
Dated this 24th day of February 2012

Prime Financial Group Ltd & Controlled Entities

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

	Half-year	
	2011	2010
	\$	\$
Revenue from ordinary activities	6,170,208	6,244,292
Other income	161,776	159,176
	6,331,984	6,403,468
Accounting expenses	(31,870)	(29,133)
Administration expenses	(114,023)	(214,312)
Amortisation	(78,000)	(78,000)
Collection/broking fees	(278,033)	(368,614)
Contractor expense	(97,722)	(109,800)
Depreciation expense	(117,483)	(88,019)
Directors' fees	(74,445)	(67,500)
Employee benefits expense	(2,215,986)	(2,054,193)
Finance costs	(323,308)	(269,494)
Insurance	(120,083)	(117,033)
Legal fees	(38,834)	(68,963)
Licence fees	(68,628)	(66,791)
Listing and registry fees	(32,341)	(32,312)
Rent and outgoings	(173,095)	(120,040)
Travel	(65,361)	(78,303)
Other expenses from ordinary activities	(348,691)	(294,267)
	(4,177,903)	(4,056,774)
Share of net profit of investments accounted for using the equity method	244,849	276,389
	2,398,930	2,623,083
Profit before income tax	2,398,930	2,623,083
Income tax expense	(586,380)	(599,520)
Profit for the half-year attributable to members of the parent	1,812,550	2,023,563
Other comprehensive income	-	-
Total comprehensive income attributable to the members of the parent	1,812,550	2,023,563
Basic earnings per share (cents)	1.12	1.25
Diluted earnings per share (cents)	1.12	1.25

The accompanying notes form part of these financial statements

Prime Financial Group Ltd & Controlled Entities

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

	31 Dec 2011 \$	30 June 2011 \$
CURRENT ASSETS		
Cash and cash equivalents	553,935	537,670
Trade and other receivables	6,070,477	5,885,732
Other current assets	194,610	175,522
Total Current Assets	<u>6,819,022</u>	<u>6,598,924</u>
NON CURRENT ASSETS		
Receivables	1,666,505	1,712,635
Plant and equipment	1,646,089	1,503,537
Investments accounted for using the equity method	22,023,422	21,361,901
Intangible assets	48,484,158	48,374,657
Deferred tax assets	10,691	7,933
Total Non Current Assets	<u>73,830,865</u>	<u>72,960,663</u>
Total Assets	<u>80,649,887</u>	<u>79,559,587</u>
CURRENT LIABILITIES		
Bank overdraft	383,866	183,924
Payables	2,011,659	2,130,297
Current tax payable	1,167,946	1,007,284
Provisions	376,727	514,657
Borrowings	11,728	11,728
Total Current Liabilities	<u>3,951,926</u>	<u>3,847,890</u>
NON CURRENT LIABILITIES		
Borrowings	8,366,207	7,754,964
Total Non Current Liabilities	<u>8,366,207</u>	<u>7,754,964</u>
Total Liabilities	<u>12,318,133</u>	<u>11,602,854</u>
NET ASSETS	<u>68,331,754</u>	<u>67,956,733</u>
EQUITY		
Contributed equity	66,719,812	66,883,355
Treasury shares held	(3,458,737)	(3,402,814)
Accumulated profits	5,070,679	4,476,192
TOTAL EQUITY	<u>68,331,754</u>	<u>67,956,733</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 2011**

	Half-year	
	2011	2010
	\$	\$
TOTAL EQUITY AT THE BEGINNING OF THE HALF-YEAR	67,956,733	67,303,387
Profit for the half year	1,812,550	2,023,563
	69,769,283	69,326,950
Transactions with equity holders in their capacity as equity holders:		
Purchase of shares for the PFG Employee Share Plan	(55,923)	(371,554)
Dividends paid	(1,218,063)	(1,218,063)
Shares bought back and cancelled (1,180,000 shares bought back and cancelled)	(163,543)	-
	(1,437,529)	(1,589,617)
TOTAL EQUITY AT THE END OF THE HALF-YEAR	68,331,754	67,737,333

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 2011**

	Half-year	
	2011	2010
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	5,590,353	6,758,685
Payments to suppliers and employees	(4,370,488)	(4,526,848)
Dividends and distributions received	445,104	331,651
Interest paid	(323,308)	(269,494)
Income tax paid	(428,477)	(518,383)
Net cash provided by operating activities	913,184	1,775,611
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for business acquisitions (net of cash acquired)	-	(1,844,367)
Payments for intangible assets	(202,501)	-
Proceeds from sale of business	-	1,008,000
Payments for plant and equipment	(260,035)	(450,724)
Proceeds from disposal of equity investments	-	278,280
Loans repaid by other entities (associates)	189,114	389,565
Net cash used in investing activities	(273,422)	(619,246)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of borrowings	-	(186,717)
Purchase of shares for the PFG Employee Share Plan	(55,923)	(371,554)
Receipt of Borrowings	617,109	-
Dividends paid	(1,215,218)	(1,211,623)
Share buy-back	(163,543)	-
Repayment of hire purchase agreements	(5,864)	-
Net cash used in financing activities	(823,439)	(1,769,894)
Net increase/ (decrease) in cash and cash equivalents	(183,677)	(613,529)
Cash and cash equivalents at beginning of half year	353,746	1,433,095
Cash and cash equivalents at end of the half-year	170,069	819,566

The accompanying notes form part of these financial statements

Prime Financial Group Ltd & Controlled Entities

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2011**

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 2011 and any public announcements made by Prime Financial Group Ltd during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

(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*.

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 the significant accounting policies:

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2011.

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.

Note 3: Business Combinations

In December 2011, Prime acquired a controlling stake with a 51% direct and 14% indirect equity interest in the businesses of Pacifica Financial Services Pty Ltd and DM Financial Planners Pty Ltd. The financial effects of this transaction have not been brought to account at 31 December 2011 as it is not possible at this stage to provide detailed information about class of assets and liabilities acquired and the cost of the acquisition.

Prime Financial Group Ltd & Controlled Entities

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2011**

Note 4: Dividends

	2011 \$	Half-year 2010 \$
Dividends paid during the half-year:		
Ordinary shares (0.75 cents per share)	1,218,063	1,218,063
Proposed dividends not recognised at the end of the half-year (0.75 cents per share)	1,208,313	1,218,063

Note 5: Segment Information

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

Note 6: Commitments & Contingent Liabilities

Prime Development Fund Pty Ltd continues to provide cross guarantees to Pacifica Pty Ltd for \$357,000 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 6 to 11 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 2011 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 24th February 2012



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 and controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2011, the consolidated statement of 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 of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the 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 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 to believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the company's financial position as at 31 December 2011 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 and controlled entities, 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 and controlled entities 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 2011 and of its performance for the half-year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 2011 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.



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



H.D. Paton
Director
Dated this 24th day of February 2012