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Prime Financial Group Ltd & Controlled Entities

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

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2010**

This half-year financial report is to be read in conjunction
with the financial report for the year ended 30 June 2010

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 2010**

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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 2010 and independent review report thereon. This financial report has been prepared in accordance with Australian Equivalents of International Financial Reporting 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	56 months
S. Madder	49 months
S. Bennett	49 months
P. Madder	49 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

Prime has achieved an improvement in operating results compared with the previous corresponding period. Over this period Earnings before interest and tax (EBIT) has increased to \$2.82M in 1H11 from \$2.70M in 1H10, an increase of 4%. Net profit after tax (NPAT) of \$2.02M in 1H11 has increased by 9% and both basic and diluted earnings per share (EPS) increased by 6%. The period saw a marginal increase in revenue and an increase in contribution from equity owned Financial Planning entities (+26%).

During the period the Operating Margin increased from 43% to 45%. Group Funds Under Management (FUM), where Prime receives 'Asset Based Management Fees', increased by \$44M (including market movements) from 30 June 2010 to 31 December 2010 to \$1.069B.

Low Debt

Prime has largely maintained debt levels. Net debt has increased by \$0.5M from \$5.0M to \$5.5M since 30 June 2010, this is a gearing ratio of 7.5%.

Interim Dividend

Directors have declared an Interim Dividend of 0.75cps, representing a 60% payout ratio. The Interim Dividend is payable 12 April 2011 with a Record Date of 15 March 2011.

A further more detailed presentation covering the half-year ended 31 December 2010 for Prime is contained in the half-year results presentation to the ASX dated 18 February 2011.

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: 18th day of February 2011

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**AUDITOR'S INDEPENDENCE DECLARATION
IN ACCORDANCE WITH SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF PRIME FINANCIAL GROUP LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Prime Financial Group Limited.

As lead audit partner for the review of the financial statements of Prime Financial Group Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporation Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

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



Hugh D. Paton
Director

Dated in Melbourne, Australia on this 18th day of February 2011

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Prime Financial Group Ltd & Controlled Entities

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Half-year	
	2010	2009
	\$	\$
Revenue from ordinary activities	6,244,292	6,144,047
Other income	159,176	153,731
	6,403,468	6,297,778
Accounting expenses	(29,133)	(18,300)
Administration expenses	(214,312)	(200,047)
Amortisation	(78,000)	(78,000)
Collection/broking fees	(368,614)	(423,750)
Contractor expense	(109,800)	(83,954)
Depreciation expense	(88,019)	(159,709)
Directors' fees	(67,500)	(67,500)
Employee benefits expense	(2,054,193)	(1,899,482)
Insurance	(117,033)	(102,749)
Interest expense	(269,494)	(260,850)
Legal fees	(68,963)	(133,853)
Licence fees	(66,791)	(21,674)
Listing and registry fees	(32,312)	(38,318)
Rent and outgoings	(120,040)	(153,321)
Travel	(78,303)	(53,054)
Other expenses from ordinary activities	(294,267)	(317,212)
	(4,056,774)	(4,011,773)
Share of net profit of investments accounted for using the equity method	276,389	218,904
	2,623,083	2,504,909
Profit/(loss) before income tax	2,623,083	2,504,909
Income tax expense	(599,520)	(643,221)
Profit/(loss) for the half-year attributable to members of the parent	2,023,563	1,861,688
Other comprehensive income	-	-
Total comprehensive income/(loss) attributable to the members of the parent	2,023,563	1,861,688
Basic earnings per share (cents)	1.25	1.18
Diluted earnings per share (cents)	1.25	1.18

The accompanying notes form part of these financial statements

Prime Financial Group Ltd & Controlled Entities

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	31 Dec 2010 \$	30 June 2010 \$
CURRENT ASSETS		
Cash and cash equivalents	819,566	1,433,095
Trade and other receivables	4,531,622	4,706,470
Other current assets	192,376	172,042
Total Current Assets	<u>5,543,564</u>	<u>6,311,607</u>
NON CURRENT ASSETS		
Receivables	1,758,574	1,804,454
Plant and equipment	1,293,511	892,422
Investments accounted for using the equity method	21,348,380	24,166,267
Intangible assets	49,062,658	44,643,590
Total Non Current Assets	<u>73,463,123</u>	<u>71,506,733</u>
Total Assets	<u>79,006,687</u>	<u>77,818,340</u>
CURRENT LIABILITIES		
Payables	2,258,665	1,498,175
Current tax payable	1,206,958	1,099,340
Provisions	468,129	437,619
Borrowings	255,878	1,343,051
Total Current Liabilities	<u>4,189,630</u>	<u>4,378,185</u>
NON CURRENT LIABILITIES		
Deferred tax liabilities	39,308	43,384
Borrowings	7,040,416	6,093,384
Total Non Current Liabilities	<u>7,079,724</u>	<u>6,136,768</u>
Total Liabilities	<u>11,269,354</u>	<u>10,514,953</u>
NET ASSETS	<u>67,737,333</u>	<u>67,303,387</u>
EQUITY		
Contributed equity	66,883,355	66,883,355
Treasury shares held	(3,024,919)	(2,653,365)
Accumulated Profit	3,878,897	3,073,397
TOTAL EQUITY	<u>67,737,333</u>	<u>67,303,387</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 2010**

	Half-year	
	2010	2009
	\$	\$
TOTAL EQUITY AT THE BEGINNING OF THE HALF-YEAR	67,303,387	65,927,388
Profit for the half year	2,023,563	1,861,688
Total recognised income and expense for the period	69,326,950	67,789,076
Transactions with equity holders in their capacity as equity holders:		
Issue of shares	-	1,386,000
Purchase of shares for the PFG Employee Share Plan	(371,554)	(1,893,670)
Dividends paid	(1,218,063)	-
Capital raising costs	-	(3,887)
	(1,589,617)	(511,557)
TOTAL EQUITY AT THE END OF THE HALF-YEAR	67,737,333	67,277,519

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 2010**

	Half-year	
	2010	2009
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	6,599,509	6,448,752
Payments to suppliers and employees	(4,526,848)	(4,007,742)
Interest received	159,176	60,957
Dividends and distributions received	331,651	315,317
Interest paid	(269,494)	(286,122)
Income tax paid	(518,383)	(411,742)
Net cash provided by operating activities	1,775,611	2,119,420
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for business acquisitions (net of cash acquired)	(1,844,367)	-
Proceeds from sale of business	1,008,000	-
Payments for plant and equipment	(450,724)	(252,212)
Proceeds from disposal of equity investments	278,280	-
Loans repaid by other entities (associates)	389,565	150,000
Net cash used in investing activities	(619,246)	(102,212)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of borrowings	(186,717)	(3,168,599)
Purchase of shares for the PFG Employee Share Plan	(371,554)	(474,741)
Dividends paid	(1,211,623)	(1,667)
Net cash used in financing activities	(1,769,894)	(3,645,007)
Net increase/ (decrease) in cash and cash equivalents	(613,529)	(1,627,799)
Cash and cash equivalents at beginning of half year	1,433,095	3,224,130
Cash and cash equivalents at end of the half-year	819,566	1,596,331

The accompanying notes form part of these financial statements

Prime Financial Group Ltd & Controlled Entities

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2010

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 2010 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 2010.

(c) Business Combinations

Business combinations occur when an acquirer obtains control over one or more businesses and result in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e.: the parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the acquirer. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent considerations classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Prime Financial Group Ltd & Controlled Entities

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2010**

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

Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

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

On 29 September 2010, Prime acquired the remaining 50% equity in ORD Nexia Pty Ltd ('ORD') (Accounting Services). This increased Prime's equity to 100%. Consideration for the 50% equity in ORD was \$1,880,000. As part of this transition Prime disposed of the Audit and Corporate Services fee base to MGI Perth Pty Ltd ('MGI') (Accounting Services) leaving Prime with the Business Services and Tax fee base which turns over approximately \$2,400,000 per annum. The consideration Prime received from this disposal was \$1,260,000. There was no profit or loss on disposal. The net profit after tax contribution from ORD in Prime's consolidated profit and loss since the date of acquisition (1 October 2010) is \$87,500. The net profit after tax contribution from ORD in Prime's consolidation profit and loss if ORD had been consolidated from 1 July 2010 would have been \$175,000.

MGI is an Accounting Firm that at the date of the acquisition was an existing Financial Services Partner with Prime (50/50 equity) in a Financial Planning entity and Self Managed Super entity.

As Prime is not an operator but an investor in Accounting Firms, Prime entered into a management agreement with MGI, whereby MGI agreed to take over the management of the Business Services and Tax fee base under a commercial arrangement. As part of this arrangement MGI agreed to implement best practice systems around the delivery of Accounting Services & Financial Services to the client base in an integrated manner to facilitate the maintenance and growth of both the Accounting & Financial Services fee base.

The purchase price for the ORD acquisition was paid by Prime as follows, \$798,000 of the consideration was paid on settlement of the Sale of Practice Agreement and \$324,000 will be paid 13 months from the sale of the Practice Agreement. \$608,000 within 14 days of parties agreeing that the Minimum Net Asset Position has been achieved and all assets outstanding on completion of the sale have been realised. \$150,000 is payable by monthly instalments 7 days after receipt by Prime of the amount payable under the Engagement Management Agreement.

The total consideration of ORD and the subsequent sale to MGI is subject to adjustment if the audit and corporate fees are less than \$1,400,000 over a 12 month period, or the Business Services and Tax fees are less than \$2,200,000 over a 12 month period. We believe these targets will be met and no adjustments will be required.

The ORD Goodwill represents the client relationships, intellectual property and brand name.

Prime Financial Group Ltd & Controlled Entities

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2010
Note 3: Business Combinations (continued)

On 1 July 2010, Prime also acquired the remaining 50% equity in the ORD Nexia Financial Services Pty Ltd ('ORD Financial Planning entity') with ORD, therefore, increasing Prime's equity to 100% in the Financial Planning entity. The consideration for the 50% equity in the Financial Planning entity was \$220,000. The net profit after tax contribution from the Financial Planning entity in Prime's consolidated profit and loss since the date of acquisition (1 July 2010) is \$36,687.

	ORD	Provisional Fair Values ORD Financial Planning entity	Total
Purchase consideration			
- Cash consideration (paid to 31 December 2010)	1,371,488	220,000	1,591,488
- Receivables from associated companies	176,512	-	176,512
- Deferred consideration (payable at 31 December 2010)	<u>332,000</u>	-	<u>332,000</u>
Consideration for remaining 50% of the investment	1,880,000	220,000	2,100,000
Provisional fair value of equity accounted investment	2,202,677	553,953	2,756,630
Total combination	<u>4,082,677</u>	<u>773,953</u>	<u>4,856,630</u>
Less:			
Receivables	1,377,913	53,687	1,431,600
Asset held for sale	1,260,000	-	1,260,000
Bank Overdraft	(209,450)	(43,029)	(252,479)
Payables	<u>(1,466,343)</u>	<u>(3,215)</u>	<u>(1,469,558)</u>
Identifiable assets acquired and liabilities assumed	<u>962,120</u>	<u>7,443</u>	<u>969,563</u>
Goodwill	3,120,557	766,510	3,887,067
Purchase consideration settled in cash (net of cash acquired)	1,580,938	263,429	1,844,367

The initial accounting for the business combination is incomplete and amounts recognised in the financial statements relating to the business combination have been determined only provisionally.

Note 4: Revisions of Accounting Estimates

The Company has not made any changes in estimates of amounts reported in prior annual reporting periods.

Note 5: Accumulated Profits/ (Accumulated Losses)

	2010 \$	Half-year 2009 \$
Total accumulated profits at the beginning of the half-year	3,073,397	628,097
Profit for the half-year	2,023,563	1,861,688
Dividends paid	<u>(1,218,063)</u>	-
Total accumulated profits at the end of the half-year	<u>3,878,897</u>	<u>2,489,785</u>

Prime Financial Group Ltd & Controlled Entities

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2010**

Note 6: Dividends

	2010 \$	Half-year 2009 \$
Dividends paid during the half-year:		
Ordinary shares (0.75 cents per share)	1,218,063	-
Proposed dividends not recognised at the end of the half-year (0.75 cents per share)	1,218,063	1,218,063

Note 7: Segment Information

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

Note 8: Commitments & Contingent Liabilities

Prime Development Fund Pty Ltd continues to provide cross guarantees to Demeyer Consulting Pty Ltd for \$175,000, Pacifica Pty Ltd for \$357,000 and Rundles CPP Pty Ltd for \$250,000.

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Prime Financial Group Ltd & Controlled Entities

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 6 to 13 in accordance with the *Corporations Act 2001*:

- (a) Comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*, and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2010 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 18th February 2011

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

ABN 70 009 487 674

Report on the Half-year Financial Report

We have reviewed the accompanying half-year consolidated financial report of Prime Financial Group Limited and controlled consolidated entities (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

Director's Responsibility for the Half-year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 interim 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 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB134 *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

ABN 70 009 487 674

(Continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the consolidated entity for the half-year ended 31 December 2010 included on the website of Prime Financial Group Limited. The Directors of the consolidated entity are responsible for the integrity of the website and we have not been engaged to report on its integrity. The review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to / from the financial report. 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 financial report to confirm the information included in the reviewed financial report presented on the company's website.

Independence

In conducting our review, we have complied with applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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 2010 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB134 *Interim Financial Reporting* and the Corporations Regulations 2001.

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



Hugh Paton
Director

Dated in Melbourne on this 18th day of February 2011