

**Appendix 4D**  
**Prime Financial Group Ltd and its Controlled Entities**  
**ABN 70 009 487 674**  
**Half Year Report for the period ended 31 December 2018**

**Reporting Period**

Reporting Period	
Current reporting period	Half-year ended 31 December 2018
Previous corresponding reporting period	Half-year ended 31 December 2017

**Results for Announcement to the Market**

Results for announcement to the market			
Revenue from ordinary activities	down	1% to	11,104,195
Profit (loss) from ordinary activities after tax attributable to members	up	156% to	733,589
Net profit (loss) for the period attributable to members	up	156% to	733,589
<b>Dividend</b>	<b>Amount per security</b>	<b>Franked amount per security</b>	
Interim dividend	0.20 cents	0.20 cents	
Previous corresponding period	0.45 cents	0.45 cents	
Record date for determining entitlements to the dividend			5 April 2019
Payment date for Interim dividend			3 May 2019

Results were extracted from the Half Year Financial Report for the six-month period ended 31 December 2018, which was subject to an independent review.

Commentary on the results for the half year ended 31 December 2018 is included in the Directors' Report section of the Half Year Financial Report for the six-month period ended 31 December 2018.

## Net Tangible Assets Per Security

	31 December 2018	30 June 2018*
Net tangible assets per security		
Net tangible asset backing per ordinary security	(5.08) cents	(4.29) cents

\*Prior period comparatives have been revised, for more information please refer to note 2.4 of the Financial Report.

## Dividends

Dividends		
Dividends	Date of Payment	Total amount of dividend
Final dividend – Year ended 30 June 2018	1 November 2018	0.45 cents
Interim dividend – Year ended 30 June 2019	3 May 2019	0.20 cents
Amount per security	Amount per security	Franked amount per security at % tax
Current Year	0.20 cents	100%
Previous Year	0.45 cents	100%
Total dividend on all securities	2019	2018
Ordinary Securities	\$370,308	\$833,914
Total	<b>\$370,308</b>	<b>\$833,914</b>

## Details of Associates and Joint Venture Entities

Name of Associates		
Name of associate	31 December 2018 % Securities held	30 June 2018 % Securities held
Rundles Prime Pty Ltd	50%	50%

**Aggregate Share of Profits (losses) of Associates and Joint Venture Entities**

	Six-month period ended 31 December 2018	Six-month period ended 31 December 2017
Aggregate share of profits (losses) of associates		
Profit (loss) from ordinary activities before tax	383,711	446,259
Income tax on ordinary activities	(105,521)	(133,878)
Profit (loss) from ordinary activities after tax	278,190	312,381

The financial information provided in the Appendix 4D is based on the half year condensed financial report, which has been prepared in accordance with Australian equivalent to International Financial Reporting Standards.



**Prime Financial Group Ltd**

**Half Year Financial Report**

**For the Six Months Ended 31 December 2018**



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## Directors' Report

Enclosed is the Directors Report for the half year ended 31 December 2018 ('1H19') together with the consolidated financial statements of Prime Financial Group Ltd ('Prime' or 'the Company') and the entities it controlled ('the Group') at the end of, or during, the half year ended 31 December 2018, and independent audit report thereon.

## Principal Activities

The principal activities of the Group entity during the financial year were:

- Accounting & Business Advisory services
- Wealth Management; and
- Capital Advisory services

The Group operates in one reportable segment providing integrated advice solely in Australia.



In 1H19 Prime continued its progress towards a 100% owned and operated full-service professional services firm. This included further integrating and developing the Company's Accounting & Business Advisory, Wealth Management and Capital Advisory capabilities.

Prime's goal is 'to be the leading integrated advice firm of the future' and has consistently sought to deliver a complete service offering that encompasses our three service areas to provide clients with a seamless and high-quality experience.

### Highlights for 1H19 include:

- Reported earnings before interest, taxes, depreciation and amortisation ('EBITDA') attributable to members for the period was \$1.7 million compared to a loss of \$1.1 million in 1H18 which represents an increase of 255%
- Underlying EBITDA attributable to members in 1H19 was \$2.1 million compared to \$2.3 million in 1H18
- Reported earnings per share ('EPS') to members in 1H19 was 0.43 cents per share ('cps') compared to -0.78 cps in 1H18
- Underlying EPS attributable to members was 0.79 cps compared to 0.78 cps in the prior corresponding period

- Continuing to scale Prime's Wealth Management division through increased Self-Managed Super Fund ('SMSF') capability, including securing client engagements with +\$700,000 of additional revenue over the next 12 months
- Integrating the Capital Advisory acquisitions of Eaton Capital Holdings Pty Ltd and CMB Advisory Pty Ltd (July 2018) into Prime's Accounting & Business Advisory and Capital division. These transactions plus organic growth, have seen the Capital Advisory new business pipeline triple versus the previous corresponding period
- Securing a new office lease to co-locate the Melbourne professional services and head office team, accounting for +70% of the Prime team nationally, to one location (previously two) at Southbank in Melbourne from June 2019, and
- The continued process to wind down Prime Accounting and Wealth Management Pty Ltd ('PWM'). PWM was set up in conjunction with an Institutional Partner to fund the acquisition of minority equity interests in accounting and wealth management firms. In September 2018 Prime completed the buy-back of 30% of the Institutions equity, with the remaining equity and divestiture of minorities expected to be completed by 30 June 2019.

These activities have been consistent with Prime's Strategic Plan and have been undertaken to improve long term organic growth, create scale, and simplify Prime's business.

## Focus

With a focus on simplification, deep cross divisional integration and a common client approach, Prime is confident that its core services and three-hub strategy across locations in Melbourne, Sydney and Brisbane will generate revenue growth (notably SMSF and Capital Advisory) and improve financial performance.

Much like the two-year investment in Finance and IT is now providing benefits that are both financial and non-financial, Prime can and will continue to streamline, scale and simplify its business with a consistent client focused approach.

Organic growth is materialising from past acquisitions and the expansion of existing service capability. Accordingly, for the next 12 months Prime will focus internally which will see fewer acquisitions in the near term with a preference to see the benefits of integration and simplification before considering the next round of acquisitions.

Prime's 12-month focus will be concentrated on:

- Organic growth via integration,
- Continued expansion of existing service lines and additional scale, and
- Reducing net debt to a target level of 2.0 - 2.5 times underlying EBITDA.

In order to achieve these goals directors are reducing the interim dividend to 0.20 cps from 0.45 cps and will utilise this additional capital to grow Prime's value whilst also offering existing shareholders the opportunity to re-invest in the business through a Dividend Re-investment Plan ('DRP'). The DRP is being fully supported by Key Management Personnel ('KMP'), including directors, with each subscribing for 100% of their entitlements under the DRP.

## Operating & Financial Review

### Statutory profitability

In 1H19 Prime's revenue decreased by \$68,189 (1%) to \$11.1 million. The decrease in revenue was driven by the decrease in Other Income (\$175,645) and Equity Accounted Profit (\$62,548). Revenue from Prime's core business operations increased by \$170,004 (2%).

Although Wealth Management, which includes SMSF, was largely flat (+\$11,112) due to lower transactional and investment brokerage revenue, the dedicated SMSF team have made a positive revenue contribution since expansion in July 2018. The investment made in this team has yielded prospective revenue on a 12-month view of +\$700,000, this is expected to be earnings accretive in 2H19.

In the year ending 30 June 2018 ('FY18') Prime's revenue was split approximately \$11.2 million in 1H18 and \$10.1 million (10% lower) in 2H18 (a total \$21.3 million). Subject to the timing of transactional revenue in both the Wealth Management and Accounting & Business Advisory and Capital divisions, Prime believe revenue will be more evenly weighted between 1H19 and 2H19.

Operating Overheads for 1H19 were negatively impacted by an increase in Employee Benefits, increasing from \$5.7 million in 1H18 to \$6.3 million in 1H19. Approximately \$350,000 - \$400,000 of this expense is non-recurring in nature, however, the difference relates substantially to additional resourcing for our SMSF and Capital Advisory teams. This additional capacity is part of driving the organic revenue growth for the firm.

Profit/(loss) before tax	1H19 \$million	1H18 \$million	Change %
Members of the parent entity	<b>0.8</b>	<b>-1.8</b>	<b>147%</b>
Consolidated Group	<b>1.6</b>	<b>-0.9</b>	<b>277%</b>

Profit/(loss) after tax	1H19 \$million	1H18 \$million	Change %
Members of the parent entity	<b>0.7</b>	<b>-1.3</b>	<b>156%</b>
Consolidated Group	<b>1.3</b>	<b>-0.6</b>	<b>302%</b>

Earnings per share attributable to ordinary equity holders of the parent (members)	1H19	1H18	Change %
Basic earnings/(loss) per share (cps)	<b>0.43</b>	<b>-0.78</b>	<b>156%</b>
Diluted earnings/(loss) per share (cps)	<b>0.43</b>	<b>-0.76</b>	<b>157%</b>

### Underlying Profitability

In this report, certain non-IFRS information, such as earnings before interest & tax ('EBIT') and earnings before interest, tax, depreciation & amortisation ('EBITDA') are used. This non-IFRS information is not audited.

Underlying EBITDA is a key measure used by management and the Board to assess and review business performance. Underlying EBITDA excludes the following items:

- One-off non-operational items (including business acquisition and restructuring costs, non-recurring professional fees, certain employee related and termination costs, impairment losses, fair value adjustments on contingent consideration and gains/losses on the sale of investments); and
- Share based payment expenses/benefits.



The following table provides a reconciliation between statutory net profit after tax and Underlying EBITDA for 1H19 and 1H18:

	1H19 \$	1H18 \$	Change %
Profit after tax from operations	1,285,622	(636,709)	302%
Add: Tax expense	324,639	(272,875)	219%
Add: Interest expense/(income)	280,951	246,625	14%
EBIT *	1,891,212	(662,959)	385%
Add: Depreciation	128,633	116,789	10%
Add: Amortisation	434,914	337,557	29%
<b>Group EBITDA **</b>	<b>2,454,759</b>	<b>(208,613)</b>	<b>1277%</b>
<b>Adjustments:</b>			
Business acquisition costs, restructuring costs and non-recurring professional fees	653,291	328,952	99%
Share based payment expenses/(benefit)	(266,952)	(47,822)	-458%
Fair value adjustment on contingent consideration	10,085	45,960	-78%
Loss on disposal of investment	-	773,104	-100%
Impairment losses	-	2,302,853	-100%
<b>Underlying EBITDA **</b>	<b>2,851,183</b>	<b>3,194,434</b>	<b>-11%</b>
<b>Underlying EBITDA attributable to members</b>	<b>2,089,758</b>	<b>2,310,731</b>	<b>-10%</b>

\* EBIT is defined as earnings before interest and tax

\*\* EBITDA is defined as earnings before interest, tax, depreciation and amortisation

Underlying Earnings per share attributable to ordinary equity holders of the parent (members)	1H19	1H18	Change %
Basic earnings/(loss) per share (cents)	<b>0.79</b>	<b>0.78</b>	<b>2%</b>
Diluted earnings/(loss) per share (cents)	<b>0.79</b>	<b>0.76</b>	<b>3%</b>

## Review of Cashflow

In 1H19 the Group generated net positive cash flow from operating activities of \$1.6 million.

This was offset by cash outflows from investing activities of \$3.2 million, substantially due to the buy back of the institution's equity in PWM and dividends advanced or paid to non-controlling interests.

Cash inflows from financing activities were \$0.8 million.

At 31 December 2018, the Group net debt, calculated as borrowings less cash and cash equivalents, was \$9.8 million (30 June 2018: \$7.7 million). The main reason for the \$2.1 million increase in debt was for acquisitions (\$1.7 million).

## Dividends

The Board has resolved to declare a fully franked interim dividend of 0.20 cents per share, which is a reduction on the prior year interim dividend of 0.45 cents per ordinary share. Profits are being retained to take advantage of growth opportunities and reduce acquisition related debt.

Directors have also introduced a DRP so existing shareholders participate in Prime's growth prospects. The DRP is being fully supported by KMP, including directors, with each subscribing for 100% of their entitlement.

## Regulatory

### Hayne Royal Commission – Wealth Management

On 1 February 2019, Commissioner Hayne submitted the Final Report of the Royal Commission into misconduct in the Banking, Superannuation and Financial Services Industry.

Prime have been very supportive of the transparent and open process that has been undertaken and believe the recommendations that have been made seek to build on or simplify existing laws and practices to strengthen the financial system and support consumers and clients receiving better advice, products and services. It is clear from the report and recommendations that all market participants will be held to a higher standard which ultimately can only be a good thing for the longevity of the industry and client outcomes.

There is a strong prospect of significant industry change. This will present opportunities for those organisations and advisers clear where they fit into the future financial services landscape.

To be clear, Prime is a financial advice and professional services firm that exists to deliver advice and services to our clients. We seek to offer a full service so that our clients can have one complete experience and a competitive offering that is market leading.

Based on the recommendations that have been made by Commissioner Hayne, Prime does not see there being material changes which need to be made to how Prime operates, our philosophy on client service or on providing client advice, which has been present since Prime's inception. However, Prime will remain vigilant on business and process improvement and deliver the best possible service.

Currently:

- Prime has less than 3% of Wealth Management revenue generated from Grandfathered Commissions. These have substantially come from acquisitions that have been undertaken over time and Prime will continue to review these arrangements and seek to remove these commissions in favour of direct arrangements.
- Under the existing law, a client who entered into an ongoing fee arrangement after 1 July 2013 must opt-in to the arrangement every two years. Moving to an annual opt-in arrangement will not have an impact on Prime. We take the view that a client chooses to opt-in to receive our service every day and should Prime disappoint a client they can move at any time. Prime currently have a positive obligation to deliver on client's expectations.
- Prime generates less than 1% of Wealth Management revenue from Finance Broking and changes to these commission structures will not impact Prime.

- There are Life Insurance commission caps prescribed by the Australian Securities and Investments Commission ('ASIC'), with ASIC conducting a review of the caps in 2021. The Commissioners' view is that unless there is sound justification for retaining these commissions these should be reduced, and ultimately eliminated. Prime does not see any potential changes to commissions materially impacting its revenue or client approach.

Prime continues to closely monitor its compliance, obligations and changes to industry standards. Over time, compliance and insurance costs may increase, but Prime believe that based on the recommendations within the Report the net impact will be positive for clients and also for Prime's simplification, growth and profitability focus.

Over the past two years Prime have built the infrastructure, scale, service's and business model to be a preferred service provider for clients, employer of choice for advisers and preferred partner to accountants and advisory groups. Prime will continue to improve systems, resources and deploy technology to focus its positive trajectory and will actively recruit for growth to leverage the material industry opportunity that exists for Prime.



Paul Cowan  
Chairman

Melbourne  
Date: 26 February 2019

## Auditor's Independence Declaration



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### Auditor's Independence Declaration to the Directors of Prime Financial Group Limited

As lead auditor for the review of Prime Financial Group Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor Independence requirements of the *Corporations Act 2001* in relation to the review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Prime Financial Group Limited and the entities it controlled during the financial period.

Ernst & Young

T M Dring  
Partner  
Melbourne  
26 February 2019

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2018

	Six months ended 31 December 2018 \$	Six months ended 31 December 2017 \$
<b>Revenue</b>		
Revenue from contracts with customers		
- Wealth Management	5,013,122	5,002,009
- Accounting & Business Advisory and Capital	5,434,743	5,275,851
<b>Total revenue from contracts with customers</b>	<b>10,447,865</b>	<b>10,277,860</b>
Share of profit of associates	383,711	446,259
Other Income	239,676	420,959
Interest income	32,943	27,305
<b>Total revenue</b>	<b>11,104,195</b>	<b>11,172,383</b>
<b>Expenses</b>		
Employee benefits	(6,264,398)	(5,663,977)
Depreciation	(128,633)	(116,789)
Amortisation	(434,914)	(337,557)
Finance costs	(309,260)	(273,170)
IT and communication expenses	(554,845)	(572,006)
Insurance	(236,460)	(204,407)
Occupancy	(506,504)	(478,645)
Professional fees	(209,179)	(292,667)
Other expenses	(1,106,607)	(1,068,654)
<b>Total operating expenses</b>	<b>(9,750,800)</b>	<b>(9,007,872)</b>
Share based payment (expense)/benefit (Note 7)	266,952	47,822
Fair value movement on contingent consideration	(10,085)	(45,960)
Loss on disposal of investment	-	(773,104)
Impairments	-	(2,302,853)
<b>Total expenses</b>	<b>(9,493,933)</b>	<b>(12,081,967)</b>
<b>Profit/(Loss) before tax from continuing operations</b>	<b>1,610,262</b>	<b>(909,584)</b>
Attributable to:		
- Members of the parent entity	848,836	(1,793,287)
- Non-controlling interests	761,425	883,703
Income tax expense	(324,639)	272,875
<b>Profit/(Loss) after tax from continuing operations</b>	<b>1,285,622</b>	<b>(636,709)</b>
Attributable to:		
- Members of the parent entity	733,589	(1,308,830)
- Non-controlling interests	552,033	672,121
<b>Total comprehensive income</b>	<b>1,285,622</b>	<b>(636,709)</b>
<b>Earnings per share attributable to ordinary equity holders of the parent</b>		
Basic earnings per share (cents)	0.43	(0.78)
Diluted earnings per share (cents)	0.43	(0.76)

## Consolidated Statement of Financial Position

As at 31 December 2018

	31 December 2018 \$	30 June 2018* \$
<b>Current assets</b>		
Cash and cash equivalents	96,469	878,831
Trade and other receivables	2,535,963	2,918,261
Other current assets	2,661,890	3,324,728
<b>Total current assets</b>	<b>5,294,322</b>	<b>7,121,820</b>
<b>Non-current assets</b>		
Property, plant and equipment	354,343	425,214
Investments accounted for using the equity method	3,089,297	3,019,982
Financial assets (Note 9)	1,854,260	1,825,951
Intangible assets	48,277,707	48,108,958
<b>Total non-current assets</b>	<b>53,575,607</b>	<b>53,380,105</b>
<b>Total assets</b>	<b>58,869,929</b>	<b>60,501,925</b>
<b>Current liabilities</b>		
Payables	2,874,496	2,944,415
Financial liability – Share buyback commitment (Note 2.4)	3,182,598	4,546,569
Current tax payable	975,434	881,314
Employee benefits	946,836	936,202
Borrowings – hire purchase	375,491	316,523
Balance outstanding on acquisition of investments	131,486	1,352,522
<b>Total current liabilities</b>	<b>8,486,341</b>	<b>10,977,545</b>
<b>Non-current liabilities</b>		
Borrowings – bank facility	9,368,123	7,978,478
Borrowings – hire purchase	193,917	310,904
Deferred tax liabilities	286,355	181,553
Financial liability – share based payments	392,616	659,568
Balance outstanding on acquisition of investments	1,678,810	557,823
<b>Total non-current liabilities</b>	<b>11,919,821</b>	<b>9,688,326</b>
<b>Total liabilities</b>	<b>20,406,162</b>	<b>20,665,871</b>
<b>Net assets</b>	<b>38,463,767</b>	<b>39,836,054</b>
<b>Equity</b>		
Contributed equity	67,695,860	67,967,256
Treasury shares	(2,913,869)	(3,500,291)
Put option reserve (Note 2.4)	(3,182,598)	(4,546,569)
Accumulated losses	(26,309,032)	(26,208,707)
<b>Equity attributable to equity holders of the parent</b>	<b>35,290,361</b>	<b>33,711,689</b>
Non-controlling interests	3,173,406	6,124,365
<b>Total equity</b>	<b>38,463,767</b>	<b>39,836,054</b>

\*Prior period comparatives have been revised, refer note 2.4

## Consolidated Statement of Changes in Equity

For the six months ended 31 December 2018

	Put option reserve	Contributed equity	Retained earnings	Non- controlling interests	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2017</b>	<b>(4,546,569)</b>	<b>64,466,965</b>	<b>(22,819,948)</b>	<b>5,895,744</b>	<b>42,996,192</b>
Total comprehensive income for the period	-	-	(1,308,830)	672,121	(636,709)
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Dividends paid	-	-	(833,914)	(1,037,215)	(1,871,129)
Transactions with non-controlling interests	-	-	(585,934)	-	(585,934)
<b>Total transactions with equity holders in their capacity as equity holders</b>	<b>(4,546,569)</b>	<b>-</b>	<b>(1,419,848)</b>	<b>(1,037,215)</b>	<b>(2,457,063)</b>
<b>Balance at 31 December 2017</b>	<b>(4,546,569)</b>	<b>64,466,965</b>	<b>(25,548,626)</b>	<b>5,530,650</b>	<b>39,902,420</b>
<b>Balance at 1 July 2018</b>	<b>(4,546,569)</b>	<b>64,466,965</b>	<b>(26,208,707)</b>	<b>6,124,365</b>	<b>39,836,054</b>
Total comprehensive income for the period	-	-	733,589	552,033	1,285,622
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Sale of treasury shares from PFG ESP	-	586,422	-	-	586,422
Share Capital	-	(271,396)	-	-	(271,396)
Dividends paid	-	-	(833,914)	(2,411,815)	(3,245,729)
Transfer from put option reserve	1,363,971	-	-	-	1,363,971
Transactions with non-controlling interests	-	-	-	(1,091,177)	(1,091,177)
<b>Total transactions with equity holders in their capacity as equity holders</b>	<b>1,363,971</b>	<b>315,026</b>	<b>(833,914)</b>	<b>(3,502,992)</b>	<b>(2,657,909)</b>
<b>Balance at 31 December 2018</b>	<b>(3,182,598)</b>	<b>64,781,991</b>	<b>(26,309,032)</b>	<b>3,173,406</b>	<b>38,463,767</b>

\*Prior period comparatives have been revised, refer note 2.4

## Consolidated Statement of Cash flows

For the six months ended 31 December 2018

	Six months ended 31 December 2018 \$	Six months ended 31 December 2017 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	11,866,391	10,782,354
Receipts from associates	222,624	386,376
Payments to employees and suppliers	(9,994,661)	(9,035,463)
Interest paid	(309,260)	(273,170)
Income tax paid	(198,918)	(199,545)
<b>Net cash provided by operating activities</b>	<b>1,586,176</b>	<b>1,660,552</b>
<b>Cash flows from investing activities</b>		
Receipts from business disposals	-	586,369
Payments for business acquisitions	(606,066)	(1,026,342)
Dividends advanced to non-controlling interests	(1,318,541)	(361,534)
Other transactions with non-controlling interests	(1,091,177)	-
Development expenditure	(107,731)	(281,769)
Payments for plant and equipment	(57,761)	(150,150)
<b>Net cash used in investing activities</b>	<b>(3,181,276)</b>	<b>(1,233,426)</b>
<b>Cash flows from financing activities</b>		
Sales of Treasury shares	315,027	-
Dividends paid	(833,915)	(833,915)
Repayment of borrowings	(382,886)	(436,252)
Drawdown of borrowings	1,714,512	272,782
<b>Net cash provided by / (used in) financing activities</b>	<b>812,738</b>	<b>(458,980)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(782,362)</b>	<b>(31,854)</b>
Cash and cash equivalents at beginning of the half-year	878,831	624,289
<b>Cash and cash equivalents at end of the half-year</b>	<b>96,469</b>	<b>592,435</b>



## Notes to the Half Year Financial Report

### Note 1 Corporate information

The half-year consolidated financial statements of Prime Financial Group Ltd ('Prime' or 'the Company') and its controlled entities ('the Group') for the six months ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 26 February 2019.

Prime is a for profit company limited by shares and incorporated and domiciled in Australia. The Company's shares are publicly traded on the Australian Securities Exchange ('ASX').

### Note 2 Basis of preparation of the half year financial report

#### Note 2.1 Basis of preparation

The half-year consolidated financial statements for the half year ended 31 December 2018 have been prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year consolidated financial statements are presented in Australian dollars and have been prepared on a historical cost basis. It complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The half-year consolidated financial statements do not include all the information and disclosures required in the annual financial statements. It is recommended that the half-year consolidated financial statements be read in conjunction with the consolidated financial statements for the year ended 30 June 2018 and any public announcements made by Prime during the half-year in accordance with any continuous disclosure obligations arising under the ASX listing rules.

#### Note 2.2 New standards, interpretations and amendments

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those adopted in the Group's annual financial report for the year ended 30 June 2018, except for the adoption of new standards and interpretations as of 1 July 2018 and disclosed below:

##### i. AASB 9, 'Financial Instruments'

In December 2014, the AASB issued the final version of AASB 9 Financial Instruments that replaces AASB 139 Financial Instruments: Recognition and Measurement and all previous versions of AASB 9. AASB 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting.

- Classification and measurement

The adoption of AASB 9 has not had a significant impact on the balance sheet or equity on applying the classification and measurement requirements of AASB 9. Trade receivables and Loans are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under AASB 9. Therefore, reclassification for these instruments is not required. There has been no change to the valuation of the unquoted equity instruments and is measured at fair value through profit and loss.

- Impairment

AASB 9 requires the Group to record expected credit losses on all of its trade receivables and loans, either on a 12-month or lifetime basis. The Group apply the simplified approach and record lifetime expected losses on all trade receivables. As trade receivables are short term in nature i.e. repayment terms are typically 30-90

days, the previous method of recognising credit impairment is not materially different to the simplified approach under AASB 9.

#### **Loan to Directors**

The Group recognises a loss allowance for expected credit losses on loans using the general approach. If the credit risk on the loan has increased significantly since initial recognition, an amount equal to the lifetime loss is recognised. Specific to this loan, there has been no change in credit risk since initial recognition.

#### **ii. AASB 15, 'Revenue from Contracts with Customers'**

AASB 15 supersedes AASB 118 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model for ascertaining (1) whether, (2) how much, and (3) when, revenue is recognised. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group undertook a detailed assessment of its revenue contracts on adoption of the standard, which has been applied from 1 July 2018 using the modified approach. No material impact on the financial statements has been recognised as a result of adopting this standard.

#### **Wealth Management Revenue**

Wealth Management revenue predominantly consists of ongoing investment advisory services relating to invested funds. The Group has determined that revenue associated with this service should be recognised over time, as the service is provided by the Group. The Group uses an output method for measuring progress on satisfying the performance obligation.

#### **Accounting & Business Advisory and Capital Revenue**

Accounting & Business Advisory and Capital services generally involves one performance obligation, relating to the provision of specific services, e.g bookkeeping or tax services. The Group has determined that revenue associated with this service should also be recognised over time, as the service is provided by the Group. The Group uses an input method to measure progress in satisfying the performance obligation.

#### **Disaggregated Revenue**

The Group has disaggregated revenue recognised from contracts with customers into categories that depict how the nature, timing and uncertainty of revenue and cash flows are affected by economic factors, being Wealth Management revenue and Accounting & Business Advisory and Capital revenue.

#### **Note 2.3 Share-based payments accounting policy**

Prime's accounting policy for share-based payments is below.

Employees and directors of the Group receive remuneration in the form of share-based payments whereby they can acquire shares pursuant to a loan scheme. On the basis that the employees and directors have the option to require the Company to buy back the shares, the awards are being accounted for as share options under cash settled share-based payment awards.

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in profit

and loss. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using a Black-Scholes model, further details of which are given in Note 7.

#### Note 2.4 Correction of prior period error

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

Amounts reported as comparative information have changed as a result of an adjustment in the accounting of a put option related to Prime's obligation to purchase its own equity instrument (via performing a share buy-back of PWM from the institutional investor). The financial liability is recognised at a fair value of \$4,546,569 as at 30 June 2018. At the 31 December 2018 the fair value of the liability is \$3,182,598, which equates to an exercise price at 1.25 times the price the shares were acquired for. It is foreseen that the continued wind down of PWM and the buyback will be completed on or before 30 June 2019.

	For the year ended 30 June 2018	Change	Restated balance for the year ended 30 June 2018
<b>Current liabilities</b>			
Financial liability - Share buyback commitment	-	4,546,569	4,546,569
<b>Total current liabilities</b>	<u>-</u>	<u>4,546,569</u>	<u>4,546,569</u>
<b>Equity</b>			
Contributed equity	67,967,256	-	67,967,256
Treasury shares	(3,500,291)	-	(3,500,291)
Put option reserve	-	(4,546,569)	(4,546,569)
Accumulated losses	<u>(26,208,707)</u>	<u>-</u>	<u>(26,208,707)</u>
<b>Equity attributable to equity holders of the parent</b>	<b>38,258,258</b>	<b>(4,546,569)</b>	<b>33,711,689</b>
Non-controlling interests	<u>6,124,365</u>	<u>-</u>	<u>6,124,365</u>
<b>Total equity</b>	<u><b>44,382,623</b></u>	<u><b>(4,546,569)</b></u>	<u><b>39,836,054</b></u>

### Note 3 Dividends paid and proposed

	Six months ended 31 December 2018	Six months ended 31 December 2017
	\$	\$

#### Cash dividends to the equity holders of the parent:

##### Dividends on ordinary shares declared and paid:

Final fully franked dividend for the year ended 30 June 2018: 0.45 cents per share (2017: 0.45 cents per share)	833,914	833,914
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##### Proposed dividends on ordinary shares (not recognised at the end of the half year):

Interim fully franked dividend for the year ended 30 June 2019: 0.20 cents per share (2018: 0.45 cents per share)	370,308	833,914
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The proposed interim dividend for the six-month period ended 31 December 2018 was approved on 26 February 2018 and is not recognised as a liability at 31 December 2018.

The figures above exclude dividends on shares purchased by employees through the Employee Share Plan where the dividend entitlements are deducted from the employee loan balances. Please see Note 7 for details of awards to employees.

### Note 4 Segment information

The Group operates in one reportable segment providing integrated advice solely in Australia.

### Note 5 Commitments & Contingencies

Prime Development Fund Pty Ltd continues to provide a cross guarantee to Rundles Prime Pty Ltd for \$580,000 (30 June 2018: \$580,000).

### Note 6 Business combinations

The Group has continued its process to wind down PWM – PWM was set up in conjunction with an Institutional Partner to fund the acquisition of minority equity interests in accounting and wealth management firms. In September 2018, Prime completed the buy-back of 30% of the Institution's equity for \$1,091,177.

#### Eaton Capital Holdings Pty Ltd and CMB Advisory Pty Ltd

In July 2018, Prime acquired the corporate advisory business of Eaton Capital Holdings Pty Ltd ('Eaton') for \$200,000. Prime acquired Eaton to obtain a Capital Advisory client list, pipeline of opportunities and staff intellectual property. No tangible assets were acquired, or liabilities assumed as part of the acquisition, whilst the fair value of intangible assets and goodwill acquired were: Customer Rights Intangible Asset of \$28,319, an associated deferred tax liability of \$7,788 and goodwill of \$179,469. All consideration related to the Eaton transaction was paid during the period. The goodwill recognised is primarily attributed to the expected synergies and other benefits that will arise by increasing Prime's Capital business offerings. The goodwill is not deductible for income tax purposes.

In July 2018, Prime acquired the corporate advisory business of CMB Advisory Pty Ltd ('CMB') for \$54,752, giving Prime 100% of the voting rights. Prime acquired CMB to obtain an AFSL license for Prime's Capital Advisory services. No tangible assets were acquired, or liabilities assumed as part of the acquisition, whilst no intangible assets were also recognised. Consideration of \$31,000 has been paid in relation to the acquisition, whilst the outstanding non-contingent consideration of \$23,752 is recognised as a current liability. Prime expects this amount will be paid prior to 30 June 2019.

#### **MXA Financial Planning Pty Ltd**

In July 2018 Prime acquired the financial planning business from MXA Financial Planning Pty Ltd (MXA) for \$241,188. Prime acquired MXA to obtain a wealth management client list and staff intellectual property as part of building out Prime's Brisbane presence. No tangible assets were acquired, or liabilities assumed as part of the acquisition, whilst the fair value of intangible assets and goodwill acquired were: Customer Rights Intangible Asset of \$46,236, an associated deferred tax liability of \$12,715 and goodwill of \$207,667. The goodwill recognised is primarily attributed to the expected synergies and other benefits that will arise by increasing Prime's Wealth Management business offerings. The goodwill is not deductible for income tax purposes.

Consideration of \$60,204 was paid during the period whilst \$180,884 of outstanding consideration has been recognised as a liability at 31 December 2018. The outstanding consideration includes contingent consideration of \$150,738 and is dependent on meeting certain conditions related to revenue performance in FY19 and FY20. The contingent consideration is valued with reference to the probability of performance conditions being met, discounted back to present value using a discount rate of 5%. At 31 December 2018 the fair value of the contingent consideration was \$147,084.

#### **Note 7 Share-based payments**

In 2008, Prime established the PFG Employee share plan ("ESP"). The purpose of the PFG ESP is to provide eligible employees with the ability to acquire shares in Prime pursuant to a loan scheme. The PFG Employee Share Plan Trust ('ESP Trust') was established to effect the awards of shares under the ESP. PFG Employee Share Plan Pty Ltd is the trustee of the Trust ('the Trustee'). Prime made the first offers of shares from the ESP to employees and directors in FY13 and made further offers in FY15, FY16, FY17, and FY18.

#### **Note 7a. Types of share-based payment plans**

##### **i. Awards to Mr S. Madder**

Mr S. Madder was awarded shares under the PFG ESP in May 2013, December 2015 and December 2016 at an allocation price of 19.3 cents, 10.6 cents and 10.5 cents respectively. The acquisition of shares was funded by loans from the Trustee who administers the plan. The loans, which have four-year terms, are full recourse and supported by a personal guarantee from Mr S. Madder plus a General Security Agreement over his related entity.

While Mr S. Madder's PFG ESP loans are full recourse in nature, the arrangements provide that at any time prior to the expiry of the loans, Mr S. Madder may require the Trustee to buy back the shares that are the subject of his loans at a price per share that is equal to the greater of:

1. 75% of the allocation price;
2. the volume weighted average price of a share during the 30 days immediately preceding the date Mr S. Madder issues a buy-back notice; and
3. an amount determined by an independent expert appointed at the request of Mr S. Madder (the identity of whom must be agreed to in writing by the Company) as being the reasonable value of the shares as at the date Mr S. Madder issues a buy-back notice.

In May 2017, the directors agreed to extend the term of the 2013 award for another four years and to also extend the term of the December 2015 and December 2016 awards to align with the term of the 2013 award. In an Extraordinary General Meeting ('EGM') on 14 July 2017, a resolution was approved to modify the terms of the loan provided to Mr S. Madder in 2013, by reducing the allocation price of 4,800,000 shares from 19.3 cents to 9.72 cents and amending the buy-back price above to refer to 50% of the allocation price. As communicated at the EGM on 14 July 2017, the change was in accordance with the contractual entitlements of the executive service agreement entered into between the Company and Mr S. Madder in November 2009.

On the basis that Mr. S. Madder has the option to require the Company to buy back the shares at any time during the term of the loan for a price per share based on the above formula, the awards are being accounted for as share options under cash settled share-based payment awards.

## **ii. Awards to Employee**

The PFG ESP allows participating staff members to acquire shares pursuant to a loan scheme. Under the PFG ESP, participants are allocated shares on the basis that the acquisition cost of the Shares is funded via a non-recourse loan provided by the Trustee who administers the plan.

The loans have a fixed term and shares are allocated on the basis that they are held by the Trustee. In these circumstances, participants may not deal with the shares that have been allocated to them until the loan amount that is attributable to the shares has been repaid. The loan may be repaid at any time during the loan term.

At the end of the loan term, participants are required to repay an amount equal to the loan balance that is outstanding in respect of the plan shares unless alternative arrangements are entered into with the Trustee. At that time participants may:

- Pay the Trustee an amount equal to the amount of the loan that is then outstanding in respect of the plan shares. Upon making this payment the vested plan shares will be transferred to the participant; or
- If a participant elects not to take a transfer of the plan shares or fails to make any election on or before the repayment date, then the participant shall be deemed to have agreed to transfer its plan shares back to the Trustee and the Trustee shall either:
  - Sell the plan shares; or
  - Purchase the vested plan shares for a price equal to the then current market value of the vested plan shares and hold them pending their future allocation under the plan.

The Trustee will accept the transfer of the vested plan shares in full satisfaction of the amount of the loan that remains outstanding. If the net proceeds of the sale or purchase exceed the amount of the loan that is then outstanding in respect of the vested plan shares, then the surplus will be remitted to the participant. If the net proceeds of the sale or purchase do not exceed the amount of the loan that is still outstanding in respect of the vested plan shares, then no amount will be paid to the participant.

On the basis that the employees have the option to require the Company to buy back the shares at the end of the term of the loan for the difference between the share price at the time and the outstanding loan balance, the awards are being accounted for as share options under cash settled share-based payment awards.

In July 2017, employees were allocated 9,920,000 shares funded by non-recourse loans provided on the basis described above. The allocation price of the shares was 12 cents. 33% of the shares granted vest after one year, 33% after two years with the remaining 34% of shares vesting after three years. As the option was not taken on the one-year shares these are now treated as vesting after two years in line with the 33% of shares that vest after two years. During the six-month period ended 31 Dec 18, 4,075,000 employee shares were forfeited.

#### Note 7b. Recognised share-based payment expenses/benefits

The (expense)/benefit recognised during the six-month period is shown in the following table:

	Six months ended 31 December 2018 \$	Six months ended 31 December 2017 \$
(Expense)/benefit arising from cash-settled share-based payment transactions	266,952	47,822
<b>Total expense arising from share-based payment transactions</b>	<b>266,952</b>	<b>47,822</b>

#### Note 7c. Movements during the year

The following table illustrates the number and weighted average exercise price ('WAEP') of, and movements in, share options during the six-month period ended 31 December 2018:

	Number Six months ended 31 December 2018	WAEP (cents) Six months ended 31 December 2018	Number Six months ended 31 December 2017	WAEP (cents) Six months ended 31 December 2017
<b>Outstanding at 1 July</b>	<b>21,128,833</b>	<b>14.7</b>	<b>11,208,833</b>	<b>15.5</b>
Granted during period	-	-	9,920,000	13.7
Forfeited during period	(4,075,000)	14.8	-	-
Exercised during period	-	-	-	-
Expired during period	-	-	-	-
<b>Outstanding at 31 December</b>	<b>17,053,833</b>	<b>15.0</b>	<b>21,128,833</b>	<b>14.7</b>
Exercisable at 31 December	17,053,833	15.0	21,128,833	14.7

The WAEP in the above table is based on the expected exercise price at the vesting / loan repayment date.

#### Note 8 Significant events after balance date

On 26 February 2019, the Board resolved to declare a fully franked interim dividend of 0.20 cents per share.

Directors have also introduced a DRP so existing shareholders participate in Prime's growth prospects. The DRP is being fully supported by KMP, including directors, with each subscribing for 100% of their entitlement.

There are no other matters or circumstances which have arisen since the end of the financial period, that have significantly affected, or may significantly affect the operations of the Group, or the state of affairs of the Group in future periods.



## Note 9 Financial assets and Financial liabilities

### Note 9a. Financial assets

The financial assets at the period end are as follows:

	31 December 2018 \$	30 June 2018 \$
Loan receivable	966,768	938,459
Investment in Bstar Pty Ltd	337,500	337,500
Other unquoted equity instruments	549,992	549,992
	<u>1,854,260</u>	<u>1,825,951</u>

The loan receivable relates to a loan to Madder Corporate Pty Ltd, a nominee company of Mr P. Madder. The loan was provided by the PFG ESP to fund the allocation of 6,224,156 Shares (30 June 2018: 6,224,156 Shares) in Prime. During the six-month period ended 31 December 2018 the interest payable on the loan was \$28,309.

	31 December 2018 \$	30 June 2018 \$
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#### Financial assets at fair value through profit and loss

Unquoted equity instruments	887,492	887,492
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#### Financial assets at amortised cost

Trade and other receivables	2,535,963	2,918,261
Loans to directors	<u>966,768</u>	<u>938,459</u>

Cash and cash equivalents	<u>96,469</u>	<u>878,831</u>
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<b>Total financial assets</b>	<b><u>4,486,692</u></b>	<b><u>5,623,043</u></b>
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Total Current	2,632,432	3,797,092
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Total Non-Current	<u>1,854,260</u>	<u>1,825,951</u>
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<b>Total financial assets</b>	<b><u>4,486,692</u></b>	<b><u>5,623,043</u></b>
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## Note 9b. Financial liabilities

	Interest rate %	Maturity	31 December 2018 \$	30 June 2018 \$
<b>Current interest-bearing loans and borrowings</b>				
Obligations under hire purchase contracts and other contracts	5.06%	31-12-19	375,491	316,523
<b>Non-Current interest-bearing loans and borrowings</b>				
Obligations under hire purchase contracts	5.85%	31-08-20	193,917	310,904
Bank facility	4.62%	09-07-20	9,368,123	7,978,478
<b>Total non-current interest-bearing loans and borrowings</b>			<b>9,562,040</b>	<b>8,289,382</b>
<b>Other financial liabilities</b>				
Trade and other payables			2,874,496	2,944,415
Financial liabilities - share based payments			392,616	659,568
Financial liabilities - Share buyback commitment			3,182,598	4,546,569
Balance outstanding on acquisitions			1,810,296	1,910,345
<b>Total other financial liabilities</b>			<b>8,260,006</b>	<b>10,060,897</b>
<b>Total financial liabilities</b>			<b>18,197,537</b>	<b>18,666,802</b>
Total current financial liabilities			6,564,071	9,160,029
Total non-current financial liabilities			11,633,466	9,506,773
<b>Total financial liabilities</b>			<b>18,197,537</b>	<b>18,666,802</b>

### Financial liabilities - Share buyback option

During the six-month period Prime's obligation under a forward contract to purchase its own equity instrument (via performing a share buy-back of PWM from the institutional investor) was realised. The financial liability is recognised at a fair value of \$4,546,569 as at 30 June 2018. At the 31 December 2018 the fair value of the liability is \$3,182,598, which equates to an exercise price at 1.25 times the price the shares were acquired for. It is foreseen that the continued wind down of PWM and the buyback will be completed on or before 30 June 2019.

Westpac Bank has in place an agreement with the Group to provide facilities amounting to \$12,000,000. The agreement expires on 9 July 2020. At the end of the reporting period those facilities have been utilised to the amount of \$9,368,123. The unused amount is \$2,631,877. The facility is to assist with future investments and for general purposes. At 31 December 2018 the effective interest rate was 3.62% per annum. There is an additional 1.00% line fee for the total facility.

## Note 9c. Fair values

Set out below is a comparison by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	31 December 2018		30 June 2018	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	\$	\$	\$	\$
<b>Financial assets</b>				
Unquoted equity instruments	887,492	887,492	887,492	887,492
Loans to directors	966,768	966,768	938,459	938,459
<b>Total</b>	<b>1,854,260</b>	<b>1,854,260</b>	<b>1,825,951</b>	<b>1,825,951</b>
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings				
- Obligations under hire purchase and other contracts	569,407	569,407	627,427	627,427
- Bank facility	9,368,123	9,368,123	7,978,478	7,978,478
Financial liabilities - share based payments	392,616	392,616	659,568	659,568
Financial liabilities - Share buyback commitment	3,182,598	3,182,598	4,546,569	4,546,569
Balance outstanding on acquisitions	1,810,296	1,810,296	1,910,345	1,910,345
<b>Total</b>	<b>15,323,040</b>	<b>15,323,040</b>	<b>15,722,387</b>	<b>15,722,387</b>

It has been assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, obligations under hire purchase and other contracts and the balance outstanding on acquisition of investments approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of financial liabilities relating to share-based payments have been calculated using a Black-Scholes model. Please see note 7 for further details.

### Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

Fair value measurement hierarchy for assets and liabilities:					
	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 3)
			\$	\$	\$
<b>Assets measured at fair value:</b>					
Unquoted equity securities	31-Dec-18	887,492	-	-	887,492
<b>Liabilities measured at fair value:</b>					
Balance outstanding on acquisitions	31-Dec-18	1,810,296	-	-	1,810,296

	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 3)
		\$	\$	\$	\$
<b>Assets measured at fair value:</b>					
Unquoted equity securities	30-Jun-18	887,492	-	-	887,492
<b>Liabilities measured at fair value:</b>					
Balance outstanding on acquisitions	30-Jun-18	1,910,345	-	-	1,910,345

Movement on balance outstanding on acquisitions	\$
<b>Opening balance 1 July 2018</b>	<b>1,910,345</b>
New acquisitions	295,931
Payments	(406,065)
Fair value movement	10,085
<b>Closing balance at 31 December 2018</b>	<b>1,810,296</b>

#### Unquoted equity securities in BStar Pty Ltd

Bstar Pty Ltd is classified as a Level 3 financial asset and is measured at fair value through profit and loss. The fair value technique used to value this asset is a capitalisation of earnings approach. The key inputs in this valuation were the underlying earnings and the earnings multiple. The earnings multiple used in the valuation at 30 June 2018 was 4.5 times. A 10% increase (decrease) in the earnings multiple or underlying earnings would result in an increase (decrease) in fair value of \$33,750.

#### Unquoted equity securities – financial services sector

The fair value of unquoted equity securities – financial services sector consists of two investments purchased in FY18. The assets are measured based on the Board's assessment of the latest valuation information prepared by the companies for the purposes of capital raising. Unquoted equity securities – financial services sector are classified as a Level 3 financial assets and are measured at fair value through profit and loss. A 10% increase (decrease) in the valuation of these securities would result in an increase (decrease) in fair value of \$55,000.

## Directors' Declaration

The directors declare that the financial statements and notes set out on pages 9 to 24 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 2018 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.



Paul Cowan  
Chairman



Simon Madder  
Managing Director & CEO

Melbourne  
Date: 26 February 2019



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### Independent Auditor's Review Report to the Members of Prime Financial Group Ltd

#### Report on the Half-Year Financial Report

##### Conclusion

We have reviewed the accompanying half-year financial report of Prime Financial Group Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with:

a) the *Corporations Act 2001*, including:

- I. giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and
- II. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

##### 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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial 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 the Group, 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.

### Independence

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

A stylized, handwritten signature of 'Ernst &amp; Young' in black ink.

Ernst & Young

A stylized, handwritten signature in black ink, likely belonging to T M Dring.

T M Dring  
Partner  
Melbourne  
26 February 2019





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