

Prime Financial Group Ltd and its Controlled Entities
ABN 70 009 487 674

Appendix 4D Half Year Report

For the period ended 31 December 2020

Reporting Period

Reporting Period	
Current reporting period	Half-year ended 31 December 2020
Previous corresponding reporting period	Half-year ended 31 December 2019

Results for Announcement to the Market

Results to Announcement to the Market			
Revenue from ordinary activities	down	3.21% to	10,707,528
Profit (loss) from ordinary activities after tax attributable to members	up	68.51% to	1,039,720
Net profit (loss) for the period attributable to members	up	68.51% to	1,039,720
Dividend		Amount per security	Franked amount per security
Interim dividend		0.30 cents	0.30 cents
Previous corresponding period		0.20 cents	0.20 cents
Record date for determining entitlements to the dividend			6 April 2021
Payment date for Interim dividend			3 May 2021

Results were extracted from the Half Year Financial Report for the six-month period ended 31 December 2020, which was subject to an independent review.

Commentary on the results for the half year ended 31 December 2020 is included in the Directors' Report section of the Half Year Financial Report for the six-month period ended 31 December 2020.

Appendix 4D Half Year Report

For the period ended 31 December 2020

Net Tangible Assets Per Security

Net tangible assets per security	31 December 2020	30 June 2020
Net tangible asset backing per ordinary security	(2.60) cents	(2.88) cents

Dividends

Dividends		
Dividends	Date of Payment	Total amount of dividend
Final dividend – Year ended 30 June 2020	2 November 2020	0.25 cents
Interim dividend – Year ended 30 June 2021	3 May 2021	0.30 cents
Amount per security	Amount per security	Franked amount per security at % tax
Current Year	0.30 cents	100%
Previous Year	0.20 cents	100%
Total dividend on all securities	2021	2020
Ordinary Securities	\$479,923	\$370,168
Total	\$479,923	\$370,168

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 2020



aspire, innovate, grow

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Managing Director/CEO & Chairman's Message

Dear Shareholders,

Overview

Continuing the positive momentum from FY20, Prime Financial Group Ltd (Prime) is pleased to report a strong financial and operating result for H1 FY21.

Whilst still recognizing the ongoing uncertainty created by the COVID-19 pandemic, Prime continues to hold a cautiously optimistic stance as the economic recovery process begins and business conditions, on the whole, improve in-line with the rebound in stock markets globally.

Summary Financial Information

Financial Highlights	Members/Shareholders			Group		
	H1 FY21	H1 FY20	Change	H1 FY21	H1 FY20	Change
Underlying						
Revenue - Contracts with customers	\$10.7m	\$11.1m	↓ (3%)			
Revenue - Other	\$0.0m	\$0.0m	N/A			
Revenue - Total	\$10.7m	\$11.1m	↓ (3%)			
EBITDA	\$2.8m	\$2.4m	↑ 18%	\$3.2m	\$2.9m	↑ 12%
Margin	27%	22%	↑ 5%	30%	26%	↑ 4%
Reported						
EBITDA	\$2.5m	\$2.1m	↑ 19%	\$2.9m	\$2.6m	↑ 13%
NPAT	\$1.0m	\$0.6m	↑ 69%	\$1.3m	\$0.9m	↑ 39%
Diluted EPS (cents per share)	0.58	0.35	↑ 66%			
Final dividend paid (cents per share)	0.25	0.20	↑ 25%			
Interim dividend declared (cents per share)	0.30	0.20	↑ 50%			

Prime has achieved the following financial results for H1 FY21, versus the previous corresponding period (H1 FY20);

- Underlying EBITDA (members/shareholders) + 18%, \$2.8 million v \$2.4 million (H1 FY20)
- Operating Expenses Lower – 10% (v H1 FY20)
- Operating Margin up to 27% (v 22% in H1 FY20)
- Revenue (Contracts with Customers) – 3% (v H1 FY20, due to the impact of stock market falls on Wealth Management Revenue and exiting of unprofitable service lines in Wealth Management & Accounting)
- Group Net Debt Lower – \$1.3 million (13%) (\$8.5 million for H1 FY21 v \$10.1 million H1 FY20 & v \$9.8 million FY20)
- Improved Operating Cashflow + \$1.3 million (v H1 FY20), and
- With a continuation in the improvement of cashflow Prime has increased the Interim dividend, from 0.20 cents per share to 0.30 cents per share (+ 50% v H1 FY20 and up 20% from 0.25 cents per share (Final FY20)).

Prime continues to prioritise its OneConnected business, team and client service strategy with a focus on growth, simplicity, costs and core operations, this continues to yield positive results.

Clients & The Community

Prime's clients have been impacted to varying degrees since the onset of the pandemic but as we end H1 FY21 the majority have started to move forward with increasing confidence. Business certainty is improving, however it remains to be seen what the full impact of the removal of government support programs and payments has over the coming six months and beyond. Stock market values have recovered to pre-pandemic levels, predictions of property market falls have not materialised and recent statements by the RBA indicate that a low interest rate environment will likely remain for the next 3 years, all of which builds on future certainty for decision making for clients and the Prime Board.

Our focus will remain on providing continuous support and advice for our clients on how best to position and manage outcomes for the future through comprehensive, proactive, timely and regular advice.

The Team & Prime Board

Our team remains our most important asset, and their ongoing commitment, flexibility, resilience and focus on delivering exceptional client outcomes is essential, especially during times of uncertainty. We provide continued thanks to the team as collectively we seek to deliver the right combination of growth for all stakeholders.

On 3 July 2020 Mr Matt Murphy and Mr Tim Bennett were appointed to the Prime Board as Executive Directors, following the resignation of Mr Tim Carroll on 3 July 2020 and the retirement from the board of Mr Peter Madder on 31 August 2020.

Matt Murphy leads Prime's Accounting & Business Advisory division, a material contributor to Prime's earnings, and is personally an accomplished business adviser and accountant. Matt has been with Prime since 2016 and is a member of the leadership team and is an important part of Prime's vision as OneConnected professional services firm.

Tim Bennett leads Prime's Capital & Corporate Advisory division which he established 3 years ago and is now a strong earnings contributor to Prime and an important service for Prime's Business & Corporate clients, plus those larger family owned and entrepreneur led businesses. As an experienced corporate adviser, business leader and originator Tim Bennett continues to form an important part of the Prime leadership team.

From 3 July 2020 I assumed the role of Chairman in addition to my role as Managing Director & CEO. The newly formed board have been working closely to execute on the priorities of the business with a focus on the OneConnected client and team strategy, this focus continues to deliver strong earnings growth.

H2 FY21 & The Future

Prime will continue to focus on:

- Integrating our service capability for our clients benefit
- Growing earnings organically (OneConnected)
- Closely aligning underlying and reported EBITDA for members/shareholders
- Improving cashflow
- Debt reduction
- Increasing dividends on the basis that underlying EBITDA for members/shareholders is in a maintainable range of 1 – 1.5 times net debt (currently 1.4 times), and
- Prioritise people, client service and compliance.

COVID-19 continues to be a consideration as is ongoing risk management related to the pandemic, however Prime will focus attention on the opportunity to consolidate on our continuing momentum.

We would like to thank our team, clients, accounting firm relationships and shareholders for their ongoing support.



Simon Madder

Managing Director, CEO & Chairman

Directors' Report

The directors submit their report for the period ended 31 December 2020 together with the consolidated financial statements of Prime Financial Group Ltd ('PFG' 'Prime' or 'the Company') and the entities it controlled ('the Group') at the end of, or during, the period ended 31 December 2020, and independent audit report thereon.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.



Mr Simon Madder B.COMM

Managing Director/CEO & Chairman

Managing Director/CEO – appointed 2 Jan 2007

Chairman – appointed 3 July 2020

Mr Simon Madder is the Managing Director, CEO and Chairman of Prime. Mr Madder was the co-founder and Managing Director of Prime Development Fund Ltd (PDF) (since 1998). Mr Madder has 20+ years' experience in the financial services and advisory industry across operations, strategy and acquisitions. Mr Madder is a member of the Audit, Remuneration and Nomination Committees.



Mr Matt Murphy B.BUS CPA CA

Director and Managing Director – Accounting & Business Advisory

Appointed as Director on 3 July 2020

Mr Murphy is the Managing Director of Prime's Accounting & Business Advisory Division and plays an important role as a member of Prime's Leadership Team, continuing to build the Accounting & Business Advisory division and OneConnected service and team approach.



Mr Tim Bennett

Director and Managing Director – Capital & Corporate Advisory

Appointed as Director on 3 July 2020

With over 13 years specialist M&A experience, Mr Bennett has advised on a range of transactions, across all industry sectors, covering complex business and asset carve-outs and divestments, mergers and acquisitions, private company capital raisings (debt and equity) and IPOs, together with a range of financial sponsor (private equity) transactions.



Mr Peter Madder FCA, FCPA

Executive Director

Appointed as Director on 2 January 2007, retired as a Director of Prime on 31 August 2020

Mr Peter Madder was the co-founder of PDF and has also been the Managing Partner of two accounting firms. Mr Madder has over 50 years' experience advising clients on financial matters as a Chartered Accountant, as well as experience across business structuring, corporate finance and acquisitions. Mr Madder was a member of the Audit, Remuneration and Nomination Committees. Mr Madder is now a special adviser to Prime and remains as a Responsible Officer on Prime's AFSL entities.



Mr Tim Carroll

Independent Non-Executive Director and Interim Chairman

Executive Director – appointed 27 Nov 2015, resigned on 3 July 2020

Interim Chairman – appointed 1 Mar 2019, resigned on 3 July 2020

Mr Carroll has over 20 years' experience in senior marketing and customer relationship management roles across Entertainment, Brand, Digital & Social, Loyalty Marketing and Media. Mr Carroll was the Interim Chairman of the Audit, Remuneration and Nomination Committees.

Company Secretary



Mr Rory McLaughlin B.COM, FCA

Company Secretary & Group Financial Controller

Appointed as Company Secretary 27 February 2020

Mr McLaughlin is a Chartered Accountant with wide international experience in the financial services sector including business advisory and insurance. His experience was built through working in assurance at Grant Thornton in Ireland, followed by extensive experience as a consultant, Finance Manager and Financial Controller in Bermuda, Australia and New Zealand.

Interests in the shares and options of the Company and related bodies corporate

	Ordinary Shares	Options over Shares
Mr S Madder*	29,107,008	-
Mr Matt Murphy	13,628,571	-
Mr Tim Bennett	-	-

* Includes shares issued in relation to share based payments.

Dividends

The Board has resolved to declare a fully franked interim dividend of 0.30 cents per ordinary share. This compares to an interim dividend declared in respect of the previous corresponding period of 0.20 cents per ordinary share. The Board is also continuing the Dividend Re-investment Plan (DRP) for the interim dividend. Future dividend payout ratios are targeted at 40-60% of the reported and maintainable earnings. The dividend payout ratio for H1 FY21 is 52%.

Principal Activities

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

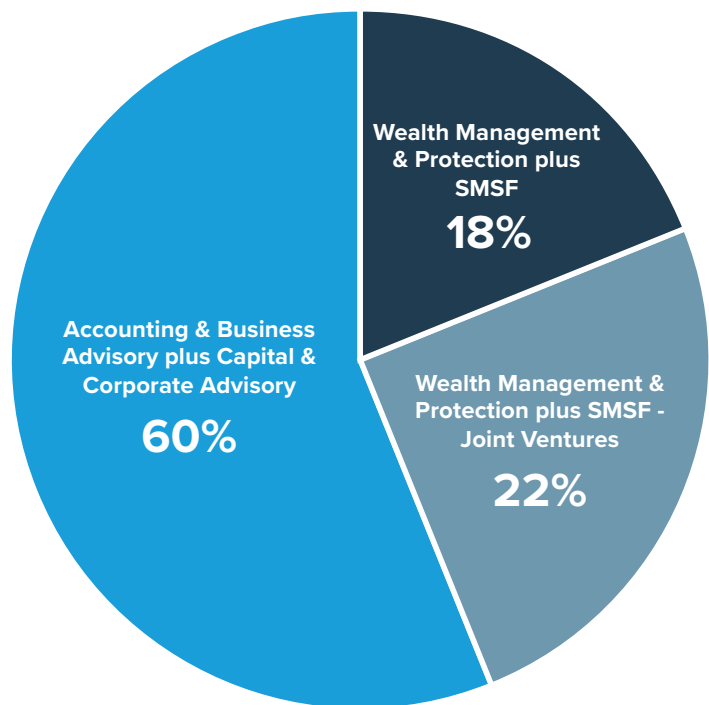
- Wealth Management and SMSF; and
- Accounting & Business Advisory plus Capital Advisory services.

Operating & Financial Review

What We Do - Revenue by Service

Prime operates a direct client advice model under the Prime brand and a Joint Venture model with accounting firms (co-branded).

Eighty percent (80%) of total revenue is generated from existing customers.



Accounting & Business Advisory plus Capital & Corporate Advisory (60%)

Accounting

- Accounting and Tax Compliance
- Business Growth Advisory & Strategy
- Outsourced CFO & Accounting Services
- Grants & R&D Tax Incentives
- Innovation & Commercialisation Advice

Capital & Corporate Advisory

- M&A Advisory
- Capital Raising
- Other Capital & Corporate Development Services

Wealth Management & Protection plus SMSF (40%)

- Financial Planning & Strategic Advice
- Retirement Planning
- Superannuation Advice
- Investment Advice
- Life Insurance
- SMSF Establishment, Advice, Administration & Compliance

Wealth Management & Protection plus SMSF – Direct (18%)

- Prime liaises directly with clients under the Prime brand

Wealth Management & Protection plus SMSF – Joint Ventures (22%)

- Joint ventures with small and mid-sized accounting firms
- Most joint ventures are 50% owned by Prime and all are included in Prime's consolidated financial results
- Joint ventures are operated and staffed by Prime but co-branded with accounting firms

Our Strategy

The following presents a summary of Prime's Strategic Plan:

"OneConnected" professional services firm



Purpose

Empowering you to achieve your aspirations



Goal

To be the leading integrated advice firm of the future



How

Helping our clients and business partners access advice, services, grants, networks, education, expertise and capital

Areas & Objectives



Customer

Provide clients with advice and services through OneConnected firm



People

Build a team that adds value to clients through proactive, goal oriented advice



Financial

Grow underlying EBITDA for members/ shareholders, improve cashflow and reduce debt whilst improving dividends



Technology

Utilise business operations data and technology to continue to improve client experience and deliver Prime's business strategy

FY21 Key Priorities

Organic Growth

- Integrate Prime's client base – OneConnected firm and service offering
- Deliver additional business and corporate advisory services for Business Owners and Businesses
- Promote Prime's Wealth Management & SMSF capability

People & Culture

- Further develop and empower our people to confidently advise our clients and engage - client service is a priority

Systems & Efficiency

- Enhance efficiency, service delivery and cashflow through business intelligence and enablement software and systems in OneConnected environment

Reported & Underlying Earnings

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

Underlying EBITDA for members/shareholders is the key measure used by management and the board to assess and review business performance. Underlying EBITDA for members/shareholders is adjusted to exclude the following items:

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

Underlying EBITDA for members/shareholders (Prime's key profitability measure) has increased from \$2.4 million (H1 FY20) to \$2.8 million (H1 FY21) (+18%).

	Year Ended 31 December 2020 \$	Year Ended 31 December 2019 \$
Reported net profit after tax operations (Group)	1,312,357	942,766
Add: Tax expense	463,360	325,429
Add: Interest expense/(income)	221,848	279,767
EBIT (Group) *	1,997,565	1,547,962
Add: Depreciation	31,475	110,981
Add: Amortisation	879,774	926,275
Reported EBITDA (Group) **	2,908,814	2,585,218
Adjustments		
Non-recurring expenses	272,751	250,956
Share based payment expenses/(benefit)	(21,184)	12,777
Fair value movements/adjustments on Financial assets	23,468	8,116
Fair value movements/adjustments on contingent consideration	26,506	8,353
Underlying EBITDA (Group) **	3,210,355	2,865,420
Underlying EBITDA (Members/Shareholders)	2,841,163	2,411,421
Reported EBITDA (Members/Shareholders)	2,539,622	2,131,219

*EBIT is defined as earnings before interest and tax

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

Review of Financial Condition

In H1 FY21, the Group generated net cash inflow of \$0.1 million consisting of cash outflows from investing activities of \$0.8 million and from financing activities of \$1.8 million, this was offset by cash inflows from operating activities of \$2.7 million.

At 31 December 2020, the Group's net debt, calculated as borrowings less cash and cash equivalents, was \$8.5 million (30 June 2020: \$9.8 million), a reduction of 13%.

Significant Changes In The State Of Affairs

Divestments and Acquisitions

Prime has not undertaken any new acquisitions or divestments during the period. Prime's focus is on building continuing momentum and positive growth as 'OneConnected' and integrated professional services firm operating across four key areas in Accounting & Business Advisory, Wealth Management, SMSF and Capital.

Significant Events After The Balance Date

There are no 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.

Likely Developments And Expected Results Of Operations

Prime's strategy, focus and likely developments are included in the Managing Director/CEO & Chairman's Report.

Environmental Regulation

The consolidated entity's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Share Options

Unissued shares

At the date of this report there were no unissued shares under options.

Shares Issued As A Result Of The Exercise Of Options

During the financial year, no options were exercised to acquire any shares in PFG.

Indemnification And Insurance Of Directors And Officers

As outlined in the company's constitution, to the extent permitted by law, the Company indemnifies every person who is or has been an officer of the Company against any liability incurred by that person, as such an officer of the Company, and to a person other than the Company or a related body corporate of the Company, unless the liability arises out of conduct on the part of the officer which involves a lack of good faith, or is contrary to the Company's express instructions. The Company indemnifies every person who is or has been an officer of the Company against any liability for costs and expenses incurred by the person in his or her capacity as an officer of the Company, in defending any proceedings, whether civil or criminal, in which judgement is given in favour of the person, or in which the person is acquitted, or in connection with an application, in relation to such proceedings, in which the Court grants relief to the person under the Corporations Law. Insurance premiums were paid during the financial year, for all Directors and Officers of the consolidated entity. No indemnities have been given, or insurance premiums paid for auditors of the Company.

Proceedings Of Behalf Of The Consolidated Entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

Corporate Governance Statement

A full copy of Prime's Corporate Governance Statement can be found on Prime's website (<https://www.primefinancial.com.au/shareholder-news/corporate-governance/>).

Diversity Policy

The measurable objectives established for achieving gender diversity is to increase the number of females in the whole organisation and at senior management positions to 50%. The proportion of female employees in the whole organisation at present is 39% (30 June 2020: 39%), the proportion of females in senior management positions at present is 33% (30 June 2020: 35%) and there are no females on the board. A full copy of Prime's Diversity Policy can be found on Prime's website (<https://www.primefinancial.com.au/shareholder-news/corporate-governance/>).

Auditor Independence

A copy of the auditor's independence declaration under section 307C of the Corporations Act 2001 in relation to the audit of the financial year is provided with this report.

Non-Audit Services

In H1 FY21, Ernst & Young (EY) did not provide any non-audit services to Prime.

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 the financial report of Prime Financial Group Limited for the half-year ended 31 December 2020, 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
19 February 2021

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2020

	Notes	Six months ended 31 December 2020 \$	Six months ended 31 December 2019 \$
Revenue			
Wealth Management & SMSF		4,315,867	4,840,276
Accounting & Business Advisory plus Capital		6,366,646	6,192,345
Total Revenue from contracts with customers		10,682,513	11,032,621
Interest Income		25,015	30,512
Total Revenue		10,707,528	11,063,133
Expenses			
Employee benefits		(6,070,827)	(6,514,407)
Depreciation		(31,475)	(110,981)
Amortisation		(879,774)	(926,275)
Finance costs		(246,792)	(309,795)
IT and communication expenses		(595,089)	(628,215)
Insurance		(202,779)	(197,491)
Occupancy		(27,001)	(122,980)
Professional fees		(146,090)	(125,392)
Other expenses		(621,712)	(827,501)
Total operating expenses		(8,821,539)	(9,763,037)
Share based payment (expense)/benefit	8b	(24,602)	(12,777)
Fair value movement on financial assets		(23,468)	(8,116)
Fair value movement on contingent consideration		(26,506)	(8,353)
Credit Loss Expense		(35,695)	(2,655)
Total expenses		(8,931,810)	(9,794,938)
Profit before tax from continuing operations		1,775,718	1,268,195
Attributable to:			
- Members/shareholders of the parent entity		1,406,526	814,196
- Non-controlling interests		369,191	453,999
Income tax expense		(463,360)	(325,429)
Profit after tax from continuing operations		1,312,357	942,766
Attributable to:			
- Members/shareholders of the parent entity		1,039,720	617,025
- Non-controlling interests		272,637	325,741
Total comprehensive income		1,312,357	942,766
Earnings per share attributable to ordinary members/shareholders of the parent			
Basic earnings/(loss) per share (cents)		0.58	0.35
Diluted earnings/(loss) per share (cents)		0.58	0.35

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	31 December 2020 \$	30 June 2020 \$
Current assets			
Cash and cash equivalents		137,668	93,491
Trade and other receivables	6	2,222,662	2,567,386
Financial assets	10a	1,081,015	1,056,070
Current tax receivable		93,284	-
Contract assets and other current assets	7	3,687,984	3,830,493
Total current assets		7,222,613	7,547,440
Non-current assets			
Property, plant and equipment		51,923	77,766
Right-of-use asset		3,015,622	3,496,836
Financial assets	10a	890,587	914,056
Intangible assets		46,564,125	46,864,108
Total non-current assets		50,522,257	51,352,766
Total assets		57,744,870	58,900,206
Current liabilities			
Lease liabilities		936,263	908,987
Payables		2,424,575	2,060,831
Current tax payable		-	170,179
Employee benefits		752,166	658,528
Borrowings – bank facility		1,000,000	-
Borrowings – other		176,583	73,424
Balance outstanding on acquisition of investments		493,565	357,043
Total current liabilities		5,783,152	4,228,992
Non-current liabilities			
Borrowings – bank facility		7,429,059	9,802,971
Lease liabilities		2,278,468	2,751,114
Deferred tax liabilities		806,638	550,708
Financial liability – share based payments	8	6,658	27,843
Balance outstanding on acquisition of investments		-	365,248
Total non-current liabilities		10,520,823	13,497,884
Total liabilities		16,303,975	17,726,876
Net assets		41,440,895	41,173,330
Equity			
Contributed equity		67,738,457	67,738,457
Treasury shares		(2,001,994)	(2,435,000)
Accumulated losses		(24,752,675)	(25,343,961)
Equity attributable to equity holders of the parent		40,983,788	39,959,496
Non-controlling interests		457,107	1,213,834
Total equity		41,440,895	41,173,330

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2020

	Contributed equity \$	Retained earnings \$	Non-controlling interest \$	Total \$
Balance at 1 July 2019	64,959,341	(26,698,637)	1,222,420	39,483,124
Total comprehensive income for the period	-	617,025	325,741	942,766
Transactions with equity holders in their capacity as equity holders:				
Adjustment for change in accounting policy (Note 2)	-	(41,518)	-	(41,518)
Share Capital	32,960	-	-	32,960
Dividends paid	-	(370,168)	(623,038)	(993,206)
Total transactions with equity holders in their capacity as equity holders	32,960	(411,686)	(623,038)	(1,001,764)
Balance at 31 December 2019	64,992,301	(26,493,298)	925,123	39,424,126
Balance at 1 July 2020	65,303,457	(25,343,961)	1,213,834	41,173,330
Total comprehensive income for the period	-	1,039,720	272,637	1,312,357
Transactions with equity holders in their capacity as equity holders:				
Movement in Treasury shares	433,006	(31,378)	-	401,628
Share based payments	-	23,288	-	23,288
Dividends paid	-	(479,923)	(716,442)	(1,196,365)
Transactions with non-controlling interests	-	39,579	(312,922)	(273,343)
Total transactions with equity holders in their capacity as equity holders	433,006	(448,434)	(1,029,364)	(1,044,792)
Balance at 31 December 2020	65,736,463	(24,752,675)	457,107	41,440,895

Consolidated Statement of Cash Flows

For the six months ended 31 December 2020

	Six months ended 31 December 2020 \$	Six months ended 31 December 2019 \$
Cash flows from operating activities		
Receipts from customers	12,033,032	11,869,669
Payments to employees and suppliers	(8,599,409)	(9,961,196)
Interest paid	(246,792)	(309,794)
Income tax paid	(470,893)	(194,406)
Net cash provided by operating activities	2,715,938	1,404,273
Cash flows from investing activities		
Payments for business acquisitions	(437,460)	(71,818)
Dividends advanced to non-controlling interests	(244,560)	(529,504)
Other transactions with non-controlling interests	(91,115)	(546,078)
Development expenditure	(98,576)	(176,500)
Payments for plant and equipment	(5,632)	(15,914)
Net cash provided by/(used in) investing activities	(877,343)	(1,339,814)
Cash flows from financing activities		
Treasury shares transactions	401,628	-
Dividends paid	(479,923)	(337,208)
Repayment of lease liabilities	(445,370)	(390,902)
Repayment of borrowings	(1,712,210)	(319,821)
Drawdown of borrowings	441,457	835,572
Net cash provided by/(used in) financing activities	(1,794,418)	(212,359)
Net increase/(decrease) in cash and cash equivalents	44,177	(147,900)
Cash and cash equivalents at beginning of the half-year	93,491	208,792
Cash and cash equivalents at end of the half-year	137,668	60,892

Notes to the Half Year Financial Report

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 2020 were authorised for issue in accordance with a resolution of the directors on 19 February 2021.

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').

2. Basis of preparation of the half year financial report

2.1 Basis of preparation

The half-year consolidated financial statements for the half year ended 31 December 2020 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 2020 and any public announcements made by Prime during the half-year in accordance with any continuous disclosure obligations arising under the ASX listing rules.

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 2020, except for the adoption of new standards and interpretations as of 1 July 2020 and disclosed below:

Amendments to IFRS 3: definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create an output. Also, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These impacts had no impact on the consolidated financial statements of the Group.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is expected to be any future impact to the Group.

2. Basis of preparation of the half year financial report - continued

2.3 Share-based payments accounting policy

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

Cash-settled payment transactions

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 8.

Equity-settled share-based payment transactions

Directors and employees also receive remuneration in the form of share-based payments whereby they are granted Performance rights that vest into shares after a set vesting period. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date of granting. The fair value was determined by management using the Binomial and Monte Carlo Model, further details of which are given in Note 8.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity (Retained-Earnings), over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date the relevant employees are awarded the shares (the vesting date).

2.4 Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on shared credit risk characteristic and on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include past default experience of the debtor profile and an assessment of the historical loss rates.

The impact of the COVID-19 pandemic remains uncertain. The methodologies and assumptions applied in the base expected credit loss calculations remain unchanged from those applied in the 2020 Annual Financial Report.

The Group has continued to review outstanding invoices and the trade receivable balance for indicators of impairment and if upon this impairment assessment there is no reasonable expectation of recovery, the Group have applied a credit against the profit & loss and the amount is written off.

Forward looking credit factors, including the global and Australian economic conditions, and factors relevant to the client base continue to be assessed in conjunction with historical performance and specific considerations on individual debtor balances.

The Group have concluded that the existing Expected Credit Losses (ECL) methodology remain appropriate in the current environment.

2.5 Coronavirus (COVID-19) pandemic

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these consolidated financial statements. The estimation uncertainty is associated with:

2. Basis of preparation of the half year financial report - continued

2.5 Coronavirus (COVID-19) pandemic - continued

- the extent and duration of the disruption to business arising from the actions by governments, businesses and consumers to contain the spread of the virus, and;
- the extent and duration of the expected economic downturn.

Although Prime has not been materially impacted by the COVID-19 pandemic the Group has developed various accounting estimates in these consolidated financial statements based on forecasts aligned to economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Directors believe are reasonable in the current circumstances. There is a considerable degree of judgement involved in preparing these forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

Management does not believe that the COVID-19 pandemic has had any impact on Primes' ability to continue as a going concern.

3. Business combinations and acquisition of non-controlling interest

PFG (Nth Qld) Pty Ltd

On 18 September 2020, Prime acquired an additional 15% interest in PFG (NTH QLD) Pty Ltd for \$273,343 with \$91,115 of consideration paid on 30 September 2020, \$91,115 payable on 31 January 2021 and \$91,114 payable on 31 July 2021. This was an equity transaction which decreased non-controlling interests by \$312,922 and increased retained earnings by \$39,579.

4. Dividends paid and proposed

	Six months ended 31 December 2020 \$	Six months ended 31 December 2019 \$
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 2020 (2020): 0.25 cents per share (2019: 0.20 cents per share)	479,923	370,168
Proposed dividends on ordinary shares (not recognised at the end of the half year):		
Interim fully franked dividend for the year ended 30 June 2021: 0.30 cents per share (2020: 0.20 cents per share)	575,908	375,987

The proposed interim dividend for the six-month period ended 31 December 2020 was approved on 19 February 2021 and is not recognised as a liability at 31 December 2020.

5. Segment information

To better report on the progress of the company strategy, Prime has classified its financial accounts into two reporting segments, the two segments are, 'Wealth Management & SMSF' and 'Accounting & Business Advisory plus Capital.' Prime operates within these two reporting segments comprising of providing integrated advice solely in Australia. This reporting structure provides current and prospective shareholders with a more detailed understanding of the drivers of performance of those segments and the cost of operating centralised services and the corporate office. These segments are consistent with the way the Managing Director/CEO (who is the chief operating decision-maker) monitors and assesses the business with regard to resource allocation and performance assessment. These reportable segments are as follows;

5. Segment information - continued

- **Wealth Management & SMSF Division** – Providing Wealth Management, Financial Planning, plus Self-Managed Superannuation Fund services and advice.
- **Accounting & Business Advisory (ABA) plus Capital Advisory Division** – Providing Accounting, Tax and Advisory services, plus Capital advice.

Segment performance is evaluated based on segment profit before tax. The Group's financing, taxes, depreciation and amortisation are managed on a Group basis and are not allocated to operating segments.

	Wealth & SMSF \$	ABA & Capital \$	Corporate \$	Consolidated \$
Six months ended 31 December 2020				
Segment Revenue	4,315,867	6,366,646	-	10,682,513
Interest Income	-	-	25,015	25,015
Total Segment Revenue	4,315,867	6,366,646	25,015	10,707,528
Deduct				
Segment Expenses	(2,744,089)	(4,114,646)	(804,763)	(7,663,498)
Segment Profit/(Loss)	1,571,778	2,252,000	(779,748)	3,044,030
Depreciation	-	-	(31,475)	(31,475)
Right of Use Asset - Amortisation	(166,084)	(243,643)	(71,487)	(481,214)
Amortisation	-	-	(398,560)	(398,560)
Finance costs	(18,773)	(26,737)	(201,282)	(246,792)
Share Based Payment (Expense)/Benefit	(2,528)	(38,509)	16,435	(24,602)
Fair value movement on Financial Assets	-	-	(23,468)	(23,468)
Fair value movement on Contingent Consideration	-	-	(26,506)	(26,506)
Credit loss expense	(21,965)	(13,730)	-	(35,695)
Reported Profit Before Tax	1,362,428	1,929,381	(1,516,091)	1,775,718
Attributable to:				
Members/Shareholders of the parent entity	993,237	1,929,381	(1,516,091)	1,406,527
Non-controlling Interests	369,191	-	-	369,191
Reported Profit Before Tax	1,362,428	1,929,381	(1,516,091)	1,775,718
Tax	-	-	(463,360)	(463,360)
Reported Profit After Tax	1,362,428	1,929,381	(1,979,451)	1,312,358
Attributable to:				
Members/Shareholders of the parent entity	1,089,791	1,929,381	(1,979,452)	1,039,720
Non-controlling Interests	272,637	-	-	272,637
Reported Profit After Tax	1,362,428	1,929,381	(1,979,452)	1,312,357
Segment Assets	26,277,964	26,797,235	4,669,671	57,744,870
Total Assets				57,744,870
Segment Liabilities	(974,501)	(2,129,813)	(13,199,661)	(16,303,975)
Total Liabilities				(16,303,975)
Segment Net Assets	25,303,463	24,667,422	(8,529,990)	
Group Net Assets				41,440,895

5. Segment information - continued

	Wealth & SMSF \$	ABA & Capital \$	Corporate \$	Consolidated \$
Six months ended 31 December 2019				
Segment Revenue	4,840,276	6,192,345	-	11,032,621
Interest Income	-	-	30,512	30,512
Total Segment Revenue	4,840,276	6,192,345	30,512	11,063,133
Deduct				
Segment Expenses	(3,682,515)	(4,408,549)	(324,922)	(8,415,986)
Segment Profit/(Loss)	1,157,761	1,783,796	(294,410)	2,647,147
Depreciation	-	-	(110,981)	(110,981)
Right of Use Asset - Amortisation	(153,868)	(231,428)	(71,487)	(456,783)
Amortisation	-	-	(469,492)	(469,492)
Finance costs	-	-	(309,795)	(309,795)
Share Based Payment (Expense)/Benefit	-	-	(12,777)	(12,777)
Fair value movement on Financial Assets	-	-	(8,116)	(8,116)
Fair value movement on Contingent Consideration	-	-	(8,353)	(8,353)
Credit loss expense	-	(2,655)	-	(2,655)
Reported Profit Before Tax	1,003,893	1,549,713	(1,285,411)	1,268,195
Attributable to:				
Members/Shareholders of the parent entity	549,894	1,549,713	(1,285,411)	814,196
Non-controlling Interests	453,999	-	-	453,999
Reported Profit Before Tax	1,003,893	1,549,713	(1,285,411)	1,268,195
Tax	-	-	(325,429)	(325,429)
Reported Profit After Tax	1,003,893	1,549,713	(1,610,840)	942,766
Attributable to:				
Members/Shareholders of the parent entity	678,152	1,549,713	(1,610,840)	617,025
Non-controlling Interests	325,741	-	-	325,741
Reported Profit After Tax	1,003,893	1,549,713	(1,610,840)	942,766
Segment Assets	27,372,466	26,925,785	4,797,427	59,095,678
Total Assets				59,095,678
Segment Liabilities	(557,764)	(3,403,799)	(15,709,989)	(19,671,552)
Total Liabilities				(19,671,552)
Segment Net Assets	26,814,702	23,521,986	(10,912,562)	
Group Net Assets				39,424,126

6. Trade and other receivables

	31 December 2020 \$	30 June 2020 \$
Current		
Trade Receivables	2,393,886	2,731,398
Provision for expected credit losses	(171,224)	(164,012)
Total current trade and other receivables	2,222,662	2,567,386
Provision for expected credit losses		
Reconciliation of changes in the provision for expected credit loss		
Balance at beginning of the year	164,012	82,856
Additional expected credit loss provision recognised	171,224	164,012
Provision used	(164,012)	(82,856)
Balance at end of the year	171,224	164,012
Aged Analysis		
The aging analysis of receivables is as follows:		
0 - 30 days	1,359,421	1,988,662
31 - 60 days	316,120	48,638
61 - 90 days	129,717	165,220
91+ days	588,628	528,878
Total	2,393,886	2,731,398

Provision for Expected Credit Losses (ECLs)

The Group applies the simplified approach and records lifetime expected losses on all trade receivables. As a result, Prime does not monitor change in credit risk but recognises a provision based on lifetime expected credit losses at each reporting date.

The trade receivable balance represents the Group's unconditional right to receive the cash.

Current trade receivables are generally on 30 days credit terms. However, the Group's Accounting & Business Advisory service line offers a grant and R&D tax incentive service to customers that are eligible for the Australian Government incentive funding. The payment terms for this segment (due to subsequent Australian Tax Office review) is likely to be greater than the standard credit terms given. The Group continues to perform an extensive review on the outstanding trade receivable balance at each reporting period, which includes an invoice-by-invoice assessment basis. Additionally, the unbiased probability-weighted matrix reflects the various segment groupings, which is described further below. The Group continue to write-off the uncollectable trade receivables which the Group do not expect to obtain from the relevant customers and continue to take this approach at every reporting date. The indicators the Group consider includes confirmation of non-payment, financial difficulties, credit ratings, customer industry and/or delinquency of payments. A credit is applied against the profit & loss if an amount is written off.

The Group adopted a provision matrix to calculate its ECL and provision for its trade receivables balance at 31 December 2020. The unbiased probability-weighted matrix reflects the various segment groupings based both upon the Group's debtor aging, service line, and various customer segment groupings with similar loss patterns.

This included Geography (notably Melbourne and Brisbane for the Accounting & Business Advisory service line), product type and customer profile. This generated a historical credit loss experience which was adjusted for in the ECL for The Group. At every reporting date the historical rates used within the Groups provision matrix to calculate the ECL is updated for trade and other receivables.

6. Trade and other receivables - continued

Forward looking credit factors, including the global and Australian economic conditions, and factors relevant to the client base continue to be assessed in conjunction with historical performance and specific considerations on individual debtor balances as specified above.

Due to the continued utilisation of controls previously implemented, the heightened business focus since inception of the COVID-19 pandemic, and a detailed invoice assessment for recoverability/impairment indicators, there has been no further adjustments based on the impact of COVID-19 to the forward-looking information within the calculation methodology of the ECL provision.

Refer to note 7 for commentary on contract assets.

7. Contract assets and other current assets

	31 December 2020 \$	30 June 2020 \$
Current		
Contract assets	2,872,062	2,787,119
Distributions advanced to non-controlling interests	314,504	786,385
Prepayments	265,476	30,450
Other assets	235,942	226,539
Total contract assets and other current assets	3,687,984	3,830,493

Contract assets

Consistent with the approach for trade and other receivables, the Group applies a simplified approach to recognising expected credit losses for contract assets as the Group do not contain a significant financing component for its trade receivables or contract assets. Contract assets are initially recognised for revenue earned through work in progress, predominantly for accounting and business advisory services as well as the capital advisory service line and monitored on both a monthly and ongoing basis. Upon completion of sale and acceptance by the customer and the provider, invoices are issued to the provider for the amount receivable and reclassified from contract assets to trade receivables. The trade receivable balance represents the Group's unconditional right to receive the cash.

8. 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. On 30 June 2020, the PFG ESP offers of shares to employees were not exercised and so expired. These share-based payments are considered under AASB-2 (Para 30) to be Cash-settled share-based payment transactions.

At 31 December 2020, the financial liability in relation to these share-based payments was \$6,658 (30 June 2020: \$27,843).

Prime wishes to continue to reward team members for their contribution to the growth of the firm, while also aiming to attract and retain employees with the skills and passion to best serve clients and uphold the firm's values. Therefore a Performance Rights Plan involving a Short Term Incentive (STI) and Long Term Incentive (LTI) Share Program was implemented to continue rewarding staff through the ESP. Under AASB-2 (Para 10) these are defined as Equity-settled share-based payment transactions.

8. Share-based payments - continued

8a. Types of share-based payment plans

i. Cash-settled share-based payment transactions - Loan Scheme

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:

- 50% of the allocation price;
- 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
- 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.

ii. Equity-settled share-based payment transactions - Performance Rights Plan

A transaction will be classified as share-based compensation where the Group receives services from employees and pays for these in shares.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they were granted. The fair value was determined by management using the Binomial and Monte Carlo Models. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date the relevant employees are awarded the shares (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to profit or loss is the product of:

- (i) grant date fair value of the award;
- (ii) current best estimate of the number of awards that will vest, taking into account the likelihood of employee turnover during the vesting period, estimated staff performance score and the likelihood of non-market performance conditions being met; and
- (iii) expired portion of the vesting period.

The charge to profit or loss for the period is the cumulative amount as calculated above, less the amounts already charged in previous periods where there is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so due to the failure to meet a service or non-market vesting condition. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

8. Share-based payments - continued

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The key terms of the Performance Rights Plans are as follows:

- The Performance Rights Plan allows the Group to issue rights to employees, contractors and directors. The number of Performance Rights issued is determined by dividing the remuneration value by the 30 day VWAP prior to the grant date;
- The Performance Rights Plan will only vest upon satisfaction of certain conditions which are set by the Board at the time of the offer;
- If the conditions are met and the Performance Rights vest, each participant is entitled to an ordinary share for each Performance Right which vests;
- Until the Performance Rights vest and ordinary shares are issued, the participant is not entitled to exercise any voting rights attached to the Performance Rights and is not entitled to any dividend payments; and
- In general, if the conditions are not satisfied by the relevant testing date for those conditions, or if the participant ceases employment before the Performance Rights Plan Shares vest, the participant forfeits all interest in the Performance Rights.

Offer under Performance Rights Plan

The Performance Rights Plan rights granted are subject to the achievement of the performance measure, which is tested once at the end of the 3-year performance period. The Performance Rights will be measured against two performance measures – Underlying EBITDA for members/shareholders and Share Price.

These two performance measures require the Performance Rights to be measured under separate valuations;

- Tranche 1 – Long Term Incentives based on Share Price performance hurdle (Valued using Monte Carlo Model)
- Tranche 2 – Long Term Incentives based on EBITDA performance hurdle (Valued using Binomial Model)

The Performance Rights that do not vest after testing of the relevant performance measure, lapse without retesting.

Cessation of employment

Except where the Board determines otherwise in a specific instance, where a participant ceases employment with Prime prior to any conditions attaching to Performance Rights Plan Shares issued under the Performance Rights Plan being satisfied, their Performance Rights will be forfeited and the participant will have no further interest in the Performance Rights. However the Board has discretion to approve the reason for a participant ceasing employment before Performance Rights have vested in appropriate circumstances. Such circumstances may include ill health, death, redundancy or other circumstances approved by the Board.

Where the Board has approved the reason for ceasing employment, it has discretion to determine any treatment in respect of the unvested Performance Rights it considers appropriate in the circumstances – for example, that a pro-rata number of Performance Rights are eligible to vest, having regard to time worked during the performance period and the extent the performance condition has been satisfied at the time of cessation.

8. Share-based payments - continued

8b. 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 2020 \$	Six months ended 31 December 2019 \$
Expense/(benefit) arising from cash-settled share-based payment transactions	(21,184)	12,777
Expense/(benefit) arising from equity-settled share-based payment transactions	45,786	-
Total expense arising from share-based payment transactions	24,602	12,777

8c. 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 2020:

Cash-settled share-based payments	Number Six months ended 31 December 2020	WAEP (cents) Six months ended 31 December 2020	Number Six months ended 31 December 2019	WAEP (cents) Six months ended 31 December 2019
Outstanding at 1 July 2020	11,208,833	15.5	17,053,833	16.1
Granted during period	-	-	-	-
Forfeited during period	-	-	-	-
Exercised during period	-	-	-	-
Expired during period	-	-	-	-
Outstanding at 31 December 2020	11,208,833	15.5	17,053,833	13.7
Exercisable at 31 December 2020	11,208,833	15.5	17,053,833	13.7

Equity-settled share-based payments Long-term incentives	Number Six months ended 31 December 2020	WAEP (cents) Six months ended 31 December 2020	Number Six months ended 31 December 2019	WAEP (cents) Six months ended 31 December 2019
Outstanding at 1 July 2020	-	-	-	-
Granted during period	1,927,855	6.4	-	-
Forfeited during period	(53,364)	6.4	-	-
Exercised during period	-	-	-	-
Expired during period	-	-	-	-
Outstanding at 31 December 2020	1,874,491	6.4	-	-
Exercisable at 31 December 2020	1,874,491	6.4	-	-

8. Share-based payments - continued

Equity-settled share-based payments Short-term incentives	Number	WAEP (cents)	Number	WAEP (cents)
	Six months ended 31 December 2020	Six months ended 31 December 2020	Six months ended 31 December 2019	Six months ended 31 December 2019
Outstanding at 1 July 2020	-	-	-	-
Granted during period	2,117,969	6.4	-	-
Forfeited during period	-	-	-	-
Exercised during period	-	-	-	-
Expired during period	-	-	-	-
Outstanding at 31 December 2020	2,117,969	6.4	-	-
Exercisable at 31 December 2020	2,117,969	6.4	-	-

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

8d. Share option valuation model

The fair value of the share options are calculated at each reporting date using either the Black-Scholes, Binomial or Monte Carlo model. The following table lists key inputs to the models used for the plans at 31 December 2020 and 31 December 2019:

Cash-settled share-based payment

At 31 December 2020	Awards to Mr Simon Madder				Awards to Employees		
Grant date	1 May 13	1 May 13	18 Dec 15	21 Dec 16	Jul 17		
Vesting/loan repayment date	2 May 21	2 May 21	2 May 21	2 May 21	33% Jun 20	33% Jun 20	1,33% Jun 20
Expected life of share options (years)	0.33	0.33	0.33	0.33	n/a	n/a	n/a
Exercise price at vesting/loan repayment date (cents):	25.0	12.6	15.2	14.1	n/a	n/a	n/a
Fair value at reporting date (cents)	0.0	0.1	0.0	0.1	n/a	n/a	n/a
Share price at reporting date (cents)	9.2	9.2	9.2	9.2	n/a	n/a	n/a
Risk-free interest rate	0.08%	0.08%	0.08%	0.08%	n/a	n/a	n/a
Dividend yield	0%	0%	0%	0%	n/a	n/a	n/a
Expected Volatility	43.67%	43.67%	43.67%	43.67%	n/a	n/a	n/a
Loan interest rate	3.89%	3.89%	3.89%	3.89%	n/a	n/a	n/a

At 31 December 2019	Awards to Mr Simon Madder				Awards to Employees		
Grant date	1 May 13	1 May 13	18 Dec 15	21 Dec 16		Jul 17	
Vesting/loan repayment date	2 May 21	2 May 21	2 May 21	2 May 21	33% Jun 20	33% Jun 20	1,33% Jun 20
Expected life of share options (years)	1.34	1.34	1.34	1.34	0.5	0.5	0.5
Exercise price at vesting/ loan repayment date (cents)	25.0	12.6	15.2	14.1	14.7	14.7	14.7
Fair value at reporting date (cents)	0.8	0.1	0.5	0.7	1.7	1.7	1.7
Share price at reporting date (cents)	7.8	7.8	7.8	7.8	7.8	7.8	7.8
Risk-free interest rate	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%	0.98%
Dividend yield	0%	0%	0%	0%	0%	0%	0%
Expected Volatility	55.71%	55.71%	55.71%	55.71%	54.23%	54.23%	54.23%
Loan interest rate	6.98%	6.98%	6.98%	6.98%	6.98%	6.98%	6.98%

Equity-settled share-based payment

	Long term incentives	Long term incentives	Short term incentives
At 31 December 2020	(Tranche 1 - Share Price Hurdle)	(Tranche 2 - EBITDA Hurdle)	
Grant date	29 Oct 20	29 Oct 20	29 Oct 20
Vesting/loan repayment date	29 Oct 23	29 Oct 23	29 Oct 21
Expected life of share options (years)	3	3	1
Exercise price at vesting (cents)	6.4	6.4	6.4
Share price at Grant date (cents)	7.7	7.7	7.7
Share price at reporting date (cents)	9.2	9.2	9.2
Fair value at Grant date (cents)	2.9	6.1	7.1
Risk-free interest rate	0.12%	0.12%	0.05%
Dividend yield	8.00%	8.00%	8.00%
Expected Volatility	60%	60%	60%

9. Significant events after balance date

On 19 February 2021, the Board proposed to declare a fully franked interim dividend of 0.30 cents per share.

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.

10. Financial assets and financial liabilities

10a. Financial assets

The financial assets at the period end are as follows:

	31 December 2020 \$	30 June 2020 \$
Loan receivable	1,081,015	1,056,070
Total current financial assets	1,081,015	1,056,070
Investment in Crispin & Jeffery – SMSF	591,772	615,241
Other unquoted equity instruments	298,815	298,815
Total non-current financial assets	890,587	914,056
Total financial assets	1,971,602	1,970,126

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 2020: 6,224,156 Shares) in Prime. During the six-month period ended 31 December 2020 the interest payable on the loan was \$24,944.

Crispin & Jeffery – SMSF is classified as a Level 3 financial asset and is measured at fair value through profit and loss. The fair value technique used was a capitalisation of earnings approach. The key inputs in this valuation were underlying earnings and the earnings multiple. The fair valuation of Crispin & Jeffery – SMSF at 31 December 2020 resulted in a loss through the profit and loss of \$23,468.

	31 December 2020 \$	30 June 2020 \$
Financial assets at fair value through profit and loss		
Unquoted equity instruments	890,587	914,056
Financial assets at amortised costs		
Cash and cash equivalents	137,668	93,491
Trade and other receivables	2,222,662	2,567,386
Loan receivable	1,081,015	1,056,071
Total financial assets	4,331,932	4,631,003
Total current	3,441,345	3,716,948
Total non-current	890,587	914,055
Total financial assets	4,331,932	4,631,003

10. Financial assets and financial liabilities - continued

10b. Financial liabilities

	Interest rate %	Maturity	31 December 2020 \$	30 June 2020 \$
Current interest-bearing loans and borrowings				
Lease Liabilities	3.1% - 3.3%	31/12/2021	936,263	908,987
Borrowings - other	2.3%	30/04/2021	176,583	73,424
Bank Facility	3.9%	31/12/2021	1,000,000	-
Total current interest-bearing loans and borrowings			2,112,846	982,411
Non-Current interest-bearing loans and borrowings				
Lease Liabilities	3.1% - 3.3%	2021-2024	2,278,468	2,751,114
Bank facility	3.9%	09/07/2025	7,429,059	9,802,971
Total non-current interest-bearing loans and borrowings			9,707,527	12,554,085
Other financial liabilities				
Payables			2,424,575	2,060,831
Financial liabilities – share based payments			6,658	27,843
Balance outstanding on acquisitions			493,565	722,291
Total other financial liabilities			2,924,798	2,810,965
Total financial liabilities			14,745,171	16,347,461
Total current financial liabilities			4,030,986	3,400,285
Total non-current financial liabilities			10,714,185	12,947,176
Total financial liabilities			14,745,171	16,347,461

Westpac Bank has in place an agreement with the Group to provide facilities amounting to \$12,213,333 (\$12,630,000 30 June 2020). The agreement expires on 9 July 2025. At the end of the reporting period those facilities have been utilised to the amount of \$8,429,059. The unused amount is \$3,784,274. From 9 August 2020, the facility has and will be reduced by \$83,333 per month.

The facility is to assist with future investments and for general purposes. At 31 December 2020 the effective interest rate was 2.89% per annum. There is an additional 1.00% line fee for the total facility.

10. Financial assets and financial liabilities - continued

10c. 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 2020		30 June 2020	
	Carrying amount \$	Fair Value \$	Carrying amount \$	Fair Value \$
Financial assets				
Unquoted equity instruments	890,587	890,587	914,056	914,056
Loans receivable	1,081,015	1,081,015	1,056,070	1,056,070
Total	1,971,602	1,971,602	1,970,126	1,970,126
Financial liabilities				
Interest-bearing loans and borrowings				
- Bank facility	8,429,059	8,429,059	9,802,971	9,802,971
- Other	176,583	176,583	73,424	73,424
Financial liabilities - share based payments	6,658	6,658	27,843	27,843
Balance outstanding on acquisitions	493,565	493,565	722,289	722,289
Total	9,105,865	9,105,865	10,626,527	10,626,527

It has been assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, other borrowings 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 8 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 using			
			Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
	Date of valuation	Total	(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value:					
Unquoted equity securities	31 December 2020	890,587	-	-	890,587
Liabilities measured at fair value:					
Balance outstanding on acquisitions	31 December 2020	493,565	-	-	493,565
Assets measured at fair value:					
Unquoted equity securities	30 June 2020	914,055	-	-	914,055
Liabilities measured at fair value:					
Balance outstanding on acquisitions	30 June 2020	722,291	-	-	722,291

Movement on Unquoted Equity Securities	31 Dec 2020 \$	30 June 2020 \$
Balance at the beginning of the year	914,055	1,251,495
Additions	-	-
Settlements	-	(330,014)
Movement in Fair value	(23,468)	(7,426)
Balance at the end of the half-year	890,587	914,055

Movement on balance outstanding on acquisitions	31 Dec 2020 \$	30 June 2020 \$
Balance at the beginning of the year	722,291	1,757,439
Additions	273,345	-
Settlements	(528,577)	(1,052,493)
Movement in Fair value	26,506	17,345
Balance at the end of the half-year	493,565	722,291

Management does not deem the impact of the COVID-19 pandemic to have had an effect on the classification of these assets, and there has been no change to Prime's business model for managing financial assets.

Unquoted Equity Securities

Investment in Crispin & Jeffery – SMSF

“Crispin & Jeffery” – SMSF 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 31 December 2020 was 5.5 times. A 10% increase (decrease) in the earnings multiple or underlying earnings would result in an increase (decrease) in fair value of \$59,177. The fair valuation of Crispin & Jeffery – SMSF at 31 December 2020 resulted in a loss through the profit and loss of \$23,468.

Unquoted equity securities – financial services sector

The fair value of unquoted equity securities – financial services sector consists of an investment purchased in FY18. The asset is measured based on a revenue multiple as a best practice for measuring Early Stage entities and also the Board's assessment of the latest valuation information prepared by the company for the purposes of capital raising. Unquoted equity securities – financial services sector are classified as a Level 3 financial asset 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 \$29,815.

Balance outstanding on acquisitions

On 18 September 2020, Prime acquired an additional 15% interest in PFG (NTH QLD) Pty Ltd for \$273,343 with \$91,115 of consideration paid on 30 September 2020, \$91,115 payable on 31 January 2021 and \$91,114 payable on 31 July 2021. This was an equity transaction which decreased non-controlling interests by \$312,922 and increased retained earnings by \$39,579.

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 12 to 34 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 2020 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.



Simon Madder
Managing Director, CEO & Chairman

Melbourne
Date: 19 February 2021

Independent Auditor's Report



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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Prime Financial Group Ltd (the Company), which comprises the consolidated statement of financial position as at 31 December 2020, 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 Company is not in accordance with the *Corporations Act 2001*, including:

- i Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 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*.

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 Company's financial position as at 31 December 2020 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 Company, 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 Report



Independence

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

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

Ernst & Young

A stylized, handwritten signature of 'T M Dring' in black ink.

T M Dring
Partner
Melbourne
19 February 2021

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M. Murphy	Executive Director
T. Bennett	Executive Director
P. Madder	Executive Director
T. Carroll	Non-Executive Director

Company Secretary

R. McLaughlin

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