

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

## Appendix 4E Preliminary Financial Report given to the ASX under Listing Rule 4.3A

For the year ended 30 June 2021

### Reporting Period

#### Reporting Period

|   |                         |
|---|-------------------------|
| Current reporting period                | Year ended 30 June 2021 |
| Previous corresponding reporting period | Year ended 30 June 2020 |

### Results to Announcement to the Market

#### Results to Announcement to the Market

|  |    |        |            |
|--|----|--------|------------|
| Revenue from ordinary activities   | up | 4% to  | 22,322,356 |
| Profit (loss) from ordinary activities after tax attributable to members | up | 44% to | 3,074,132  |
| Net profit (loss) for the period attributable to members                 | up | 44% to | 3,074,132  |

| Dividends  | Amount per security | Franked amount per security |
|--|---------------------|-----------------------------|
| Interim dividend   | 0.30 cents          | 0.30 cents                  |
| Final dividend   | 0.40 cents          | 0.40 cents                  |
| Total dividend   | 0.70 cents          | 0.70 cents                  |
| Record date for determining entitlements to Final dividend |                     | 6 September 2021            |
| Payment date for Final dividend                            |                     | 1 October 2021              |

Results were extracted from the Financial Statements for the year ended 30 June 2021 which was audited by Ernst & Young.

Commentary on the results for the year ended 30 June 2021 is included in the Directors' Report section of the Annual Report for the year ended 30 June 2021.

### Net Tangible Assets Per Security

| Reporting Period                                 | 30 June 2020 | 30 June 2019 |
|--|--------------|--------------|
| Net tangible asset backing per ordinary security | (1.37) cents | (2.88) cents |

### Results to Announcement to the Market

| Results to Announcement to the Market      |                     |                             |
|--|---------------------|-----------------------------|
| Dividends                                  | Date of Payment     | Total amount of dividend    |
| Interim dividend – Year ended 30 June 2021 | 3 May 2021          | 0.30 cents                  |
| Final dividend – Year ended 30 June 2021   | 1 October 2021      | 0.40 cents                  |
| Amount per security                        | Amount per security | Franked amount per security |
| Current Year                               | 0.70 cents          | 100%                        |
| Previous Year                              | 0.45 cents          | 100%                        |
| Total dividend on all securities           | 2021<br>\$A'000     | 2020<br>\$A'000             |
| Ordinary Securities                        | 1,368               | 856                         |
| <b>Total</b>                               | <b>1,368</b>        | <b>856</b>                  |

The figures above exclude dividends on shares purchased by employees through the Employee Share Plan where the dividend entitlements are deducted from employee loan balances.

Prime 

# Annual Report 2021

For the year ended 30 June 2021

*aspire, innovate, grow*

# In this Report

|  |    |
|--|----|
| Managing Director/CEO & Chairman's Message                                 | 4  |
| Directors' Report  | 8  |
| Remuneration Report  | 16 |
| Auditor's Independence Declaration   | 26 |
| Consolidated Statement of Profit or Loss<br>and Other Comprehensive Income | 30 |
| Consolidated Statement of Financial Position                               | 31 |
| Consolidated Statement of Changes in Equity                                | 32 |
| Consolidated Statement of Cash Flows                                       | 33 |
| Notes to the Financial Statements  | 34 |
| Directors' Declaration   | 78 |
| Independent Auditor's Report   | 79 |
| ASX Additional Information   | 84 |

# Managing Director/CEO & Chairman's Message

Dear Shareholders,

## Overview

It is very pleasing to report to you an impressive result that underscores the strength of Prime Financial Group Ltd's (Prime) core business and growth strategy. At the centre of this strategy is Prime's 'OneConnected' service, client and team approach that continues to deliver revenue and earnings growth plus high and increasing levels of client satisfaction as measured through regular client surveys.

Over the last three years we have continued to build on our core values as an accountable, proactive, professional and relationship-focused team and business all whilst navigating the recent challenges of COVID-19 for all our stakeholders. This is a continuous journey where we are making real progress.

We feel confident that our philosophy of team transparency and balancing financial and non-financial objectives is effective and we want to continue to build momentum in our four divisions as we move into a more growth orientated phase in the development of Prime.

Our team is our biggest asset, and we want to continue to develop incentive structures, a culture and balance to achieve sustainably higher business and personal growth with a business owner mentality at the core, a true partnership between team and shareholders that encourages development and alignment.

Our business is well positioned after three years of consecutive earnings (Underlying EBITDA for members/shareholders) growth which has seen 8%, 7% and 22% growth in each of FY19, FY20 and now FY21 on a comparable basis. The challenge and the opportunity is to continue to selectively scale the firm whilst focusing on key areas of difference and expertise all whilst recruiting and developing a diverse group of engaged talent that affect superior outcomes for clients, themselves and shareholders.

We appreciate the support of our shareholders, the dedication of our team and respect the resilience of our clients as they navigate their own personal and business objectives, our focus remains empowering and achieving aspirations.

## Summary Financial Information – FY21

Prime has achieved the following financial results for FY21;

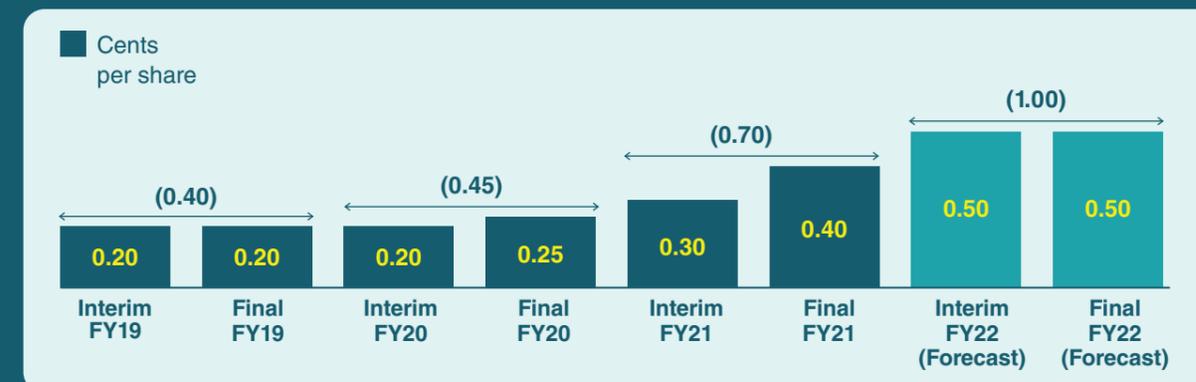
### Underlying EBITDA (Members/Shareholders) by Year

Underlying EBITDA (members/shareholders) +22%, \$6.78m (FY21) v \$5.53m (FY20)



### Dividends

60% increase in final dividend to 0.40cps (FY21) up from 0.25cps (FY20)



Dividends forecast to continue increasing from 0.70cps (FY21) to 1.00cps (FY22) +40%

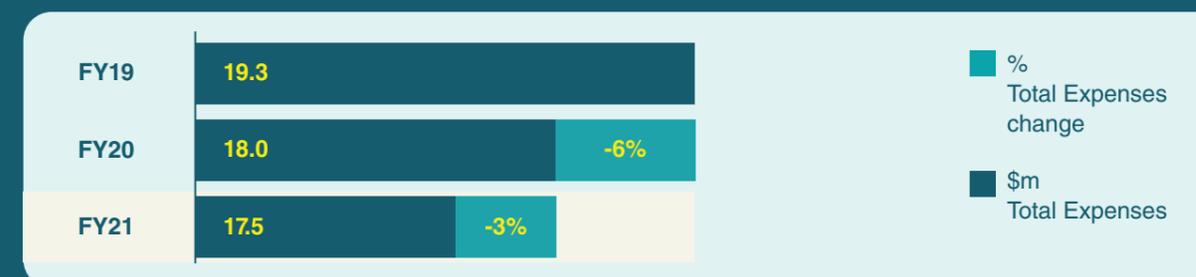
### Analysis of Revenue Growth (Contracts with Customers) by Year

Organic revenue growth ('contracts with customers') (FY21) +4% (v FY20)



### Total Expenses by Year

Total Expenses down 3% (v FY20)



### Analysis of Operating Margin by Year

Operating Margin up to 30% (FY21) v 26% (FY20)



## Summary Financial Information - continued

### Earning Per Share (EPS)

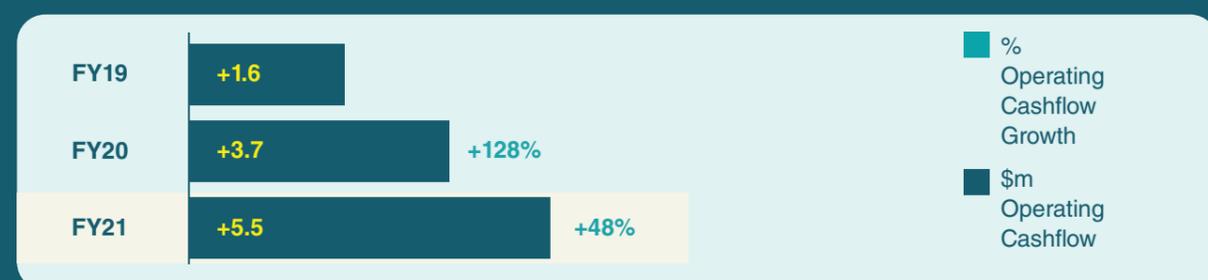
EPS up +40% to 1.69cps (FY21) v 1.21cps (FY20)

### Group Net Debt and Operating Cashflow

Group Net Debt down 27% to \$7.11m (FY21) v \$9.78m (v FY20)

Net Debt to Underlying EBITDA (members/shareholders) ratio of 1.0 times (\$7.11m / \$6.78m (FY21)) v 1.9 times (FY20)

Net Operating Cashflow up \$1.80m (48%) to \$5.54m (FY21) v \$3.74m (FY20)



Across Prime's key group metrics there were material improvements with particular emphasis on the increase in earnings, net operating cashflow, margin and dividends. There was also a material reduction in debt which was supported by a continuing focus on cost control.

These improvements are a reflection of a growing client base and delivering additional high value services to existing clients which was supported by a broad based business and stock market recovery.

### Accounting & Business Advisory plus Capital

Revenue increased by 10% for the year through various organic growth initiatives. We continue to see high demand for core Accounting Services which are substantially recurring in nature and a material uptick in the number of engagements and successful outcomes for the Capital & Corporate Advisory clients, this is increasingly supported by positive market sentiment for M & A activity.

### Wealth Management & SMSF

Revenue declined by 4% for the year, however supportive industry dynamics, including the current level of stock markets and an increase in Wealth Management Funds Under Management (FUM) is positioning the segment for growth. This is further supported by a material reduction in the number of Financial Advisers in the industry, without a corresponding drop in demand for services. As an established Wealth Manager with a 23 year history, good scale and deep expertise, Prime are well positioned to participate in the industry re-positioning.

Prime continues to achieve above industry organic growth from Prime's SMSF division which will enter its fourth year of operation in FY22 which will also see a focus on the continued development of the Wealth Management Wholesale client offering and Family Office capability.

## Clients & The Community

Prime's focus remained on providing our clients with support and advice on how to best manage through different and often disrupted business conditions by being planned, proactive and timely in our approach. It was also rewarding for the Prime team to see a 34% increase in the client Net Promoter Score (NPS) survey with top quartile performance when measured against peers. We thank our clients for their ongoing support and appreciation.

As part of our contribution to the broader community, Prime continued the Business Owner and Wealth Management Forums initiated in FY20 along with regular media spots educating SMSF trustees. All of these sessions were available free of charge for our clients, our business partners and those in their respective networks and communities.

For our team we continued with our Employee Giveback Program which offers a paid voluntary leave day to support a preferred charity of the team members choice. Circumstances limited this program in FY21 but we hope that this continues to be a valuable contribution in FY22 for both team members and charity alike. Prime were also pleased to support and sponsor the MayDay Charity Event again in FY21, which successfully raised funds for the EB Research Foundation.

As part of Prime's responsibility, we understand the importance of being a positive contributor to our community and delivering value for our clients, something we strive to do and improve on each year as we continue to evolve and build our programs.

## FY22 Outlook

Simplicity, focus and aspiration will continue to be a feature of Prime's future strategy.

This focus will however not stifle innovation or doubling down on existing expertise or strategies that if leveraged can deliver outsized outcomes.

Prime have positioned ourselves well as 'OneConnected' professional services firm with an ambition to grow and help develop our team and outcomes for clients to also drive shareholder value.

The outlook for Prime in FY22 is;

- Increased Earnings & Revenue Growth
- More actively exploring Growth Opportunities
- Increased dividends – Forecast to increase from 0.70cps (FY21) to 1.00cps (FY22) +40%
- Debt to decrease from 1.00 times Underlying EBITDA for members/shareholders to 0.50 – 1.00 times
- Consideration of Capital Management initiatives
- Closer alignment between shareholders and the Prime team through equity and business ownership
- Review of the existing Board Structure, and
- Continued prioritisation of people, client service and compliance

With your continued support Prime are uniquely positioned to build on our current position without any encumbrances, a strong growth focus, dedicated team and valuable partnerships with external accounting firms.

Thank you to all stakeholders for your contribution to Prime's increasing success, our focus will remain becoming the leading integrated advice firm for the future.

**Simon Madder**  
Managing Director/CEO & Chairman

# Director's Report

The Directors submit their report for the year ended 30 June 2021 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 year ended 30 June 2021, and independent audit report thereon.

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.

## Directors



**Mr Simon Madder** B.Comm, FCPA  
Managing Director/CEO & Chairman

Managing Director/CEO – appointed 2 January 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** B.Comm, FCA  
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 and director of subsidiaries.



**Mr Tim Carroll**  
Independent Non-Executive Director and Interim Chairman

Executive Director – appointed 27 November 2015, resigned on 3 July 2020  
Interim Chairman – appointed 1 March 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.Comm, 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 M Murphy   | 13,628,571      | -                   |

\* Includes 8,460,419 shares issued in relation to the loan funded share scheme.

## Dividends

The Board has resolved to declare a fully franked final dividend of 0.40 cents per ordinary share, bringing the total dividends declared in respect of the 12 months to 30 June 2021 to 0.70 cents per ordinary share. This compares to total dividends declared in respect of the prior twelve-month period of 0.45 cents per ordinary share. The Board also has in place a Dividend Re-investment Plan (DRP) for the interim and final dividend. Future dividend payout ratios are targeted at 40-60% of the reported and maintainable earnings.

## Principal Activities

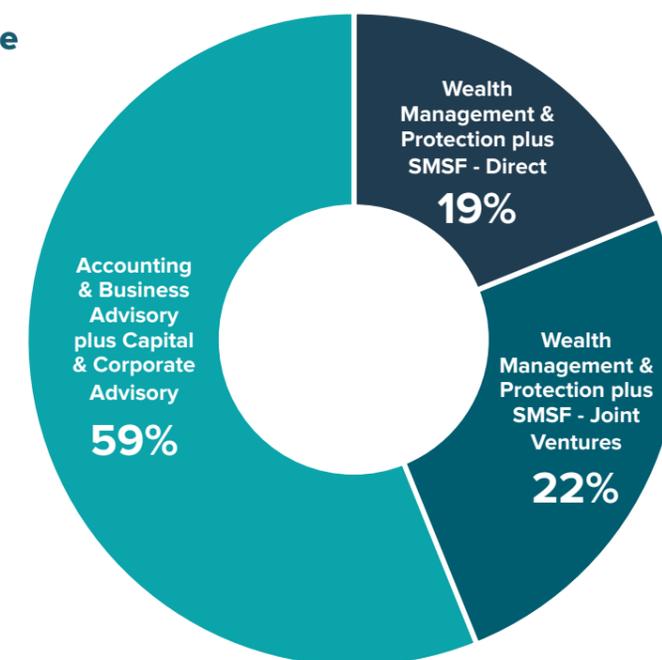
The principal activities of the Group entity during the financial year were:

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

# Operating & Financial Review

## What We Do – Revenue by Service

- Prime operates a direct client advice model under the Prime brand (78% of revenue) and a Wealth Management Joint Venture model with Accounting Firms (co-branded) (22% of revenue).
- 80% of total revenue is generated from existing customers on a recurring basis.



### Accounting & Business Advisory plus Capital & Corporate Advisory (59%)

#### Accounting Services

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

#### Capital & Corporate Advisory Services

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

### Wealth Management & Protection plus SMSF (22%)

#### Services

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

#### Wealth Management & Protection plus SMSF – Direct (19%)

- Prime liaises directly with clients under the Prime brand

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

- Joint ventures with small and medium-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 for a "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



### Financial

Grow Underlying EBITDA for members/shareholders whilst improving dividends and scaling the firm



### People

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



### Technology

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



### Customer & Community

Provide clients with advice and services through OneConnected firm  
Positively contribute to our community delivering value through an evolving set of programs

## FY22 Key Priorities

### Growth

- Continue to 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 Wholesale & Family Office Wealth Management plus the SMSF capability
- Inorganic growth and tuck-in opportunities

### People & Culture

- Further develop and empower our people to confidently advise our clients and engage - client service is a priority
- Increase team ownership and alignment with shareholders through Prime's Employee Performance Rights Plan

### Systems & Efficiency

- Enhance efficiency, service delivery and growth 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 business acquisition and restructuring costs, non-recurring professional fees, employee termination costs, impairment losses, fair value adjustments on contingent consideration, prior period adjustments and gains/losses on sale of investments);

- Non-recurring employee benefits;
- Share based payment expenses/benefits;
- Fair value movements/adjustments; and
- Gain/(Loss) on lease modification.

Underlying EBITDA for members/shareholders has increased from \$5.53m (FY20) to \$6.78m (FY21) +22%.

Organic revenue growth from continuing operations increased by 4%. 'Wealth Management & SMSF' revenue was down 4%, whilst 'Accounting & Business Advisory plus Capital' revenue was up 10%. This is the fifth successive year of organic growth from contracts with customers.

|   | Year Ended<br>30 June 2021<br>\$ | Year Ended 30<br>June 2020<br>\$ |
|---|----------------------------------|----------------------------------|
| Reported net profit after tax operations (Group)                              | 3,690,086                        | 2,787,173                        |
| Add: Tax expense  | 1,159,916                        | 723,607                          |
| Add: Interest expense/(income)  | 442,893                          | 541,031                          |
| EBIT (Group) *  | 5,292,895                        | 4,051,811                        |
| Add: Depreciation   | 54,058                           | 188,085                          |
| Add: Amortisation   | 1,733,653                        | 1,897,182                        |
| Reported EBITDA (Group) **  | 7,080,607                        | 6,137,078                        |
| <b>Adjustments</b>  |                                  |                                  |
| Non-recurring expenses including Restructure & Repositioning                  | 39,451                           | 389,641                          |
| Non-recurring employee benefits   | 483,149                          | -                                |
| Share based payment expenses/(benefit)  | (27,843)                         | (112,890)                        |
| Fair value movements/adjustments on Financial assets/contingent consideration | 36,819                           | 24,771                           |
| Gain/(Loss) on lease modification   | (548)                            | -                                |
| <b>Underlying EBITDA (Group) **</b>   | <b>7,611,635</b>                 | <b>6,438,600</b>                 |
| <b>Underlying EBITDA (Members/shareholders)</b>                               | <b>6,778,202</b>                 | <b>5,533,541</b>                 |
| <b>Reported EBITDA (Members/shareholders)</b>                                 | <b>6,247,174</b>                 | <b>5,232,019</b>                 |

\*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 FY21, the Group generated net cash outflow of \$0.28m consisting of cash outflows from investing activities of \$0.81m and \$4.76m from financing, offset by inflows from operating activities of \$5.54m.

At 30 June 2021, the Group's net debt, calculated as borrowings less cash and cash equivalents, was \$7.11m (30 June 2020: \$9.78m). Debt peaked at \$10.09m at 31 December 2019 and has progressively declined to 30 June 2021.

## 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. Please refer to the Remuneration Report for further details of the options outstanding for Key Management Personnel (KMP).

### 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. To the extent permitted by law, the group has agreed to indemnify our auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

## Director Meetings

The number of meetings of the Board of Directors and of each Board Committee held during the financial year and the number of meetings attended by each Director were:

|              | Board of Directors |          | Audit Committee    |          |
|--------------|--------------------|----------|--------------------|----------|
|              | Eligible to attend | Attended | Eligible to attend | Attended |
| Mr S Madder  | 10                 | 10       | 2                  | 2        |
| Mr T Bennett | 10                 | 10       | 2                  | 2        |
| Mr M Murphy  | 10                 | 10       | 2                  | 2        |
| Mr P Madder  | 3                  | 3        | 1                  | 1        |
| Mr T Carroll | -                  | -        | -                  | -        |

|              | Remuneration Committee |          | Nominations Committee |          |
|--------------|------------------------|----------|-----------------------|----------|
|              | Eligible to attend     | Attended | Eligible to attend    | Attended |
| Mr S Madder  | 1                      | 1        | -                     | -        |
| Mr T Bennett | 1                      | 1        | -                     | -        |
| Mr M Murphy  | 1                      | 1        | -                     | -        |
| Mr P Madder  | 1                      | 1        | -                     | -        |
| Mr T Carroll | -                      | -        | -                     | -        |

## 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 38% (2020: 39%), the proportion of females in senior management positions at present is 29% (2020: 33%) 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 FY21, Ernst & Young did not provide any non-audit services to Prime.

# Remuneration Report

The Directors of Prime present the Remuneration Report for the Company and its controlled entities for the year ended 30 June 2021 (FY21). This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001. The Report details the remuneration arrangements for the Group's Key Management Personnel (KMP):

- Non-executive Directors (NEDs); and
- Executive Directors and senior executives (collectively the Senior Executives).

KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company and Group. The KMP during FY21 were as follows:

- Simon Madder, Managing Director, CEO & Chairman (full financial year);
- Matt Murphy, Executive Director (Appointed on 3 July 2020);
- Tim Bennett, Executive Director (Appointed on 3 July 2020);
- Peter Madder, Executive Director (Resigned on 31 August 2020); and
- Tim Carroll, Interim Independent Non-Executive Chairman (Resigned on 3 July 2020).

The Board and the Remuneration Committee assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

The Board policy for determining the nature and amount of remuneration of Non-executive Directors is agreed by the Board of Directors as a whole. Remuneration for executives is determined by the Board's Remuneration Committee.

The Board and its Remuneration Committee has the right to obtain professional advice, and during the year the company engaged the services of an Independent Remuneration Consultant/Expert.

The Group securities trading policy applies to all NEDs and executives. The policy prohibits employees from dealing in Prime securities while in possession of material non-public information relevant to the Group.

## Principles of compensation

The Company remunerates its senior executives in a manner that is market competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy, and subject to the determination of the Remuneration Committee, the remuneration of senior executives may be comprised of the following:

- Fixed salary, including superannuation, that is determined from a review of the market and reflects core performance requirements and expectations;
- A short-term incentive (STI) designed to reward achievement by individuals of performance objectives; and
- A long-term incentive (LTI) based on ongoing Group performance

By remunerating senior executives through short and long-term incentive plans in addition to their fixed remuneration the Company's objective is to align the interests of senior executives with those of shareholders and increase performance of the Company. The philosophy of deploying this remuneration structure and strategy is to provide a clear intention to improve the Company's fiscal performance and thereby increase underlying shareholder value.

## Fixed Remuneration

Fixed remuneration consists of base salary, superannuation and other non-monetary benefits and is designed to reward for:

- The scope of the executive's role
- The executive's skills experience and qualifications
- Individual performance.

It is set with reference to comparable roles in similar companies.

## Short-Term Incentive

Senior executives who are remunerated under the Executive Remuneration Policy are eligible for a short-term incentive. In determining whether or not executives are eligible for a short-term incentive, the Remuneration Committee review the achievement of both Financial and Non-Financial key performance indicators (KPIs) for the financial year.

The achievement of some or all of the KPIs will allow the Remuneration Committee to determine the level of short-term incentive that is paid. Specific KPIs that are applied to management by the Remuneration Committee to measure performance are set out below:

### Financial

- Underlying EBITDA (members/shareholders);
- Revenue;
- Dividends;
- Productivity;
- Working Capital efficiency;

### Non-Financial

- Execution of Business Strategy;
- Compliance and Risk Management;
- Referrals to other divisions & integration (OneConnected strategy);
- Client service and feedback;
- Team engagement;
- Personal development; and
- Other items identified of importance from time to time

The Financial KPIs are a direct measure of the Company's performance. The Non-Financial KPIs are related directly to business drivers that generate financial performance. Through the achievement of these KPIs the Company aligns its interests with shareholders through an increase in value of the organisation. The aim is to align our senior executive's remuneration to Prime's strategic and business objectives and the creation of shareholder wealth. The table on the "Overview of Group's financial performance" section in the following pages shows measures of the Group's financial performance over the last five years as required by the Corporations Act 2001. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to Senior Executives.

## Long-Term Incentive

Prime's team is our biggest asset, and we want to continue to develop incentive structures, a culture and balance to achieve sustainably higher business and personal growth with a business owner mentality at the core, a true partnership between team and shareholders that encourages development and alignment. For this reason, having a well articulated and differentiated LTI program to connect and grow the firm is essential.

In the Extraordinary General Meeting on 14 July 2017, shareholders approved a Performance Rights Plan (PRP) and the issue of performance rights under that plan, including the issue of shares upon vesting of those performance rights. This LTI structure has been put into effect during FY21 and applies to Prime Team members that have been with Prime for at least twelve months. Upon the firm achieving the required performance criteria, the LTI program provides an allocation of performance rights to eligible team members. The Board implemented a level of minimum acceptable growth in Underlying EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) and Share Price Increase (SPI) as these performance criteria.

The Performance and Vesting conditions include the following:

- Cumulative 8% compound growth in underlying EBITDA (members/shareholders) over a three year period;
- Cumulative 20% compound growth in Prime's share price over a three year period; and
- Being a continuing employee or contractor of Prime at the time of vesting

Each year the Prime Board will nominate a percentage of staff members remuneration available as an LTI. The allocation will then be determined based on a Manager's assessment of the staff members' performance against the nominated Key Performance Indicators (KPIs) in their Balanced Scorecard. This is completed as part of their Annual Performance Review.

## Overview of Group's financial performance over the last five years

In considering the Group's performance and benefits for shareholder wealth, the Remuneration Committee have regard to Underlying EBITDA for members/shareholders and profit attributable to owners of the company, dividends paid and change in share price. Underlying EBITDA for members/shareholders

is considered one of the main and key financial performance targets in setting short-term and long-term incentives. The table below sets out information about earnings and movements in shareholder wealth for the past five years up to and including the current financial year.

|   | 2021  | 2020  | 2019  | 2018    | 2017  |
|---|-------|-------|-------|---------|-------|
| Underlying EBITDA to members/shareholders of the parent entity (\$,000's)*                            | 6,778 | 5,533 | 4,099 | 3,772   | 4,631 |
| Reported Profit/(loss) after tax attributable to members/shareholders of the parent entity (\$,000's) | 3,074 | 2,132 | 1,315 | (1,135) | 2,922 |
| Basic earnings per share (cents)  | 1.69  | 1.21  | 0.77  | (0.67)  | 1.81  |
| Dividend per share (cents)  | 0.70  | 0.45  | 0.40  | 0.90    | 0.85  |
| Share price at the end of the financial year (\$)   | 0.097 | 0.070 | 0.065 | 0.125   | 0.180 |

\*Excluding the impact of AASB-16 lease standard for 2019 and prior years.

## Overview of Non-executive Director Remuneration

The Group's Non-executive Director remuneration is designed to attract and retain high calibre directors who can discharge the roles and responsibilities required in terms of good governance, strong oversight, independence and objectivity. Non-executive Directors receive fees only and do not participate in any performance-related incentive awards. Non-executive Directors fees reflect the demands and responsibilities of the directors.

Non-executive Directors are paid their fees within the maximum aggregate amount approved by shareholders

for the remuneration of Non-executive Directors. The maximum aggregate amount for the remuneration of Non-executive Directors, which has been approved by Shareholders, is \$375,000. During the 2021 Financial Year, \$nil was paid to Non-executive Directors.

The Board will not seek an increase to the aggregate Non-executive Director fee pool limit at the 2021 Annual General Meeting (AGM).

This page has been left intentionally blank

## KMP Remuneration for the years ended 30 June 2021 and 30 June 2020

The below scorecards are the basis for both the STI and LTI for all awards.

Mr S Madder's Balanced Scorecard is weighted 80% financial and 20% non-financial.

| Financial KPI's                          |  |            |
|--|--|------------|
| Metric                                   | Commentary   | Result     |
| Underlying EBITDA (Members/Shareholders) | Increase in Underlying EBITDA (Members/Shareholders)   | Outperform |
| Underlying EBITDA (Members/Shareholders) | Cumulative 8% compound growth in underlying EBITDA (members/shareholders) over a three year period                         | In-line    |
| Share Price                              | Cumulative 20% compound growth in Prime's share price over a three year period   | In-line    |
| Revenue                                  | Revenue Growth - Consecutive years of growth   | Outperform |
| Dividend                                 | Dividend Growth  | In-line    |
| Non-Financial KPI's                      |  |            |
| Metric                                   | Commentary   | Result     |
| Business Strategy                        | Execution of Business Strategy including 'OneConnected' approach and management of the firm during the onset of COVID-19   | Outperform |
| Team Engagement                          | Team engagement (surveyed), retention and safety, in particular during the move to remote work due to COVID-19             | Outperform |
| Compliance & Risk Management             | Adoption and improvement of system, structure and no material client complaints  | In-line    |
| Client Service                           | High client retention, additional services for existing clients and top quartile Net Promoter Score (NPS) in client survey | Outperform |
| Increased Scope                          | Increased Scope of roles, including addition of Wealth Management (MD) and Finance Function (CFO Successor and support)    | Outperform |

In FY21 Mr S Madder received a short-term bonus of \$301,200 (granted on 22 October 2020 and settled against the new share acquisition agreement). The bonus payment of \$301,200 covered the STI for FY20 and the LTI for FY19 and is to be offset against the acquisition of shares acquired under the new agreement.

The share based payment consists of \$260,000 share grant, offset by a write-down in the previous share option of \$27,843.

The Remuneration Committee and Board received advice from an Independent Remuneration Consultant in consideration of the abovementioned remuneration.

Mr M Murphy's Balanced Scorecard is weighted 75% financial and 25% non-financial.

| Financial KPI's  |  |            |
|--|--|------------|
| Metric   | Commentary   | Result     |
| Underlying EBITDA - Prime Accounting & Business Advisory | Increase in Underlying EBITDA  | Outperform |
| Underlying EBITDA - Prime (Members/Shareholders)         | Cumulative 8% compound growth in underlying EBITDA (members/shareholders) over a three year period   | In-line    |
| Share Price  | Cumulative 20% compound growth in Prime's share price over a three year period   | In-line    |
| Revenue  | Revenue Growth   | Outperform |
| Non-Financial KPI's                                      |  |            |
| Metric   | Commentary   | Result     |
| Divisional Strategy                                      | Execution of divisional business strategy, development and growth of Brisbane Office, new clients and business continuity during the onset of COVID-19 | Outperform |
| Team Engagement  | Team engagement (surveyed), retention, management and people development   | Outperform |
| Compliance & Risk Management                             | Introduction of enhanced systems and technology and no material client complaints  | In-line    |
| Client Service   | High client retention, additional services for existing clients and top quartile Net Promoter Score (NPS) in client survey                             | Outperform |

Mr T Bennett's Balanced Scorecard is weighted 80% financial and 20% non-financial.

| Financial KPI's                                  |  |            |
|--|--|------------|
| Metric   | Commentary   | Result     |
| Underlying EBITDA - Capital & Corporate Advisory | Increase in Underlying EBITDA  | In-line    |
| Underlying EBITDA - Prime (Members/Shareholders) | Cumulative 8% compound growth in underlying EBITDA (members/shareholders) over a three year period                 | In-line    |
| Share Price                                      | Cumulative 20% compound growth in Prime's share price over a three year period                                     | In-line    |
| Revenue  | Revenue Growth - Consecutive years of growth (Since commencement of the division)                                  | Outperform |
| Non-Financial KPI's                              |  |            |
| Metric   | Commentary   | Result     |
| Divisional Strategy                              | Execution of divisional business strategy growth, new clients and business continuity during the onset of COVID-19 | Outperform |
| Team Engagement                                  | Team growth, retention, management and development   | Outperform |
| Compliance & Risk Management                     | Further development of systems, structure and processes as division scales   | In-line    |
| Client Service                                   | New client engagements and high level of client satisfaction and testimonials                                      | Outperform |

### FY21

|                                | Short-term Post-employment |                | Long-term | Share Based Payments |                     | Total        | Total performance related |
|--------------------------------|----------------------------|----------------|-----------|----------------------|---------------------|--------------|---------------------------|
|                                | Salary/ Fees               | Cash bonus     |           | Non-Monetary         | Retirement benefits |              |                           |
|                                | \$                         | \$             | \$        | \$                   | \$                  | \$           | %                         |
| <b>Non-Executive Directors</b> |                            |                |           |                      |                     |              |                           |
| Mr T Carroll                   | -                          | -              | -         | -                    | -                   | -            | -                         |
| <b>Sub-total</b>               | -                          | -              | -         | -                    | -                   | -            | -                         |
| <b>Executive Directors</b>     |                            |                |           |                      |                     |              |                           |
| Mr S Madder                    | 471,314                    | 301,200        | -         | 25,000               | -                   | 3,202        | 232,157*                  |
| Mr T Bennett                   | 300,000                    | 120,000        | -         | -                    | -                   | -            | 30,035**                  |
| Mr M Murphy                    | 350,000                    | 30,000         | -         | 25,000               | -                   | -            | 20,023**                  |
| Mr P Madder                    | 13,750                     | -              | -         | -                    | -                   | -            | -                         |
| <b>Total</b>                   | <b>1,135,064</b>           | <b>451,200</b> | <b>-</b>  | <b>50,000</b>        | <b>-</b>            | <b>3,202</b> | <b>50,058</b>             |
|                                |                            |                |           |                      |                     |              | <b>234,037</b>            |
|                                |                            |                |           |                      |                     |              | <b>1,923,561</b>          |
|                                |                            |                |           |                      |                     |              | <b>40</b>                 |

\*The share based payment consists of \$260,000 equity-settled share grant, (granted on 30 June 2021, with fair value of 9.46 cents) offset by a write-down in the previous cash-settled share option of \$27,843.

|                          | Short-Term Incentive** | Long-Term Incentives (Tranche 1 - Share Price Hurdle)*** | Long-Term Incentives (Tranche 2 - EBITDA Hurdle)*** |
|--------------------------|------------------------|--|---|
| Grant Date               | 29-Oct-20              | 29-Oct-20  | 29-Oct-20   |
| Fair Value at Grant Date | 7.1 cents              | 2.9 cents  | 6.1 cents   |
| Exercise Price           | 6.4 cents              | 6.4 cents  | 6.4 cents   |
| Vesting Date             | 29-Oct-21              | 29-Oct-23  | 29-Oct-23   |
| Weighting                | 100%                   | 50%  | 50%   |

**FY20**

|                                | Short-term     | Post-employment | Long-term    | Share Based Payments | Total               | Total performance related        |                 |                |           |
|--------------------------------|----------------|-----------------|--------------|----------------------|---------------------|----------------------------------|-----------------|----------------|-----------|
|                                | Salary/ Fees   | Cash bonus      | Non-Monetary | Super                | Retirement benefits | Annual Leave/ Long Service Leave | Options         |                | %         |
|                                | \$             | \$              | \$           | \$                   | \$                  | \$                               | \$              | \$             | %         |
| <b>Non-Executive Directors</b> |                |                 |              |                      |                     |                                  |                 |                |           |
| Mr T Carroll                   | 58,500         | -               | -            | -                    | -                   | -                                | -               | 58,500         | -         |
| <b>Sub-total</b>               | <b>58,500</b>  | -               | -            | -                    | -                   | -                                | -               | <b>58,500</b>  |           |
| <b>Executive Directors</b>     |                |                 |              |                      |                     |                                  |                 |                |           |
| Mr S Madder*                   | 458,906        | 75,000          | -            | 25,000               | -                   | -                                | (50,277)**      | 508,629        | 15        |
| Mr P Madder                    | 156,249        | -               | -            | -                    | -                   | -                                | -               | 156,378        | -         |
| <b>Total</b>                   | <b>673,655</b> | <b>75,000</b>   | -            | <b>25,000</b>        | -                   | -                                | <b>(50,277)</b> | <b>723,378</b> | <b>15</b> |

\* In FY20 Mr S Madder received a short-term cash bonus of \$75,000 (granted 9 November 2019) in recognition of the achievement of Financial and Non-Financial KPI's including, but not limited to:

- Increased underlying EBITDA (members/shareholders),
- Revenue growth,
- Client service,
- Team engagement, and
- Execution of Business Strategy including finalisation of the Repositioning and Restructure to Prime's "OneConnected" business model. The Remuneration Committee and Board received advice from an Independent Remuneration Consultant in consideration of the abovementioned bonus

\*\* In May 2013, December 2015 and December 2016, Mr S Madder acquired shares under the PFG Employee Share Plan. The acquisition of shares was funded by loans from the Trustee who administers the plan. The awards are accounted for as share options under cash settled share-based payment awards. In FY20 the share options produced a benefit to profit and loss of \$50,277, driven by share price movement in the period.

**KMP Options awarded, vested and lapsed during the year**

In May 2013, December 2015 and December 2016, Mr S Madder acquired shares under the PFG Employee Share Plan (PFG ESP). The acquisition of shares was funded from the Trustees who administer the plan. The awards were accounted for as share options under cash settled share-based payment awards. Following the review of the original objectives of the plan and the financial structure of the loans, it was agreed by the Board and Mr S Madder that Mr S Madder would give up his entitlement to the options and, as a result, the options were cancelled.

Mr Murphy and Mr Bennett were awarded Short-Term Incentives in the form of equity-settled share-based payment transactions under the performance rights plan, vesting on 29 Oct 2021.

Mr Murphy was also awarded Long-Term Incentives in the form of equity-settled share-based payment transactions under the performance rights plan, vesting on 29 Oct 2023. These are all shown on the KMP table on the previous pages.

**Performance Rights holdings of KMP**

| Director     | Performance Rights held at 30 June 2020 |           |        |   | Performance Rights held at 30 June 2021 |           |        |   | Total Performance Rights at year end |                            |
|--------------|---|-----------|--------|---|---|-----------|--------|---|--------------------------------------|----------------------------|
|              | Granted                                 | Exercised | Lapsed |   | Granted                                 | Exercised | Lapsed |   | Vested/exercisable                   | Not Vested/Not exercisable |
| Mr S Madder  | -                                       | -         | -      | - | -                                       | -         | -      | - | -                                    | -                          |
| Mr M Murphy  | 781,250                                 | -         | -      | - | 781,250                                 | -         | -      | - | -                                    | 781,250                    |
| Mr T Bennett | 703,125                                 | -         | -      | - | 703,125                                 | -         | -      | - | -                                    | 703,125                    |
| <b>Total</b> | <b>1,484,375</b>                        | -         | -      | - | <b>1,484,375</b>                        | -         | -      | - | -                                    | <b>1,484,375</b>           |

**Shareholdings of KMP**

| FY21                           | Balance 01/7/20   | Received as remuneration | Options exercised | Net change other | Balance 30/6/21   |
|--------------------------------|-------------------|--------------------------|-------------------|------------------|-------------------|
| <b>Non-Executive Directors</b> |                   |                          |                   |                  |                   |
| Mr T Carroll                   | 132,594           | -                        | -                 | (132,594)        | -                 |
| <b>Sub-total</b>               | <b>132,594</b>    | -                        | -                 | <b>(132,594)</b> | -                 |
| <b>Executive Directors</b>     |                   |                          |                   |                  |                   |
| Mr S Madder                    | 29,107,008        | -                        | -                 | -                | 29,107,008        |
| Mr M Murphy                    | -                 | -                        | -                 | 13,628,571*      | 13,628,571        |
| Mr P Madder                    | 9,912,702         | -                        | -                 | (9,912,702)**    | -                 |
| <b>Total</b>                   | <b>39,152,304</b> | -                        | -                 | <b>3,583,275</b> | <b>42,735,579</b> |

\*Mr M Murphy acquired these shares in August 2016

\*\*Mr P Madder retains these shares but is no longer a KMP.

**FY20**

| FY20                           | Balance 01/7/19   | Received as remuneration | Options exercised | Net change other | Balance 30/6/20   |
|--------------------------------|-------------------|--------------------------|-------------------|------------------|-------------------|
| <b>Non-Executive Directors</b> |                   |                          |                   |                  |                   |
| Mr T Carroll                   | 132,594           | -                        | -                 | -                | 132,594           |
| <b>Sub-total</b>               | <b>132,594</b>    | -                        | -                 | <b>132,594</b>   | <b>132,594</b>    |
| <b>Executive Directors</b>     |                   |                          |                   |                  |                   |
| Mr S Madder                    | 28,536,281        | -                        | -                 | 570,727          | 29,107,008        |
| Mr P Madder                    | 9,912,702         | -                        | -                 | -                | 9,912,702         |
| <b>Total</b>                   | <b>39,581,577</b> | -                        | -                 | <b>570,727</b>   | <b>39,152,304</b> |

## Loans to KMP and their Related Parties

The Group, through the Prime Financial Group Ltd Employee Share Plan (PFG ESP), has provided Mr P Madder (through a nominee Madder Corporate Pty Ltd) full recourse loans to purchase 6,224,156 Shares (30 June 2020: 6,224,156 Shares) in Prime Financial Group Ltd.

Mr P Madder ceased to be a Director of Prime on 31 August 2020, accordingly the loan through the ESP to a nominee Madder Corporate Pty Ltd is no longer classified as Directors loans at 30 June 2021.

The current loan has been extended on the same terms for settlement prior to 30 June 2023. There will be an offset against the loan of any outstanding entitlements including Long-Term Incentives and the Consulting Agreement entitlements.

Mr P Madder continues in the role of a Director of the subsidiary companies and AFS license holding entities

| Date of Allocation | Number of shares |
|--------------------|------------------|
| April 2013         | 3,760,784        |
| December 2015      | 1,587,293        |
| December 2016      | 876,079          |
| <b>Total</b>       | <b>6,224,156</b> |

but with his resignation as a Director on 31 August 2020 he did not continue to be part of Key Management Personnel from that date.

On the 5 August 2021, Mr S Madder received a loan funded share scheme with an initial value of \$860,356. At the date of settlement \$301,200 of Mr S Madder's Short-Term Incentive will be settled against the loan. Other amounts payable are \$330,000 in October 2021, and the balance of \$169,156 (plus accrued interest) payable by June 2023.

The following provides a summary of the loans during the period:

|                         | Balance of loans at the beginning of the period | Amounts advanced during period | Interest accrued on loans | Loan modification expense | Balance of loans at the end of the period |
|-------------------------|---|--------------------------------|---------------------------|---------------------------|---|
| Year ended 30 June 2020 | 995,289   | -                              | 60,782                    | -                         | 1,056,071                                 |
| Year ended 30 June 2021 | 1,056,071                                       | -                              | 25,896                    | -                         | 1,081,967                                 |

The loan agreements among other things includes the following terms:

- full recourse loan supported by a General Securities Agreement over Madder Corporate Pty Ltd supported by a personal guarantee from Peter Madder;
- interest accruing at 0.75% p.a. above the lenders rate as advised by the Trustee from time to time; and
- all loans are repayable on 30 June 2023.

Signed in accordance with a resolution of the Directors:



**Simon Madder**  
Managing Director/CEO & Chairman  
Melbourne, 20 August 2021

This page has been left intentionally blank

# Auditor's Independence Declaration



Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000 Australia  
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000  
Fax: +61 3 8650 7777  
ey.com/au

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

As lead auditor for the audit of Prime Financial Group Ltd for the financial year ended 30 June 2021, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

T M Dring  
Partner  
20 August 2021

# Financial Report

## Contents

|  |    |
|--|----|
| Consolidated Statement of Profit or Loss<br>and Other Comprehensive Income | 30 |
| Consolidated Statement of Financial Position                               | 31 |
| Consolidated Statement of Changes in Equity                                | 32 |
| Consolidated Statement of Cash Flows                                       | 33 |
| Notes to the Financial Statements  | 34 |
| Directors' Declaration   | 78 |
| Independent Auditors Report  | 79 |

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

|  | Notes | Year ended<br>30 June 2021<br>\$ | Year ended<br>30 June 2020<br>\$ |
|--|-------|----------------------------------|----------------------------------|
| <b>Revenue</b>   |       |                                  |                                  |
| Wealth Management & SMSF   |       | 9,072,134                        | 9,479,801                        |
| Accounting & Business Advisory plus Capital  |       | 13,223,673                       | 12,005,627                       |
| <b>Total Revenue from contracts with customers</b>   |       | <b>22,295,807</b>                | <b>21,485,428</b>                |
| Interest Income  |       | 26,001                           | 61,459                           |
| Gain/(Loss) on Lease modification  |       | 548                              | -                                |
| <b>Total Revenue</b>   |       | <b>22,322,356</b>                | <b>21,546,887</b>                |
| <b>Expenses</b>  |       |                                  |                                  |
| Employee benefits  | 6     | (11,693,605)                     | (11,839,149)                     |
| Depreciation   | 6     | (54,058)                         | (188,085)                        |
| Amortisation   | 6     | (1,733,653)                      | (1,897,182)                      |
| Finance costs  | 6     | (468,790)                        | (601,813)                        |
| IT and communication expenses  |       | (1,156,071)                      | (1,258,214)                      |
| Insurance  |       | (400,870)                        | (385,590)                        |
| Occupancy  | 6     | (49,047)                         | (102,618)                        |
| Professional fees  |       | (281,297)                        | (260,502)                        |
| Other expenses   |       | (1,173,599)                      | (1,440,993)                      |
| <b>Total operating expenses</b>  |       | <b>(17,010,990)</b>              | <b>(17,974,146)</b>              |
| Share based payment benefit/(expense)  | 24    | (361,507)                        | 112,890                          |
| Fair value movement on financial assets  | 14    | (10,313)                         | (7,426)                          |
| Fair value movement on contingent consideration  |       | (26,506)                         | (17,345)                         |
| Credit Loss Expense  | 6     | (63,037)                         | (150,080)                        |
| <b>Total expenses</b>  |       | <b>(17,472,353)</b>              | <b>(18,036,107)</b>              |
| Profit before tax from continuing operations   |       | 4,850,003                        | 3,510,780                        |
| Attributable to:   |       |                                  |                                  |
| - Members/shareholders of the parent entity  |       | 4,016,570                        | 2,605,721                        |
| - Non-controlling interests  |       | 833,433                          | 905,059                          |
| Income tax expense   | 7     | (1,159,916)                      | (723,607)                        |
| Profit after tax from continuing operations  |       | 3,690,087                        | 2,787,173                        |
| Attributable to:   |       |                                  |                                  |
| - Members/shareholders of the parent entity  |       | 3,074,132                        | 2,131,559                        |
| - Non-controlling interests  |       | 615,955                          | 655,614                          |
| <b>Total comprehensive income</b>  |       | <b>3,690,087</b>                 | <b>2,787,173</b>                 |
| <b>Earnings per share attributable to ordinary members/<br/>shareholders of the parent</b> |       |                                  |                                  |
| Basic earnings/(loss) per share (cents)  | 26    | 1.69                             | 1.21                             |
| Diluted earnings/(loss) per share (cents)  | 26    | 1.69                             | 1.21                             |

# Consolidated Statement of Financial Position

For the year ended 30 June 2021

|  | Notes | Year ended<br>30 June 2021<br>\$ | Year ended<br>30 June 2020<br>\$ |
|--|-------|----------------------------------|----------------------------------|
| <b>Current assets</b>                                      |       |                                  |                                  |
| Cash and cash equivalents                                  | 8     | 65,725                           | 93,491                           |
| Trade and other receivables                                | 9     | 2,953,470                        | 2,567,386                        |
| Financial assets   | 14    | 330,000                          | 1,056,070                        |
| Contract assets and other current assets                   | 10    | 4,343,577                        | 3,830,493                        |
| <b>Total current assets</b>                                |       | <b>7,692,772</b>                 | <b>7,547,440</b>                 |
| <b>Non-current assets</b>                                  |       |                                  |                                  |
| Property, plant and equipment                              | 11    | 48,604                           | 77,766                           |
| Right-of-use asset   | 13    | 2,532,418                        | 3,496,836                        |
| Financial assets   | 14    | 1,655,709                        | 914,056                          |
| Intangible assets  | 15    | 46,356,006                       | 46,864,108                       |
| <b>Total non-current assets</b>                            |       | <b>50,592,737</b>                | <b>51,352,766</b>                |
| <b>Total assets</b>  |       | <b>58,285,509</b>                | <b>58,900,206</b>                |
| <b>Current liabilities</b>                                 |       |                                  |                                  |
| Payables   | 16    | 2,400,907                        | 2,060,831                        |
| Lease liabilities  | 17    | 956,920                          | 908,987                          |
| Current tax payable  | 7     | 191,739                          | 170,179                          |
| Employee benefits  | 18    | 867,050                          | 658,528                          |
| Borrowing – bank facility                                  | 20    | 1,000,000                        | -                                |
| Borrowings – other   | 20    | -                                | 73,424                           |
| Balance outstanding on acquisition of investments          | 21    | 328,615                          | 357,043                          |
| <b>Total current liabilities</b>                           |       | <b>5,745,231</b>                 | <b>4,228,992</b>                 |
| <b>Non-current liabilities</b>                             |       |                                  |                                  |
| Borrowings – bank facility                                 | 20    | 6,175,346                        | 9,802,971                        |
| Lease liabilities  | 17    | 1,792,112                        | 2,751,114                        |
| Deferred tax liabilities                                   | 7     | 917,028                          | 550,708                          |
| Financial liability – share based payments                 | 19    | -                                | 27,843                           |
| Balance outstanding on acquisition of investments          | 21    | -                                | 365,248                          |
| <b>Total non-current liabilities</b>                       |       | <b>8,884,486</b>                 | <b>13,497,884</b>                |
| <b>Total liabilities</b>                                   |       | <b>14,629,717</b>                | <b>17,726,876</b>                |
| <b>Net assets</b>  |       | <b>43,655,792</b>                | <b>41,173,330</b>                |
| <b>Equity</b>  |       |                                  |                                  |
| Contributed equity   | 22    | 67,500,652                       | 67,738,457                       |
| Treasury shares  | 22    | (1,461,088)                      | (2,435,000)                      |
| Accumulated losses   |       | (23,184,196)                     | (25,343,961)                     |
| <b>Equity attributable to equity holders of the parent</b> |       | <b>42,855,368</b>                | <b>39,959,496</b>                |
| Non-controlling interests                                  |       | 800,424                          | 1,213,834                        |
| <b>Total equity</b>  |       | <b>43,655,792</b>                | <b>41,173,330</b>                |

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

|   | Treasury Shares<br>\$ | Contributed equity<br>\$ | Retained earnings/<br>Accumulated Losses<br>\$ | Non-controlling interest<br>\$ | Total<br>\$       |
|---|-----------------------|--------------------------|--|--------------------------------|-------------------|
| <b>Balance at 1 July 2019</b>   | <b>(2,435,000)</b>    | <b>67,394,341</b>        | <b>(26,698,637)</b>                            | <b>1,222,420</b>               | <b>39,483,124</b> |
| Total comprehensive income for the period                                       | -                     | -                        | 2,131,559                                      | 655,614                        | 2,787,173         |
| <b>Transactions with equity holders in their capacity as equity holders:</b>    |                       |                          |  |                                |                   |
| Adjustment for change in accounting policy (Note 2.4)                           | -                     | -                        | (30,724)                                       | -                              | (30,724)          |
| Share Capital   | -                     | 344,116                  | -  | -                              | 344,116           |
| Dividends paid  | -                     | -                        | (746,159)                                      | (664,200)                      | (1,410,359)       |
| Total transactions with equity holders in their capacity as equity holders      | -                     | 344,116                  | (776,883)                                      | (664,200)                      | (1,096,967)       |
| <b>Balance at 30 June 2020</b>  | <b>(2,435,000)</b>    | <b>67,738,457</b>        | <b>(25,343,961)</b>                            | <b>1,213,834</b>               | <b>41,173,330</b> |
| Total comprehensive income for the period                                       | -                     | -                        | 3,074,132                                      | 615,955                        | 3,690,087         |
| <b>Transactions with equity holders in their capacity as equity holders:</b>    |                       |                          |  |                                |                   |
| Movement in Treasury shares   | 973,912               | (237,805)                | -  | -                              | 736,107           |
| Share based payments  | -                     | -                        | 106,849  | -                              | 106,849           |
| Dividends paid  | -                     | -                        | (1,060,795)                                    | (716,442)                      | (1,777,237)       |
| Transactions with non-controlling interests in their capacity as equity holders | -                     | -                        | 39,579   | (312,923)                      | (273,344)         |
| Total transactions with equity holders  | 973,912               | (237,805)                | (914,367)                                      | (1,029,365)                    | (1,207,625)       |
| <b>Balance at 30 June 2021</b>  | <b>(1,461,088)</b>    | <b>67,500,652</b>        | <b>(23,184,196)</b>                            | <b>800,424</b>                 | <b>43,655,792</b> |

# Consolidated Statement of Cash Flows

For the year ended 30 June 2021

|  | Notes     | 30 June 2021<br>\$ | 30 June 2020<br>\$ |
|--|-----------|--------------------|--------------------|
| <b>Cash flows from operating activities</b>                |           |                    |                    |
| Receipts from customers                                    |           | 23,304,427         | 22,432,569         |
| Payments to employees and suppliers                        |           | (16,519,503)       | (17,634,361)       |
| Interest paid  |           | (468,790)          | (601,813)          |
| Income tax paid  |           | (772,037)          | (460,148)          |
| <b>Net cash provided by operating activities</b>           | <b>25</b> | <b>5,544,097</b>   | <b>3,736,247</b>   |
| <b>Cash flows from investing activities</b>                |           |                    |                    |
| Payments for business acquisitions                         |           | (591,297)          | (1,052,493)        |
| Development expenditure                                    |           | (195,056)          | (292,500)          |
| Payments for plant and equipment                           |           | (24,896)           | (28,459)           |
| <b>Net cash provided by/(used in) investing activities</b> |           | <b>(811,249)</b>   | <b>(1,373,452)</b> |
| <b>Cash flows from financing activities</b>                |           |                    |                    |
| Shares issued  |           | -                  | 344,116            |
| Transfer of Treasury shares                                |           | 736,107            | -                  |
| Dividends paid   |           | (1,060,795)        | (746,159)          |
| Dividends paid to non-controlling interests                |           | (655,503)          | (947,966)          |
| Other transactions with non-controlling interests          |           | (182,228)          | (546,078)          |
| Repayment of lease liabilities                             |           | (897,146)          | (816,251)          |
| Repayment of borrowings                                    |           | (3,142,506)        | (637,125)          |
| Drawdown of borrowings                                     |           | 441,457            | 871,367            |
| <b>Net cash provided by/(used in) financing activities</b> |           | <b>(4,760,614)</b> | <b>(2,478,096)</b> |
| Net increase/(decrease) in cash and cash equivalents       |           | (27,766)           | (115,301)          |
| <b>Cash and cash equivalents at beginning of the year</b>  |           | <b>93,491</b>      | <b>208,792</b>     |
| <b>Cash and cash equivalents at end of the year</b>        |           | <b>65,725</b>      | <b>93,491</b>      |

# Notes to the Financial Statements

## 1. Corporate information

The consolidated financial statements of Prime Financial Group Ltd ('Prime' or 'the Company') and its controlled entities ('the Group') for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 20 August 2021.

Prime Financial Group Ltd 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 the preparation of the financial report

### 2.1 Basis of preparation

The consolidated financial statements for the year ended 30 June 2021 have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The 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 consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

### 2.2 Basis of consideration

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2021. Control is achieved

when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Profit or loss and each component of other comprehensive income ('OCI') are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

## 2.3 Summary of significant accounting policies

### (a) Revenue recognition

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 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.

### Wealth Management & SMSF 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.

## 2. Basis of the preparation of the financial report – continued

### Accounting & Business Advisory plus Capital Revenue

Accounting & Business Advisory plus 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.

### Contract Assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. For goods and services, the Group performs for customers before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration. The Group's contract assets are from work in progress earned for the Group and are initially recognised for revenue from services provided to Accounting & Business Advisory as well as Capital clients. Upon completion and acceptance from the customer, there is a reclassification from contract assets (note 10) to trade receivables (note 9).

### 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 & SMSF revenue and Accounting & Business Advisory plus Capital revenue.

### **(b) Cash and cash equivalent**

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions.

### **(c) Plant and equipment**

All classes of plant and equipment are stated at cost less depreciation and any accumulated impairment losses. The carrying amount of plant and equipment is reviewed for impairment annually by Directors for events or changes in circumstances that indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are recognised in the statement of profit and loss and other comprehensive income.

The depreciable amounts of all other fixed assets are depreciated on a straight-line basis over their estimated useful lives commencing from the time the asset is held ready for use.

The assets' residual value and useful lives are reviewed and adjusted as appropriate at the end of the reporting period. Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included within the profit or loss.

|                        |              |
|------------------------|--------------|
| Office equipment       | 3 to 5 years |
| Software               | 1 to 3 years |
| Plant & machinery      | 3 to 5 years |
| Leasehold improvements | 3 to 5 years |

### **(d) Leases**

AASB 16 'Leases' has introduced a single accounting model for recognising and measuring lease arrangements. The standard requires all leases to be recognised on the Balance sheet, unless the underlying asset is of low value or a term of 12 months or less. The income statement includes depreciation of the right-of-use asset and interest expense on the lease liability over the lease term.

The total lease expense over the term of the lease remains the same as the previous lease standard AASB 117, however the timing of the lease expense changes, with a higher portion of the expense being recognised in the earlier years of the lease term. The Group has measured its ROU asset for its current property leases, and the transition between the accounting policies resulted in an adjustment in opening retained earnings for FY20.

### Intangibles

#### Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date.

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The Group's goodwill has been allocated between two operating segments (1) Wealth Management & SMSF and; (2) Accounting & Business Advisory plus Capital, and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference

between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

#### Research and development costs

Expenditure during the research phase is expensed and expenditure incurred in development is recognised as an intangible asset and amortised over the useful life of the asset.

A summary of the policies applied to the Group's intangible assets is as follows:

- Customer relationships – amortised on a straight-line basis over 5-10 years;
- Development costs – amortised on a straight-line basis over 3-5 years.

#### **(e) Impairment of assets**

Assets with an indefinite useful life are not amortised but are tested at least annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### **(f) Taxes**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries,

## 2. Basis of the preparation of the financial report – continued

associates or interests in joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### Tax consolidation

The parent entity and its controlled entities have formed an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses, for the tax consolidated group. The tax consolidated group has also entered a tax funding agreement where applicable to those companies in the group, to contribute to the income tax payable in proportion to their contribution to net profit before tax of the tax consolidated group. In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under the tax funding agreements with the applicable tax consolidated entities are recognised amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of the applicable tax consolidated group member, resulting in neither a contribution by the parent entity to that subsidiary nor a distribution by that subsidiary to the parent entity.

### **(g) Employee benefits**

#### Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be wholly settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### Other long-term employee benefits

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### **(h) Investments**

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems it has significant influence if it has more than 20% of the voting rights, but does not have control of the entity.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

### **(i) Financial instruments**

#### Initial recognition and measurement

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 subsequent 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 a change to the valuation of the unquoted equity instruments, measured at fair value through profit and loss resulting in a loss of \$39,233.

#### Impairment

AASB 9 requires the Group to record expected credit losses on all its trade receivables and loans, either on a 12-month or lifetime basis. The Group applied the simplified approach and recorded 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 adopted under AASB 9.

#### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### **(j) Loans 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.

### **(k) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office.

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### **(l) Comparatives**

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

### **(m) Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquired identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its

## 2. Basis of the preparation of the financial report – continued

previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. It is the discounted value of the expected future consideration. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss.

Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition date fair value of identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquiree.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### (n) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### (o) Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing the

profit attributable to owners of Prime, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### Diluted earnings per share

Diluted earnings per share is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of dilutive potential ordinary shares.

### (p) Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

### (q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### (r) Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Assets classified as held for sale are not amortised or depreciated. Assets classified as held for sale and any associated liabilities are presented separately from the other assets in the consolidated balance sheet.

### (s) Share based payments accounting policy

#### **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 24.

#### **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 24.

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 New and amended standards and interpretations

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the impact of each new standard or amendment is described 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.

### **New accounting standards issued but not effective**

There were no relevant Australian Accounting Standards and Interpretations that are issued, but are not yet effective, up to the date of issuance of the Group's financial statements which are applicable to the consolidated financial statements.

### 3. Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made the following critical accounting estimates and judgements, and taken the following matters into consideration:

#### 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:

- 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 and the impact on world stock markets.

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 30 June 2021 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.

#### Consolidation of wealth management entities

Prime has determined it controls certain wealth management entities which it owns 40-50% of the voting shares of. The determination was made due to Prime holding the required Australian Financial Services License, controlling cash flows, providing business development, marketing initiatives and staffing and preparing the financial statements of the entities.

#### Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The Group tests its intangible assets and investments accounted for using the equity method for impairment on at least an annual basis using a discounted cash flow (DCF) model. The methodology and key assumptions used to determine the recoverable amount for operating segments and test for impairment are disclosed in Note 15.

#### Contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

#### Share option valuations

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. 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 Group calculates the fair value of the share options at each reporting date using the Black-Scholes model.

#### 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 characteristics 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 on 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 current environment.

### 4. 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 paid on 1 February 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.

## 5. Group Information

### Information about subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2:

|   | Country of Incorporation | 2021 % Owned | 2020 % Owned |
|---|--------------------------|--------------|--------------|
| <b>Parent Entity:</b>   |                          |              |              |
| Prime Financial Group Ltd   | Australia                |              |              |
| <b>Subsidiaries of Prime Financial Group Ltd continued</b>                            |                          |              |              |
| 40 City Road Financial Advisors Pty Ltd (Formerly Munro's Financial Advisors Pty Ltd) | Australia                | 100          | 100          |
| ACN 097 206 874 Pty Ltd   | Australia                | 100          | 100          |
| Aintree Group Financial Services Pty Ltd  | Australia                | 50           | 50           |
| Altezza Partners Pty Ltd  | Australia                | 100          | 100          |
| Altezza Wealth Management Pty Ltd   | Australia                | 100          | 50           |
| Beksan Pty Ltd  | Australia                | 100          | 100          |
| Bishop Collins Wealth Management Pty Ltd  | Australia                | 50           | 50           |
| Brentnalls NSW Financial Services Pty Ltd (Deregistered)                              | Australia                | -            | 50           |
| Bstar Financial Services Pty Ltd (Deregistered)                                       | Australia                | -            | 50           |
| Butler Settineri Financial Services Pty Ltd   | Australia                | 70           | 70           |
| CP Financial Planners Pty Ltd   | Australia                | 50           | 50           |
| Crispin & Jeffery Financial Services Pty Ltd  | Australia                | 50           | 50           |
| David Hicks and Co Financial Services Pty Ltd   | Australia                | 50           | 50           |
| DM Financial Planners Pty Ltd   | Australia                | 80           | 65           |
| ExpertSuper Pty Ltd   | Australia                | 100          | 100          |
| GG Financial Services Pty Ltd   | Australia                | 50           | 50           |
| Green Taylor Financial Services Pty Ltd   | Australia                | 50           | 50           |
| Hughes O'Dea Corredig Financial Services Pty Ltd                                      | Australia                | 50           | 50           |
| IMMS Financial Planning Pty Ltd (Deregistered)  | Australia                | -            | 50           |
| Madder & Co Financial Services Pty Ltd  | Australia                | 50           | 50           |
| McHenry Financial Services Pty Ltd  | Australia                | 50           | 50           |
| MPR Accountants & Advisors Pty Ltd  | Australia                | 100          | 100          |
| MVA Bennett Financial Services Pty Ltd  | Australia                | 50           | 50           |
| NP Wealth Management Pty Ltd  | Australia                | 100          | 100          |
| ORD Financial Services Pty Ltd  | Australia                | 100          | 100          |
| Pacifica Financial Services Pty Ltd   | Australia                | 80           | 65           |
| Pascoe Partners Financial Services Pty Ltd (Deregistered)                             | Australia                | -            | 100          |
| PFG (NTH QLD) Pty Ltd   | Australia                | 80           | 65           |
| PFG Employee Share Plan Trust   | Australia                | 100          | 100          |

|  | Country of Incorporation | 2021 % Owned | 2020 % Owned |
|--|--------------------------|--------------|--------------|
| <b>Subsidiaries of Prime Financial Group Ltd continued</b>     |                          |              |              |
| PFG Legal Services Pty Ltd (Deregistered)                      | Australia                | -            | 75           |
| PMK Financial Services Pty Ltd                                 | Australia                | 100          | 100          |
| Prime Accounting & Business Advisory Pty Ltd                   | Australia                | 100          | 100          |
| Prime Accounting & Wealth Management Pty Ltd                   | Australia                | 100          | 100          |
| Prime Corporate Advisory Pty Ltd                               | Australia                | 100          | 100          |
| Prime Corporate Pty Ltd  | Australia                | 100          | 100          |
| Prime Development Fund Pty Ltd                                 | Australia                | 100          | 100          |
| Prime Management Services Pty Ltd                              | Australia                | 100          | 100          |
| Prime Innovation Pty Ltd                                       | Australia                | 100          | 100          |
| Primestock Capital Pty Ltd (Formerly CMB Advisory Pty Ltd)     | Australia                | 100          | 100          |
| Primestock Financial Planning Pty Ltd                          | Australia                | 100          | 100          |
| Primestock Superannuation Services Pty Ltd                     | Australia                | 100          | 100          |
| Primestock Wealth Management Pty Ltd                           | Australia                | 100          | 100          |
| Primestock Securities Ltd                                      | Australia                | 100          | 100          |
| PRM Financial Services Pty Ltd (Deregistered)                  | Australia                | -            | 100          |
| R & D Tax Consultants Pty LTD                                  | Australia                | 100          | 100          |
| RJS Financial Solutions Pty Ltd                                | Australia                | 50           | 50           |
| RMM Financial Services Pty Ltd                                 | Australia                | 50           | 50           |
| Rothsay Financial Services Pty Ltd (Deregistered)              | Australia                | -            | 40           |
| Rundles Financial Planning Pty Ltd                             | Australia                | 40           | 40           |
| Selingers Financial Services Pty Ltd                           | Australia                | 50           | 50           |
| Signum Business Advisors Financial Services Pty Ltd            | Australia                | 50           | 50           |
| SPBS Financial Services Pty Ltd (Deregistered)                 | Australia                | -            | 50           |
| Stanwycks Financial Services Pty Ltd                           | Australia                | 50           | 50           |
| Tricor Financial Services Pty Ltd                              | Australia                | 40           | 40           |
| Vipiana & Associates Financial Services Pty Ltd (Deregistered) | Australia                | -            | 50           |
| WM Financial Services Pty Ltd                                  | Australia                | 50           | 50           |

## 5. Group information – continued

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests, before any intra-group eliminations.

| 2021<br>Controlled Entities Name              | Rundles Financial<br>Planning Pty Ltd | Green Taylor<br>Financial Services<br>Pty Ltd | PFG<br>(Nth Qld)<br>Pty Ltd |
|---|---------------------------------------|---|-----------------------------|
| Country of incorporation                      | Australia                             | Australia                                     | Australia                   |
| Percentage owned by non-controlling interests | 60%                                   | 50%   | 20%                         |
| Current assets                                | 43,634                                | 219,983                                       | 222,630                     |
| Non-Current assets                            | 513,664                               | 432,232                                       | 254,855                     |
| Current liabilities                           | (70,115)                              | (77,893)                                      | (165,538)                   |
| Non-Current liabilities                       | -                                     | -   | -                           |
| Net assets                                    | 487,183                               | 574,322                                       | 311,947                     |
| Revenue                                       | 709,205                               | 674,282                                       | 790,025                     |
| Profit/(loss) before tax                      | 395,895                               | 274,953                                       | 342,811                     |

| 2020<br>Controlled Entities Name              | Rundles Financial<br>Planning Pty Ltd | Green Taylor<br>Financial Services<br>Pty Ltd | PFG<br>(Nth Qld)<br>Pty Ltd |
|---|---------------------------------------|---|-----------------------------|
| Country of incorporation                      | Australia                             | Australia                                     | Australia                   |
| Percentage owned by non-controlling interests | 60%                                   | 50%   | 35%                         |
| Current assets                                | 43,634                                | 207,783                                       | 200,973                     |
| Non-Current assets                            | 635,628                               | 490,385                                       | 450,363                     |
| Current liabilities                           | (131,090)                             | (86,283)                                      | (180,514)                   |
| Non-Current liabilities                       | -                                     | -   | -                           |
| Net assets                                    | 548,172                               | 611,885                                       | 470,822                     |
| Revenue                                       | 748,336                               | 704,038                                       | 866,756                     |
| Profit/(loss) before tax                      | 403,370                               | 277,116                                       | 410,143                     |

## 6. Expenses

|   | 2021<br>\$        | 2020<br>\$        |
|---|-------------------|-------------------|
| <b>Finance Costs</b>                                    |                   |                   |
| <b>Financial Liabilities measures at amortised cost</b> |                   |                   |
| Interest on bank overdrafts and loans                   | 362,041           | 458,081           |
| Interest on borrowings – other                          | 630               | 11,627            |
| Interest on lease liabilities                           | 106,119           | 132,105           |
| <b>Total finance costs</b>                              | <b>468,790</b>    | <b>601,813</b>    |
| <b>Other expenses</b>                                   |                   |                   |
| Other occupancy-related costs                           | 49,047            | 102,618           |
| <b>Total Occupancy-related costs</b>                    | <b>49,047</b>     | <b>102,618</b>    |
| <b>Depreciation and amortisation</b>                    |                   |                   |
| Depreciation  | 54,058            | 188,085           |
| Amortisation – Other                                    | 783,158           | 959,184           |
| Amortisation – Right of Use Assets                      | 950,495           | 937,998           |
| <b>Total depreciation and amortisation</b>              | <b>1,787,711</b>  | <b>2,085,267</b>  |
| <b>Employee benefits expense</b>                        |                   |                   |
| Salaries and wages expense                              | 10,087,727        | 10,313,116        |
| Superannuation expense                                  | 772,101           | 789,605           |
| Other employee expenses                                 | 833,777           | 736,428           |
| <b>Total employee benefits expense</b>                  | <b>11,693,605</b> | <b>11,839,149</b> |

### Credit Loss Expense

In the year ended 30 June 2021, the Group recognised a Credit Loss Expense of \$63,037

## 7. Income tax

|   | 2021<br>\$       | 2020<br>\$     |
|---|------------------|----------------|
| <b>(a) The components of tax expense</b>  |                  |                |
| Current tax   | 529,757          | 249,444        |
| Deferred tax  | 615,771          | 474,163        |
| Other adjustments   | 14,388           | -              |
| <b>Total income tax expense</b>   | <b>1,159,916</b> | <b>723,607</b> |
| <b>(b) The prima facie tax on profit differs from the Income tax provided in the financial statements as follows:</b> |                  |                |
| Total Profit/(Loss) before income tax   | 4,850,003        | 3,510,780      |
| At the Australian statutory income tax rate of 26% (2020: 27.5%)  | 1,261,001        | 965,465        |
| Add: Tax effect of:   |                  |                |
| Permanent differences   | 179,522          | 71,082         |
| Franking credits  | (259,257)        | (306,873)      |
| Derecognised Deferred Tax Asset on Share Based Payment Liability  | -                | 38,702         |
| Impact of tax rate change 26% to 25% (2020: 27.5% to 26%)   | (35,881)         | (55,852)       |
| Adjustments in respect of current income tax of previous year   | 14,530           | 11,083         |
| <b>Income tax expense attributable to ordinary activities</b>   | <b>1,159,916</b> | <b>723,607</b> |

### (c) Deferred tax

Deferred tax relates to the following:

|   | 30 June 2021<br>\$ | 30 June 2020<br>\$ |
|---|--------------------|--------------------|
| <b>Deferred tax assets/(liabilities)</b>                  |                    |                    |
| Employee provisions                                       | 216,763            | 171,217            |
| Unrealised losses on investments                          | 110,160            | 111,885            |
| Losses available for offsetting against future income tax | -                  | 417,401            |
| Provision for expected credit losses                      | 38,032             | 42,643             |
| Right of Use asset  | (633,105)          | (909,177)          |
| Lease liability   | 687,258            | 951,626            |
| Intangible Assets – Customer Relationships                | (525,178)          | (660,035)          |
| Accrued Revenue   | (876,481)          | (724,651)          |
| Other   | 65,523             | 48,383             |
| <b>Net deferred tax liabilities</b>                       | <b>(917,028)</b>   | <b>(550,708)</b>   |

## 8. Cash and cash equivalents

|  | 30 June 2021<br>\$ | 30 June 2020<br>\$ |
|--|--------------------|--------------------|
| <b>Current</b>                         |                    |                    |
| Cash at bank                           | 65,725             | 93,491             |
| <b>Total cash and cash equivalents</b> | <b>65,725</b>      | <b>93,491</b>      |

## 9. Trade and other receivables

|  | 30 June 2021<br>\$ | 30 June 2020<br>\$ |
|--|--------------------|--------------------|
| <b>Current</b>   |                    |                    |
| Trade Receivables  | 3,105,596          | 2,731,398          |
| Provision for expected credit losses                                       | (152,126)          | (164,012)          |
| <b>Total current trade and other receivables</b>                           | <b>2,953,470</b>   | <b>2,567,386</b>   |
| <b>Provision for expected credit losses</b>                                |                    |                    |
| <b>Reconciliation of changes in the provision for expected credit loss</b> |                    |                    |
| Balance at beginning of the year   | 164,011            | 82,856             |
| Additional expected credit loss provision recognised (P&L Charge)          | 63,037             | 164,012            |
| Provision used   | (74,922)           | (82,856)           |
| <b>Balance at end of the year</b>  | <b>152,126</b>     | <b>164,012</b>     |
| <b>Aged Analysis</b>   |                    |                    |
| The ageing analysis of receivables is as follows:                          |                    |                    |
| 0 - 30 days  | 2,417,192          | 1,988,662          |
| 31 - 60 days   | 36,304             | 48,638             |
| 61 - 90 days   | 115,055            | 165,220            |
| 91+ days   | 537,045            | 528,878            |
| <b>Total</b>   | <b>3,105,596</b>   | <b>2,731,398</b>   |

The Group applies the simplified approach and records lifetime expected losses on all trade receivables. As a result, the Group does not monitor change in credit risk but recognises a provision based on lifetime expected credit losses (ECL) 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 service line (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.

## 9. Trade and other receivables – continued

The Group adopted a provision matrix to calculate its ECL and provision for its trade receivables balance at 30 June 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.

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.

Please refer to note 10 for commentary on contract assets.

## 10. Contract assets and other current assets

|   | 30 June 2021<br>\$ | 30 June 2020<br>\$ |
|---|--------------------|--------------------|
| <b>Current</b>  |                    |                    |
| Contract assets                                       | 3,505,922          | 2,787,119          |
| Distributions advanced to non-controlling interests   | 725,446            | 786,385            |
| Prepayments   | 33,029             | 30,450             |
| Other assets  | 79,180             | 226,538            |
| <b>Total contract assets and other current assets</b> | <b>4,343,577</b>   | <b>3,830,492</b>   |

### 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 (note 9).

## 11. Property, plant and equipment

|                                    | Office<br>equipment<br>\$ | Plant and<br>machinery<br>\$ | Leasehold<br>improvements<br>\$ | Total<br>\$ |
|------------------------------------|---------------------------|------------------------------|---------------------------------|-------------|
| <b>Cost</b>                        |                           |                              |                                 |             |
| At 1 July 2019                     | 943,981                   | 528,004                      | 517,220                         | 1,989,205   |
| At 30 June 2020                    | 967,177                   | 528,004                      | 522,483                         | 2,017,664   |
| Additions                          | 19,264                    | -                            | 5,262                           | 24,896      |
| At 30 June 2021                    | 986,441                   | 528,004                      | 528,115                         | 2,042,560   |
| <b>Depreciation and impairment</b> |                           |                              |                                 |             |
| At 1 July 2019                     | 770,088                   | 528,004                      | 453,721                         | 1,751,813   |
| At 30 June 2020                    | 920,672                   | 528,004                      | 491,222                         | 1,939,898   |
| Depreciation charge for the year   | 34,756                    | -                            | 19,302                          | 54,058      |
| At 30 June 2021                    | 955,428                   | 528,004                      | 510,524                         | 1,993,956   |
| <b>Net book value</b>              |                           |                              |                                 |             |
| At 30 June 2021                    | 31,013                    | -                            | 17,591                          | 48,604      |
| At 30 June 2020                    | 46,505                    | -                            | 31,261                          | 77,766      |

## 12. Leases

### Recognition, measurement and classification:

The Group has applied AASB 16 using the modified retrospective approach. The impact of changes are disclosed in note 2.4.

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset; throughout the period of use, and;
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about

how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:

- The Group has the right to operate the asset;
- The Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group recognises a Right of Use (ROU) asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The determination of the incremental borrowing rate requires the use of judgement.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee, and;

## 12. Leases – continued

- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

The Group has entered into leases on office premises with terms between 3 and 5 years.

The Group has options to renew all three of their leases for periods between 5 and 6 years. The potential cash outflows over these renewal periods would be \$5.95m.

It should be noted that Prime has not received any lease concessions with regard to its lease obligations as a result of the COVID-19 pandemic.

|  | 30 June 2021<br>\$ | 30 June 2020<br>\$ |
|--|--------------------|--------------------|
| <b>Maturity analysis – contractual undiscounted cash flows</b> |                    |                    |
| Not later than 1 year  | 1,035,392          | 1,018,239          |
| Later than 1 year and not later than 5 years                   | 1,764,667          | 2,802,142          |
| Later than 5 years   | -                  | -                  |
| <b>Balance at 30 June</b>                                      | <b>2,800,059</b>   | <b>3,820,381</b>   |

## 13. Right-of-use Asset

### Non-Current Assets

|                                | 30 June 2021<br>\$ | 30 June 2020<br>\$ |
|--------------------------------|--------------------|--------------------|
| <b>Balance at 1 July</b>       | <b>3,496,836</b>   | <b>4,166,081</b>   |
| Additions during the period    | -                  | 268,752            |
| Lease modification             | (13,923)           | -                  |
| Less: Accumulated depreciation | (950,495)          | (937,997)          |
| <b>Balance at 30 June</b>      | <b>2,532,418</b>   | <b>3,496,836</b>   |

The consolidated entity leases land and buildings for its offices under agreements of between three to five years with, in some cases, options to extend. As these options are not reasonably certain to be taken up, they have not been included. On renewal, the terms of the leases are renegotiated. The determination of the lease term requires the use of judgement. At the end of December 2020, one of

the leases was mutually cancelled with six months remaining resulting in a reversal of the Right of Use Asset of \$13,923 and lease liability of \$14,471, resulting in a gain on lease modification of \$548.

For the Group's accounting policy on leases, refer to Note 12.

## 14. Financial assets

The financial assets at the period end are as follows:

|   | 30 June 2021<br>\$ | 30 June 2020<br>\$ |
|---|--------------------|--------------------|
| Loan receivable – Mr P Madder             | -                  | 1,056,070          |
| <b>Total current financial assets</b>     | <b>-</b>           | <b>1,056,070</b>   |
| Loan receivable – Mr P Madder             | 1,081,967          | -                  |
| Investment in Crispin & Jeffery – SMSF    | 644,160            | 615,241            |
| Other unquoted equity instruments         | 259,582            | 298,815            |
| <b>Total non-current financial assets</b> | <b>1,985,709</b>   | <b>914,056</b>     |
| <b>Total financial assets</b>             | <b>1,985,709</b>   | <b>1,970,126</b>   |

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 year ended 30 June 2021 the interest accrued on the loans was \$25,896. This loan was extended under the same terms of settlement, payable by 30 June 2023.

Crispin & Jeffery 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 30 June 2021 resulted in a profit through the profit and loss of \$28,919.

The fair value of unquoted equity securities – financial services sector, consists of an investment purchased in FY18. The asset is measured based on a capital raise of its shares during the period. The fair valuation of this unquoted equity instrument at 30 June 2021 resulted in a loss through the profit and loss of \$39,233.

## 15. Intangible assets

|  | Goodwill<br>\$ | Customer<br>relationships<br>\$ | Development<br>costs<br>\$ | Total<br>\$ |
|--|----------------|---------------------------------|----------------------------|-------------|
| <b>Cost</b>                            |                |                                 |                            |             |
| At 1 July 2019                         | 55,198,509     | 4,390,720                       | 3,136,830                  | 62,726,059  |
| Additions                              | -              | -                               | 292,500                    | 292,500     |
| Acquisition/(disposal) of a subsidiary | -              | -                               | -                          | -           |
| At 30 June 2020                        | 55,198,509     | 4,390,720                       | 3,429,330                  | 63,018,559  |
| Additions                              | -              | 80,000                          | 195,056                    | 275,056     |
| Acquisition/(disposal) of a subsidiary | -              | -                               | -                          | -           |
| At 30 June 2021                        | 55,198,509     | 4,470,720                       | 3,624,386                  | 63,293,615  |
| <b>Amortisation and impairment</b>     |                |                                 |                            |             |
| At 1 July 2019                         | 11,293,889     | 1,338,237                       | 2,563,140                  | 15,195,266  |
| Amortisation                           | -              | 513,887                         | 445,298                    | 959,185     |
| At 30 June 2020                        | 11,293,889     | 1,852,124                       | 3,008,438                  | 16,154,451  |
| Amortisation                           | -              | 517,887                         | 265,271                    | 783,158     |
| At 30 June 2021                        | 11,293,889     | 2,370,011                       | 3,273,709                  | 16,937,609  |
| <b>Net book value</b>                  |                |                                 |                            |             |
| At 30 June 2021                        | 43,904,620     | 2,100,709                       | 350,677                    | 46,356,006  |
| At 30 June 2020                        | 43,904,620     | 2,538,596                       | 420,892                    | 46,864,108  |

There is \$2,003,219 of software that has been fully amortised but still in use, not included in the table above.

The Group performs its twice annual impairment test in December 2020 and June 2021. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. While at 30 June 2021, the market capitalisation was below the book value of its equity, indicating a potential impairment of goodwill, the consolidated entity has performed a detailed impairment assessment and concluded that no impairment is required in the current year (2020: none). As noted, the consolidated entity has considered many factors in determining that no impairment is required.

The Group has two operating segments. One segment relates to Accounting & Business Advisory plus Capital and the other to Wealth Management and Self-Managed Superannuation (SMSF).

Prime determines key assumptions based on the historical and expected future performance of assets that make up the segments. The recoverable amounts of the segment are based on value in use calculations using cash flow projections from financial projections approved by the Board. Prime's determination of cash flow projections are based on past performance and its expectation for the future

The split of goodwill is shown in the table below:

|   | Goodwill<br>\$    |
|---|-------------------|
| <b>Net book value</b>                       |                   |
| Wealth Management & SMSF                    | 23,374,718        |
| Accounting & Business Advisory plus Capital | 20,529,902        |
| <b>Total Goodwill at 30 June 2021</b>       | <b>43,904,620</b> |

Key assumptions used in value in use calculations and sensitivity to changes in assumptions: The calculation of value in use is most sensitive to the following assumptions:

- Revenue growth;
- Expenses growth;
- Discount rate; and
- Terminal growth rate.

For the Group, the present value of future cash flows has been calculated using a post-tax discount rate of 11.0% (2020: 11.0%).

The Group have used the FY21 performance, the FY22 budget and FY23-25 business plan approved by the Board as the base point for the future cashflows.

Management has considered the impact of the COVID-19 pandemic in determining the cashflows in the impairment model.

- An average revenue growth rate of between 5.0% to 9.0% (2020: between 3.0% to 3.5%)
- An average increase in expenses of between 3.0% to 11.0% (2020: between 0.0% to 0.5%)
- Terminal growth rate of 2.5% (2020: 2.5%).

The revenue growth rate has increased compared to the 30 June 2020 assumptions. This is to reflect the expected improvement in the economic market conditions, the further focus on organic growth through Prime's OneConnected strategy of offering multiple services to its client base, greater business development focus as COVID-19 pandemic restrictions ease, plus increased focus on further new revenue generating accretive options.

The Group's discount rate represents the current market assessment of the risks specific to the operating segment, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on Prime's assessment of an applicable risk-free rate plus a Prime-specific credit spread. The beta factors are evaluated annually based on publicly available market data.

Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

The Directors have considered the sensitivity of the impairment assessments to a reasonably possible change in the above key assumptions. A key economic indicator when undertaking the impairment test was the sensitivities regarding the discount rate and the key factors that underpin this, such as the risk-free rate and market risk premium.

### Sensitivities to changes in assumptions

Sensitivity has been tested for The Group's two operating segments; Accounting & Business Advisory plus Capital, and to Wealth Management & SMSF. The concept is used by the International Financial Reporting Standards in the determination of asset impairment.

For Accounting & Business Advisory plus Capital, the recoverable amount as determined by the value in use calculation exceeds the carrying value by \$13.2m. Reasonably possible changes in assumptions are stated below:

- Other things being equal, if the Group's cashflow is 10% lower, the recoverable amount would exceed the carrying value by \$4.8m (30 June 2020: \$5.7m).
- Other things being equal, if the Group's post-tax discount rate increased from 11.0% to 12.5%, the recoverable amount would exceed the carrying value by \$3.5m (30 June 2020: \$4.1m).
- If the long-term average growth rate decreases from 2.5% to 1.0% per annum, the recoverable amount would exceed the carrying value by \$4.4m (30 June 2020: \$5.5m).

For Wealth and SMSF, the recoverable amount as determined by the value in use calculation exceeds the carrying value by \$7.1m (30 June 2020: \$4.0m). Reasonably possible changes in assumptions are stated below:

- Other things being equal, if the Group's cashflow is 10% lower, the recoverable amount would exceed the carrying value by \$3.9m (30 June 2020: \$1.1m).
- Other things being equal, if the segments post-tax discount rate increased from 11.0% to 12.5%, the recoverable amount would exceed the carrying value by \$2.6m (30 June 2020: \$0.3m).
- If the long-term average growth rate decreases from 2.5% to 1.0% per annum, the recoverable amount would exceed the carrying value by \$3.0m (30 June 2020: \$0.6m).

## 16. Payables

|                              | 2021<br>\$       | 2020<br>\$       |
|------------------------------|------------------|------------------|
| Trade creditors              | 486,353          | 519,845          |
| Other creditors and accruals | 1,217,590        | 772,553          |
| GST payable                  | 696,964          | 768,433          |
| <b>Total payables</b>        | <b>2,400,907</b> | <b>2,060,831</b> |

## 17. Lease liabilities

|                             | 30 June 2021<br>\$ | 30 June 2020<br>\$ |
|-----------------------------|--------------------|--------------------|
| <b>Balance at 1 July</b>    | <b>3,660,101</b>   | <b>4,207,600</b>   |
| Additions during the period | -                  | 268,752            |
| Lease modification          | (14,471)           | -                  |
| Add: Interest               | 106,119            | 132,105            |
| Less: Payments              | (1,002,718)        | (948,356)          |
| <b>Balance at 30 June</b>   | <b>2,749,031</b>   | <b>3,660,101</b>   |

|                                   | 2021<br>\$       | 2020<br>\$       |
|-----------------------------------|------------------|------------------|
| <b>Current Liability</b>          |                  |                  |
| Office Premises – Lease liability | 956,920          | 908,987          |
| <b>Non-Current Liability</b>      |                  |                  |
| Office Premises – Lease liability | 1,792,112        | 2,751,114        |
| <b>Total Lease Liabilities</b>    | <b>2,749,032</b> | <b>3,660,101</b> |

At the end of December 2020, one of the leases was mutually cancelled with six months remaining resulting in a reversal of the Right of Use Asset of \$13,923 and lease liability of \$14,471, resulting in a gain on lease modification of \$548. For the Group's accounting policy on leases, refer to Note 12.

## 18. Provisions

|                                       | 2021<br>\$     | 2020<br>\$     |
|---------------------------------------|----------------|----------------|
| Employee Benefits                     | 11,693,605     | 11,789,149     |
| <b>Annual and Long service leave</b>  |                |                |
| Balance at the beginning of the year  | 658,528        | 900,348        |
| Arising during the year               | 757,316        | 700,479        |
| Utilised                              | (548,794)      | (942,299)      |
| <b>Balance at the end of the year</b> | <b>867,050</b> | <b>658,528</b> |

## 19. Financial liability - shared based payments

The PFG ESP has provided Mr S Madder with the ability to acquire shares in Prime Financial Group Ltd pursuant to a loan scheme. As a result of the cancellation of the option agreement, the financial liability associated with these options has been written down to nil. On the basis that Mr S Madder had the option to require the Company to buy back

the shares during the term of the option, the awards are accounted for as share options under cash settled share-based payment awards. At 30 June 2021, the financial liability in relation to these share-based payments was nil (30 June 2020: \$27,843). Please see note 24 for further details.

## 20. Capital Management

For the purpose of the Group's capital management, capital includes issued capital, interest bearing loans and borrowings and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

In FY21, Prime paid dividends of \$1,060,795 (FY20: \$746,159). The Board's policy for dividend payments is typically a payout ratio of 40-60% of the reported and maintainable earnings.

As at 30 June 2021, the Group met its bank facility covenant requirements.

Lease liabilities are not included as part of net debt as this is not a requirement of the Group's bank covenants.

The Board monitors capital through the gearing ratio (net debt/total capital). The target for the Group's gearing ratio is between 10% - 25%. The gearing ratios based on operations at 30 June 2020 and 30 June 2021 were as follows:

|   | 30 June 2021<br>\$ | 30 June 2020<br>\$ |
|---|--------------------|--------------------|
| Borrowings – bank facility  | 7,175,346          | 9,802,971          |
| Borrowings – other  | -                  | 73,424             |
| Less: cash and cash equivalents   | (65,725)           | (93,491)           |
| Net debt  | 7,109,621          | 9,782,904          |
| Total equity attributable to members/shareholders of the parent entity              | 43,655,724         | 39,615,448         |
| Total equity attributable to members/shareholders of the parent entity and net debt | 50,765,345         | 49,398,352         |
| Gearing ratio   | 14.0%              | 19.8%              |

Westpac Bank has in place an agreement with the Group to provide facilities amounting to \$11,713,337 (\$12,630,000: 30 June 2020). From 9 August 2020, the facility has and will be reduced by \$83,333 per month. The agreement expires on 9 July 2025. At the end of the reporting period those facilities

have been utilised to the amount of \$7,175,346. The unused amount is \$4,537,991. The facility is to assist with working capital, future investments and for general purposes. At 30 June 2021 the effective interest rate was 2.89% per annum. There is an additional 1.00% line fee for the total facility.

## 21. Balance outstanding on acquisition of investments

|              | 30 June 2021<br>\$ | 30 June 2020<br>\$ |
|--------------|--------------------|--------------------|
| Current      | 328,615            | 357,043            |
| Non-current  | -                  | 365,248            |
| <b>Total</b> | <b>328,615</b>     | <b>722,291</b>     |

|   | 30 June 2021<br>\$ | 30 June 2020<br>\$ |
|---|--------------------|--------------------|
| <b>Balance at the beginning of the year</b> | 722,291            | 1,757,439          |
| Additions                                   | 273,345            | -                  |
| Settlements                                 | (693,527)          | (1,052,493)        |
| Movement in fair value                      | 26,506             | 17,345             |
| <b>Balance at the end of the year</b>       | <b>328,615</b>     | <b>722,291</b>     |

On 14 March 2019, Prime acquired the 50% non-controlling interest in Munro's Financial Advisors Pty Ltd for \$246,118 with \$123,059 of consideration paid up front, \$49,224 paid on 18 November 2020 and \$73,835 paid on 15 June 2021. At 30 June 2021, the outstanding consideration in relation to this purchase was nil (30 June 2020: \$123,059).

On 26 July 2018 Prime acquired the financial planning business from MXA Financial Planning Pty Ltd (MXA) for \$241,188. An amount of \$150,716 was settled during the financial year. At 30 June 2021, the outstanding consideration in relation to this purchase was nil (30 June 2020: \$150,716).

On 15 June 2017, Prime acquired 100% of the voting shares of Altezza Partners Pty Ltd. The purchase consideration included contingent consideration

dependent on meeting certain conditions in the three-year period to 30 June 2021. At 30 June 2021, the outstanding consideration in relation to this purchase was \$237,500 (30 June 2020: \$459,139).

During September 2020, 2.5m Prime shares were issued as partial consideration for this purchase to the value of \$237,500.

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 paid on 1 February 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.

## 22. Issued capital and reserves

### Ordinary shares issued

|                            | Note | 30 June 2021<br>\$ | 30 June 2020<br>\$ |
|----------------------------|------|--------------------|--------------------|
| Ordinary shares fully paid | (a)  | 67,481,792         | 68,292,512         |
| Ordinary share partly paid | (b)  | 18,860             | 18,860             |
| <b>Total</b>               |      | <b>67,500,652</b>  | <b>68,311,372</b>  |

(a) Fully paid ordinary shares carry one vote per share and carry the right to dividends and the proceeds on winding up of the parent entity in proportion to the number of shares issued.

(b) The 2,095,560 partly paid ordinary shares are partly paid to \$0.009 with \$0.891 to pay. Any or all of the partly paid shares may be paid in full or in part at the election of the holder at any

time. The partly paid shares will confer fractional voting rights and dividend entitlements in accordance with and subject to the Listing Rules of Australian Securities Exchange.

### Movements in shares on issue

|  | 2021               |                   | 2020               |                   |
|--|--------------------|-------------------|--------------------|-------------------|
|  | No. of shares      | \$                | No. of shares      | \$                |
| <b>Beginning of the financial year</b> | <b>197,418,000</b> | <b>67,738,457</b> | <b>193,032,874</b> | <b>67,394,341</b> |
| Issued during the year                 |                    |                   |                    |                   |
| - Shares Issued                        | -                  | -                 | 4,385,126          | 344,116           |
| Movement related to treasury shares    | -                  | (237,805)         | -                  | -                 |
| <b>End of the financial year</b>       | <b>197,418,000</b> | <b>67,500,652</b> | <b>197,418,000</b> | <b>67,738,457</b> |

### Treasury shares

|   | 2021              |                  | 2020              |                  |
|---|-------------------|------------------|-------------------|------------------|
|   | No. of shares     | \$               | No. of shares     | \$               |
| <b>Beginning of the financial year</b>        | <b>17,082,528</b> | <b>2,435,000</b> | <b>17,082,528</b> | <b>2,435,000</b> |
| Issued during the year                        |                   |                  |                   |                  |
| - Purchase of treasury shares for the PFG ESP | -                 | -                | -                 | -                |
| - Sale of treasury shares from PFG ESP        | (7,647,633)       | (973,912)        | -                 | -                |
| <b>End of the financial year</b>              | <b>9,434,895</b>  | <b>1,461,088</b> | <b>17,082,528</b> | <b>2,435,000</b> |

### Share based payment arrangements

The Group has equity-based share based payment arrangements for all employees. Refer to Note 24 for further details.

## 23. Dividends

|   | 2021<br>\$ | 2020<br>\$ |
|---|------------|------------|
| <b>(a) Dividends paid during the year</b>   |            |            |
| (i) Current year interim - Fully franked dividend of 0.30 cents per share<br>(2020 Interim: 0.20 cents per share)   | 580,873    | 375,991    |
| (ii) Previous year final - Fully franked dividend of 0.25 cents per share<br>(2019 Final: 0.20 cents per share)   | 479,924    | 370,168    |
|   | 1,060,797  | 746,159    |
| <b>(b) Proposed dividend</b>  |            |            |
| Proposed dividend as at the date of this report at 0.40 cents per share<br>(2020: 0.20 cents per share) not recognised as a liability                           |            |            |
| Proposed dividend payment   | 787,392    | 473,620    |
| <b>(c) Franking credit balance</b>  |            |            |
| Balance of franking account at year end adjusted for franking credits arising<br>from payment of provision for income tax and after deducting franking credits. | 4,834,735  | 4,343,175  |
| Impact on the franking account of dividends recommended by the Directors<br>since the year end but not recognised as a liability at year end                    | (276,651)  | (179,649)  |
|   | 4,558,084  | 4,163,526  |

## 24. 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 30 June 2021, the financial liability in relation to these share-based payments was nil (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.

### 24a. 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 which was funded by loans. These loans had a four-year term expiring in May 2021, were full recourse loans supported by a personal guarantee from Mr S Madder plus a General Security Agreement (GSA) over his related entity.

While Mr S Madder's PFG ESP loans were full recourse in nature, the arrangements provided that at any time prior to the expiry of the loans, Mr S Madder may require the Trustee to buy-back the shares.

On the basis of this option, the awards were accounted for as share options under cash settled share-based payment awards.

Following the review of the original objectives of the plan and the financial structure of the loans, it was agreed by the Board and Mr S Madder that Mr S Madder would give up his entitlement to the options and, as a result, the options were cancelled.

It was determined by the Board to provide Mr S Madder a one-off share award of \$260,000 effective 30 June 2021. This represents 2,748,441 shares based on the 1 month June 2021 VWAP of 9.46 cents per share.

#### 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.

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.

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

##### 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) - Cumulative 20% compound growth in Prime's share price over a three year period;

Tranche 2 – Long-Term Incentives based on EBITDA performance hurdle (Valued using Binomial Model) - Cumulative 8% compound growth in underlying EBITDA (members/shareholders) over a three year period.

## 24. Share-based payments – continued

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.

### 24b. Recognised share-based payment expenses/(benefits)

The expense/(benefit) recognised during the year is shown in the following table:

|  | Year ended<br>30 June 2021<br>\$ | Year ended<br>30 June 2020<br>\$ |
|--|----------------------------------|----------------------------------|
| Expense/(benefit) arising from cash-settled share-based payment transactions   | (27,843)                         | (112,890)                        |
| Expense/(benefit) arising from equity-settled share-based payment transactions | 389,350                          | -                                |
| <b>Total expense arising from share-based payment transactions</b>             | <b>(361,507)</b>                 | <b>(112,890)</b>                 |

### 24c. Movements during the year

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the year ended 30 June 2021:

| Cash-settled share-based payments  | Number                     | WAEP (cents)               | Number                     | WAEP (cents)               |
|------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                                    | Year ended<br>30 June 2021 | Year ended<br>30 June 2021 | Year ended<br>30 June 2020 | Year ended<br>30 June 2020 |
| <b>Outstanding at 1 July 2020</b>  | <b>11,208,833</b>          | <b>15.5</b>                | <b>17,053,833</b>          | <b>16.1</b>                |
| Granted during period              | -                          | -                          | -                          | -                          |
| Forfeited during period            | -                          | -                          | -                          | -                          |
| Exercised during period            | -                          | -                          | -                          | -                          |
| Expired during period              | (11,208,833)               | 15.5                       | -                          | -                          |
| <b>Outstanding at 30 June 2021</b> | <b>-</b>                   | <b>-</b>                   | <b>17,053,833</b>          | <b>13.7</b>                |
| Exercisable at 30 June 2021        | -                          | -                          | 17,053,833                 | 13.7                       |

| Equity-settled share-based payments<br>Long-Term Incentives | Number                     | WAEP (cents)               | Number                     | WAEP (cents)               |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
|   | Year ended<br>30 June 2021 | Year ended<br>30 June 2021 | Year ended<br>30 June 2020 | Year ended<br>30 June 2020 |
| <b>Outstanding at 1 July 2020</b>                           | -                          | -                          | -                          | -                          |
| Granted during period                                       | 2,927,855                  | 6.4                        | -                          | -                          |
| Forfeited during period                                     | (78,676)                   | 6.4                        | -                          | -                          |
| Exercised during period                                     | -                          | -                          | -                          | -                          |
| Expired during period                                       | -                          | -                          | -                          | -                          |
| <b>Outstanding at 30 June 2021</b>                          | <b>2,849,179</b>           | <b>6.4</b>                 | -                          | -                          |
| Exercisable at 30 June 2021                                 | -                          | -                          | -                          | -                          |

| Equity-settled share-based payments<br>Short-Term Incentives | Number                     | WAEP (cents)               | Number                     | WAEP (cents)               |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
|  | Year ended<br>30 June 2021 | Year ended<br>30 June 2021 | Year ended<br>30 June 2020 | Year ended<br>30 June 2020 |
| <b>Outstanding at 1 July 2020</b>                            | -                          | -                          | -                          | -                          |
| Granted during period  | 2,117,969                  | 6.4                        | -                          | -                          |
| Forfeited during period                                      | -                          | -                          | -                          | -                          |
| Exercised during period                                      | -                          | -                          | -                          | -                          |
| Expired during period  | -                          | -                          | -                          | -                          |
| <b>Outstanding at 30 June 2021</b>                           | <b>2,117,969</b>           | <b>6.4</b>                 | -                          | -                          |
| Exercisable at 30 June 2021                                  | -                          | -                          | -                          | -                          |

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

### 24d. Share option valuation model

The fair value of the share options are calculated at each reporting date using the Black-Scholes, Binomial or Monte Carlo model. The following table lists key inputs to the models used for the plans at 30 June 2020 and 30 June 2021:

#### Cash-settled share-based payment

There are no cash-settled share-based plan in place as at 30 June 2021.

| At 30 June 2020                                       | Awards to Mr Simon Madder |          |           |           |
|---|---------------------------|----------|-----------|-----------|
| Grant date  | 1 May 13                  | 1 May 13 | 18 Dec 15 | 21 Dec 16 |
| Vesting/loan repayment date                           | 2 May 21                  | 2 May 21 | 2 May 21  | 2 May 21  |
| Expected life of share options (years)                | 0.84                      | 0.84     | 0.84      | 0.84      |
| Exercise price at vesting/loan repayment date (cents) | 25.0                      | 12.6     | 15.2      | 14.1      |
| Fair value at reporting date (cents)                  | 0.0                       | 0.4      | 0.2       | 0.3       |
| Share price at reporting date (cents)                 | 7.0                       | 7.0      | 7.0       | 7.0       |
| Risk-free interest rate                               | 0.25%                     | 0.25%    | 0.25%     | 0.25%     |
| Dividend yield  | 0%                        | 0%       | 0%        | 0%        |
| Expected Volatility                                   | 59.76%                    | 59.76%   | 59.76%    | 59.76%    |
| Loan interest rate                                    | 6.98%                     | 6.98%    | 6.98%     | 6.98%     |

## 24. Share-based payments – continued

### Equity-settled share-based payment

|  | Short-Term incentives | Long-Term incentives<br>(Tranche 1 - Share Price Hurdle) | Long-Term incentives<br>(Tranche 2 - EBITDA Hurdle) | Long-Term incentives<br>(Tranche 1 - Share Price Hurdle) | Long-Term incentives<br>(Tranche 2 - EBITDA Hurdle) |
|--|-----------------------|--|---|--|---|
| <b>At 30 June 2021</b>                 |                       |  |   |  |   |
| Grant date                             | 29 Oct 20             | 29 Oct 20  | 29 Oct 20   | 29 Oct 20  | 29 Oct 20   |
| Vesting/loan repayment date            | 29 Oct 21             | 29 Oct 23  | 29 Oct 23   | 29 Oct 24  | 29 Oct 24   |
| Expected life of share options (years) | 1                     | 3  | 3   | 4  | 4   |
| Exercise price at vesting (cents)      | 6.4                   | 6.4  | 6.4   | 6.4  | 6.4   |
| Share price at Grant date (cents)      | 7.7                   | 7.7  | 7.7   | 7.7  | 7.7   |
| Share price at reporting date (cents)  | 9.2                   | 9.7  | 9.7   | 9.7  | 9.7   |
| Fair value at Grant date (cents)       | 7.1                   | 2.9  | 6.1   | 2.7  | 5.6   |
| Risk-free interest rate                | 0.05%                 | 0.12%  | 0.12%   | 0.21%  | 0.21%   |
| Dividend yield                         | 8.00%                 | 8.00%  | 8.00%   | 8.00%  | 8.00%   |
| Expected Volatility                    | 60%                   | 60%  | 60%   | 60%  | 60%   |

## 25. Cash flow information

|   | 2021<br>\$       | 2020<br>\$       |
|---|------------------|------------------|
| <b>Reconciliation of the net profit after tax to the net cash flows from operations</b>     |                  |                  |
| Net profit  | 3,690,087        | 2,787,173        |
| <b>Non-cash items</b>   |                  |                  |
| Depreciation  | 54,058           | 188,085          |
| Amortisation  | 1,733,653        | 1,897,182        |
| Credit Loss Expense   | 63,037           | 150,080          |
| Interest income on loans  | (25,896)         | (60,782)         |
| Fair value movement in Financial Assets   | 10,313           | 7,424            |
| Fair value movement in contingent consideration   | 26,506           | 17,345           |
| Share based payments (benefit)/expense  | 361,507          | (112,890)        |
| <b>Changes in assets and liabilities</b>  |                  |                  |
| (Increase)/decrease in trade and other receivables  | (449,121)        | (227,465)        |
| (Increase)/decrease in other assets excluding amounts advanced to non-controlling interests | (506,050)        | (606,748)        |
| Increase/(decrease) in deferred tax liabilities   | 366,320          | 474,164          |
| (Decrease)/increase in payables   | (10,399)         | (324,796)        |
| (Decrease)/increase in employee benefit provisions  | 208,522          | (241,820)        |
| (Decrease)/increase in current tax payable  | 21,560           | (210,705)        |
| <b>Net cash flows from operating activities</b>   | <b>5,544,097</b> | <b>3,736,247</b> |

## 26. Earnings/(loss) per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus an adjustment

for the weighted average number of ordinary shares issued to Directors and employees for no consideration when they exercise their rights under the share option plan.

The following table reflects the income and share data used in the basic and diluted EPS computations:

|   | 2021<br>\$ | 2020<br>\$ |
|---|------------|------------|
| Profit/(loss) from continuing operations attributable to members/shareholders of the parent entity: | 3,074,132  | 2,131,559  |

|   | 2021<br>Thousands | 2020<br>Thousands |
|---|-------------------|-------------------|
| Weighted average number of ordinary shares for basic EPS*                       | 181,491           | 175,494           |
| Effects of dilution from:   |                   |                   |
| - Share options   | 18                | 18                |
| Weighted average number of ordinary shares adjusted for the effect of dilution* | 181,509           | 175,512           |

\* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year and excludes the unpaid portion of partly paid shares.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

Options where exercise price is currently at the money and those where performance conditions have not been satisfied have not been included.

## 27. Auditors remuneration

The auditor of Prime Financial Group Ltd and its controlled entities is Ernst & Young.

|   | 2021<br>\$     | 2020<br>\$     |
|---|----------------|----------------|
| <b>Amounts received or due and receivable by the auditor for:</b> |                |                |
| Auditing or reviewing the financial report                        | 150,000        | 186,000        |
|   | <b>150,000</b> | <b>186,000</b> |

There were no non-audit related services provided in FY21 or FY20.

## 28. Related party disclosures

Note 5 provides information about the Group's structure, including details of the subsidiaries and the holding company.

Other key related party transactions are as follows:

### Director loans

#### Loan to Mr P Madder

Mr P Madder ceased to be a Director of Prime on 31 August 2020, accordingly the loan through the ESP to a nominee Madder Corporate Pty Ltd is no longer classified as Directors loans at 30 June 2021

The current loan has been extended on the same terms for settlement prior to 30 June 2023. There will be an offset against the loan of any outstanding entitlements including Long-Term Incentives and the Consulting Agreement entitlements.

Mr P Madder continues in the role of a Director of the subsidiary companies and AFS license holding entities but with his resignation as a Director on 31 August 2020 he will not continue to be part of Key Management Personnel from that date.

| Date of Allocation | Number of shares |
|--------------------|------------------|
| April 2013         | 3,760,784        |
| December 2015      | 1,587,293        |
| December 2016      | 876,079          |
| <b>Total</b>       | <b>6,224,156</b> |

The following provides a summary of the loans during the period:

|                 | Balance of the loans at the beginning of the period | Amounts advance during period | Interest accrued on loans | Loan modification expense | Balance of the loans at the end of the period |
|-----------------|---|-------------------------------|---------------------------|---------------------------|---|
| At 30 June 2020 | 995,289   | -                             | 60,782                    | -                         | 1,056,071                                     |
| At 30 June 2021 | 1,056,071   | -                             | 25,896                    | -                         | 1,081,967                                     |

The loan agreements among other things includes the following terms:

- full recourse loan supported by a General Securities Agreement over Madder Corporate Pty Ltd supported by a personal guarantee from P Madder;
- interest accruing at 0.75% p.a. above the lenders rate as advised by the Trustee from time to time; and
- all loans are repayable on 30 June 2023.

## 28. Related party disclosures – continued

### Other transactions with Directors

In FY21, interests associated with Mr P Madder received \$63,750 (2020: \$156,249) for executive services provided to the Company. In FY21, the Group provided Wealth Management, Accounting & Business Advisory plus Capital Advisory services to Mr T Carroll and related entities on arms-length terms.

### Compensation for key management personnel

|                                | 2021<br>\$       | 2020<br>\$     |
|--------------------------------|------------------|----------------|
| Short-term employment benefits | 1,636,322        | 748,655        |
| Post-employment benefits       | 50,000           | 25,000         |
| Other long-term benefits       | 265,082          | -              |
| Termination benefits           | -                | -              |
|                                | <b>1,951,404</b> | <b>773,655</b> |

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period. In FY21, Mr S Madder's share options (described above) produced a benefit to profit and loss of \$27,843 (FY20: benefit of \$112,890). The FY21 benefit is not included in the table above.

## 29. Segment information

To better report on the progress of the company strategy, Prime classifies its financial accounts into two reporting segments, the two segments are, 'Wealth Management & SMSF' and 'Accounting & Business Advisory plus Capital'. 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. Operating in two reporting segments comprising of providing integrated advice solely in Australia. 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;

**Wealth Management & SMSF** – Providing Wealth Management and Financial Planning advice while also providing Self-Managed Superannuation Fund services and advice.

**Accounting & Business Advisory plus Capital & Corporate Advisory** – Providing Accounting, Tax and Advisory services to clients, while also providing Capital and Corporate 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<br>\$ | ABA & Capital<br>\$ | Corporate<br>\$     | Consolidated<br>\$  |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>2021</b>                                     |                     |                     |                     |                     |
| Segment revenue                                 | 9,072,134           | 13,223,673          | -                   | 22,295,807          |
| Other Income                                    | -                   | -                   | 548                 | 548                 |
| Interest Income                                 | -                   | -                   | 26,001              | 26,001              |
| <b>Total Segment Revenue</b>                    | <b>9,072,134</b>    | <b>13,223,673</b>   | <b>26,549</b>       | <b>22,322,356</b>   |
| <b>Deduct</b>                                   |                     |                     |                     |                     |
| Segment expenses                                | (5,367,850)         | (8,109,392)         | (1,277,247)         | (14,754,489)        |
| Segment Profit/(Loss)                           | 3,704,284           | 5,114,281           | (1,250,698)         | 7,567,867           |
| Depreciation                                    | -                   | -                   | (54,058)            | (54,058)            |
| Right of Use Asset Amortisation                 | (320,234)           | (487,287)           | (142,974)           | (950,495)           |
| Amortisation                                    | -                   | -                   | (783,158)           | (783,158)           |
| Interest Expense                                | (35,019)            | (49,876)            | (383,895)           | (468,790)           |
| Share Based Payment Expense/(Benefit)           | (16,438)            | (92,147)            | (252,922)           | (361,507)           |
| Fair value movement on Financial Assets         | -                   | -                   | (10,313)            | (10,313)            |
| Fair value movement on Contingent Consideration | -                   | -                   | (26,506)            | (26,506)            |
| Profit/(Loss) on disposal of investment         | -                   | -                   | -                   | -                   |
| Expected Credit Losses                          | (3,258)             | (59,779)            | -                   | (63,037)            |
| <b>Reported Profit Before Tax</b>               | <b>3,329,335</b>    | <b>4,425,192</b>    | <b>(2,904,524)</b>  | <b>4,850,003</b>    |
| <b>Attributable to:</b>                         |                     |                     |                     |                     |
| Members/Shareholders of the parent entity       | 2,495,902           | 4,425,192           | (2,904,524)         | 4,016,570           |
| Non-controlling interests                       | 833,433             | -                   | -                   | 833,433             |
| <b>Reported Profit Before Tax</b>               | <b>3,329,335</b>    | <b>4,425,192</b>    | <b>(2,904,524)</b>  | <b>4,850,003</b>    |
| Tax   |                     |                     | (1,159,916)         | (1,159,916)         |
| <b>Reported Profit After Tax</b>                | <b>3,329,335</b>    | <b>4,425,192</b>    | <b>(4,064,440)</b>  | <b>3,690,087</b>    |
| <b>Attributable to:</b>                         |                     |                     |                     |                     |
| Members/Shareholders of the parent entity       | 2,713,380           | 4,425,192           | (4,064,440)         | 3,074,132           |
| Non-controlling interests                       | 615,955             | -                   | -                   | 615,955             |
| <b>Reported Profit After Tax</b>                | <b>3,329,335</b>    | <b>4,425,192</b>    | <b>(4,064,440)</b>  | <b>3,690,087</b>    |
| <b>Segment Assets</b>                           | <b>27,016,368</b>   | <b>27,427,343</b>   | <b>3,841,798</b>    | <b>58,285,509</b>   |
| <b>Total Assets</b>                             |                     |                     |                     | <b>58,285,509</b>   |
| <b>Segment liabilities</b>                      | <b>(1,071,686)</b>  | <b>(1,977,994)</b>  | <b>(11,580,037)</b> | <b>(14,629,717)</b> |
| <b>Total Liabilities</b>                        |                     |                     |                     | <b>(14,629,717)</b> |
| <b>Segment Net Assets</b>                       | <b>25,944,682</b>   | <b>25,449,349</b>   | <b>(7,738,239)</b>  |                     |
| <b>Total Net Assets</b>                         |                     |                     |                     | <b>43,655,792</b>   |

## 29. Segment information – continued

|   | Wealth & SMSF<br>\$ | ABA & Capital<br>\$ | Corporate<br>\$     | Consolidated<br>\$  |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>2020</b>                                     |                     |                     |                     |                     |
| Segment revenue                                 | 9,479,802           | 12,005,626          | -                   | 21,485,428          |
| Other Income                                    | -                   | -                   | -                   | -                   |
| Interest Income                                 | -                   | -                   | 61,459              | 61,459              |
| <b>Total Segment Revenue</b>                    | <b>9,479,802</b>    | <b>12,005,626</b>   | <b>61,459</b>       | <b>21,546,887</b>   |
| <b>Deduct</b>                                   |                     |                     |                     |                     |
| Segment expenses                                | (6,567,438)         | (8,028,288)         | (691,340)           | (15,287,066)        |
| Segment Profit/(Loss)                           | 2,912,364           | 3,977,338           | (629,881)           | 6,259,821           |
| Depreciation                                    | -                   | -                   | (188,085)           | (188,085)           |
| Right of Use Asset Amortisation                 | (319,952)           | (475,071)           | (142,975)           | (937,998)           |
| Amortisation                                    | -                   | -                   | (959,184)           | (959,184)           |
| Interest Expense                                | (43,595)            | (62,089)            | (496,129)           | (601,813)           |
| Share Based Payment Expense/<br>(Benefit)       | -                   | -                   | 112,890             | 112,890             |
| Fair value movement on Financial Assets         | -                   | -                   | (7,426)             | (7,426)             |
| Fair value movement on Contingent Consideration | -                   | -                   | (17,345)            | (17,345)            |
| Profit/(Loss) on disposal of investment         | -                   | -                   | -                   | -                   |
| Expected Credit Losses                          | (21,965)            | (128,115)           | -                   | (150,080)           |
| <b>Reported Profit Before Tax</b>               | <b>2,526,852</b>    | <b>3,312,063</b>    | <b>(2,328,135)</b>  | <b>3,510,780</b>    |
| <b>Attributable to:</b>                         |                     |                     |                     |                     |
| Members/Shareholders of the parent entity       | 1,621,793           | 3,312,063           | (2,328,135)         | 2,605,721           |
| Non-controlling interests                       | 905,059             | -                   | -                   | 905,059             |
| Reported Profit Before Tax                      | 2,526,852           | 3,312,063           | (2,328,135)         | 3,510,780           |
| Tax   | -                   | -                   | (723,607)           | (723,607)           |
| <b>Reported Profit After Tax</b>                | <b>2,526,852</b>    | <b>3,312,063</b>    | <b>(3,051,742)</b>  | <b>2,787,173</b>    |
| <b>Attributable to:</b>                         |                     |                     |                     |                     |
| Members/Shareholders of the parent entity       | 1,871,238           | 3,312,063           | (3,051,742)         | 2,131,559           |
| Non-controlling interests                       | 655,614             | -                   | -                   | 655,614             |
| <b>Reported Profit After Tax</b>                | <b>2,526,852</b>    | <b>3,312,063</b>    | <b>(3,051,742)</b>  | <b>2,787,173</b>    |
| <b>Segment Assets</b>                           | <b>26,865,298</b>   | <b>27,089,846</b>   | <b>4,945,062</b>    | <b>58,900,206</b>   |
| <b>Total Assets</b>                             |                     |                     |                     | <b>58,900,206</b>   |
| <b>Segment liabilities</b>                      | <b>(867,974)</b>    | <b>(2,423,337)</b>  | <b>(14,710,803)</b> | <b>(17,726,876)</b> |
| <b>Total Liabilities</b>                        |                     |                     |                     | <b>(17,726,876)</b> |
| <b>Segment Net Assets</b>                       | <b>25,997,324</b>   | <b>24,666,509</b>   | <b>(9,490,503)</b>  |                     |
| <b>Total Net Assets</b>                         |                     |                     |                     | <b>41,173,330</b>   |

## 30. Financial assets and financial liabilities

### 30a. Financial assets

|   | 30 June 2021<br>\$ | 30 June 2020<br>\$ |
|---|--------------------|--------------------|
| <b>Financial assets at fair value through profit and loss</b> |                    |                    |
| Unquoted equity instruments                                   | 903,742            | 914,055            |
| <b>Financial assets at amortised costs</b>                    |                    |                    |
| Cash and cash equivalents                                     | 65,725             | 93,491             |
| Trade and other receivables                                   | 2,953,470          | 2,567,386          |
| Loans receivable  | 1,081,967          | 1,056,071          |
| <b>Total financial assets</b>                                 | <b>5,004,904</b>   | <b>4,631,003</b>   |
| Total current   | 3,019,195          | 3,716,948          |
| Total non-current   | 1,985,709          | 914,055            |
| <b>Total financial assets</b>                                 | <b>5,004,904</b>   | <b>4,631,003</b>   |

### 30b. Financial liabilities

|  | Interest rate<br>% | Maturity   | 30 June 2021<br>\$ | 30 June 2020<br>\$ |
|--|--------------------|------------|--------------------|--------------------|
| <b>Current interest-bearing loans and borrowings</b>           |                    |            |                    |                    |
| Lease Liabilities  | 3.1% - 3.3%        | 30/06/2022 | 956,920            | 908,987            |
| Borrowings – Bank Facility                                     | 3.9%               | 30/06/2022 | 1,000,000          | -                  |
| Borrowings – other   |                    |            | -                  | 73,424             |
| <b>Total current interest-bearing loans and borrowing</b>      |                    |            | <b>1,956,920</b>   | <b>982,411</b>     |
| <b>Non-Current interest-bearing loans and borrowings</b>       |                    |            |                    |                    |
| Lease Liabilities  | 3.1% - 3.3%        | 2022-2024  | 1,792,112          | 2,751,114          |
| Bank facility  | 3.9%               | 09/07/2025 | 6,175,346          | 9,802,971          |
| <b>Total non-current interest-bearing loans and borrowings</b> |                    |            | <b>7,967,458</b>   | <b>12,554,085</b>  |
| <b>Other financial liabilities</b>                             |                    |            |                    |                    |
| Payables   |                    |            | 2,400,907          | 2,060,831          |
| Financial liabilities – share based payments                   |                    |            | -                  | 27,843             |
| Balance outstanding on acquisitions                            |                    |            | 328,615            | 722,289            |
| <b>Total other financial liabilities</b>                       |                    |            | <b>2,729,522</b>   | <b>2,810,963</b>   |
| <b>Total financial liabilities</b>                             |                    |            | <b>12,653,900</b>  | <b>16,347,459</b>  |
| Total current financial liabilities                            |                    |            | 4,686,442          | 3,400,285          |
| Total non-current financial liabilities                        |                    |            | 7,967,458          | 12,947,174         |
| <b>Total financial liabilities</b>                             |                    |            | <b>12,653,900</b>  | <b>16,347,459</b>  |

### 30. Financial assets and financial liabilities – continued

Westpac Bank has in place an agreement with the Group to provide facilities amounting to \$11,713,337 (\$12,630,000: 30 June 2020). From 9 August 2020, the facility has and will be reduced by \$83,333 per month. The agreement expires on 9 July 2025. At the end of the reporting period those facilities have been utilised to the amount of \$7,175,346. The unused amount is \$4,537,991. The facility is to

assist with working capital, future investments and for general purposes. At 30 June 2021 the effective interest rate was 2.89% per annum. There is an additional 1.00% line fee for the total facility.

Please see note 21 for further details of the balance outstanding on acquisition of investments

#### 30c. 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:

|  | 2021             |                  | 2020              |                   |
|--|------------------|------------------|-------------------|-------------------|
|  | Carrying amount  | Fair Value       | Carrying amount   | Fair Value        |
| <b>Financial assets</b>                      |                  |                  |                   |                   |
| Unquoted equity instruments                  | 903,742          | 903,742          | 914,055           | 914,055           |
| Loan receivable                              | 1,081,967        | 1,081,967        | 1,056,071         | 1,056,071         |
| <b>Total</b>                                 | <b>1,985,709</b> | <b>1,985,709</b> | <b>1,970,126</b>  | <b>1,970,126</b>  |
| <b>Financial liabilities</b>                 |                  |                  |                   |                   |
| Interest-bearing loans and borrowings        |                  |                  |                   |                   |
| - Bank facility                              | 7,175,346        | 7,175,346        | 9,802,971         | 9,802,971         |
| - Borrowings - other                         | -                | -                | 73,424            | 73,424            |
| Financial liabilities - share based payments | -                | -                | 27,843            | 27,843            |
| Balance outstanding on acquisitions          | 328,615          | 328,615          | 722,289           | 722,289           |
| <b>Total</b>                                 | <b>7,503,961</b> | <b>7,503,961</b> | <b>10,626,527</b> | <b>10,626,527</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. It has also been assessed that the fair values of loan receivables and obligations under the

bank facility approximate their carrying amounts largely due to the fact they are linked to a floating rate of interest.

The fair value of financial liabilities relating to share-based payments have been calculated using a Black-Scholes model. Please see note 24 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                 | 30 June 2021      | 903,742 | -   | -                                       | 903,742                                 |
| <b>Liabilities measured at fair value:</b> |                   |         |   |   |   |
| Balance outstanding on acquisitions        | 30 June 2021      | 328,615 | -   | -                                       | 328,615                                 |

|  | 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 June 2020      | 914,055 | -   | -                                       | 914,055                                 |
| <b>Liabilities measured at fair value:</b> |                   |         |   |   |   |
| Balance outstanding on acquisitions        | 30 June 2020      | 722,289 | -   | -                                       | 722,289                                 |

#### Unquoted equity securities

|   | 30 June 2021   | 30 June 2020     |
|---|----------------|------------------|
|   | \$             | \$               |
| <b>Balance at the beginning of the year</b> | <b>914,055</b> | <b>1,251,495</b> |
| Additions                                   | -              | -                |
| Settlements                                 | -              | (330,014)        |
| Movement in Fair value                      | (10,313)       | (7,426)          |
| <b>Balance at the end of the year</b>       | <b>903,742</b> | <b>914,055</b>   |

#### Balance Outstanding on Acquisitions

|   | 30 June 2021   | 30 June 2020     |
|---|----------------|------------------|
|   | \$             | \$               |
| <b>Balance at the beginning of the year</b> | <b>722,291</b> | <b>1,757,439</b> |
| Additions                                   | 273,345        | -                |
| Settlements                                 | (693,527)      | (1,052,493)      |
| Movement in Fair value                      | 26,506         | 17,345           |
| <b>Balance at the end of the year</b>       | <b>328,615</b> | <b>722,291</b>   |

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.

### 30. Financial assets and financial liabilities – continued

#### 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 the most recent share transaction price that occurred during the year. 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 share price in the valuation of these securities would result in an increase (decrease) in fair value of \$25,958.

#### Unquoted equity securities - Crispin and Jeffery's SMSF Service Agreement

Crispin & Jeffery is classified as Level 3 financial assets 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 earnings multiple used in the valuation at 30 June 2021 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 \$64,416. The fair valuation of Crispin & Jeffery – SMSF at 30 June 2021 resulted in a profit through the profit and loss of \$28,919.

#### Balance outstanding on acquisitions

Please see note 21 for details of the balance outstanding on acquisition of investments.

#### 30d. Financial instruments risk management objectives and policies

The Group's principal financial liabilities comprise borrowings, trade and other payables, balances outstanding on the acquisition of investments and financial liabilities relating to share-based payments. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include loans, unquoted equity investments, trade and other receivables, and cash and cash equivalents.

The Group is exposed to credit risk and liquidity risk. The Group's Board oversees the management of these risks.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank facility which has a floating interest rate. The Group monitors interest rates to assess the impact of changes in interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

|                                  | Effect on Group/(loss) before tax |
|----------------------------------|-----------------------------------|
| <b>2021</b>                      |                                   |
| 0.50% increase in interest rates | (35,877)                          |
| 0.50% decrease in interest rates | 35,877                            |
| <b>2020</b>                      |                                   |
| 0.50% increase in interest rates | (49,382)                          |
| 0.50% decrease in interest rates | 49,382                            |

#### Equity risk

The unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through holding a relatively small proportion of its assets in unlisted equity securities. The acquisitions of any unlisted equity securities are required to be approved by the Board.

#### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments. Credit risk is managed primarily by monitoring receivables and the credit ratings of relevant banks and financial institutions. The credit risk relating to the loan to Directors was assessed by the Board when the related loans were entered.

#### Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

#### Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. The Group does not have any significant concentrations of credit risk except for the loan to Director.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

| Years ended 30 June 2021                          | On demand        | Less than 3 months | 3 to 12 months | 1 to 5 years     | > 5 years | Total             |
|---|------------------|--------------------|----------------|------------------|-----------|-------------------|
| Lease liabilities                                 | -                | 255,171            | 780,221        | 1,764,666        | -         | 2,800,058         |
| Interest-bearing loans and borrowings             | -                | 69,780             | 209,340        | 8,020,356        | -         | 8,299,476         |
| Balance outstanding on acquisition of investments | -                | 328,615            | -              | -                | -         | 328,615           |
| Trade and other payables                          | 2,400,907        | -                  | -              | -                | -         | 2,400,907         |
|   | <b>2,400,907</b> | <b>653,566</b>     | <b>989,561</b> | <b>9,785,022</b> | <b>-</b>  | <b>13,829,056</b> |

| Years ended 30 June 2020                          | On demand        | Less than 3 months | 3 to 12 months   | 1 to 5 years      | > 5 years | Total             |
|---|------------------|--------------------|------------------|-------------------|-----------|-------------------|
| Lease liabilities                                 | -                | 251,544            | 766,695          | 2,802,142         | -         | 3,820,381         |
| Interest-bearing loans and borrowings             | -                | 150,149            | 293,456          | 11,650,721        | -         | 12,094,326        |
| Balance outstanding on acquisition of investments | -                | 286,724            | 73,835           | 388,216           | -         | 748,775           |
| Financial liabilities - share based payments      | -                | -                  | 27,843           | -                 | -         | 27,843            |
| Trade and other payables                          | 2,060,831        | -                  | -                | -                 | -         | 2,060,831         |
|   | <b>2,060,831</b> | <b>688,417</b>     | <b>1,161,829</b> | <b>14,841,079</b> | <b>-</b>  | <b>18,752,156</b> |

|  | 1 July 2020       | Coupon Cash flows  | Interest       | Changes in fair values | Other         | 30 June 2021     |
|--|-------------------|--------------------|----------------|------------------------|---------------|------------------|
| Lease liabilities                                  | 3,660,101         | (1,002,718)        | 106,119        | -                      | 14,471        | 2,749,031        |
| Interest-bearing loans and borrowings              | 9,876,395         | (3,013,213)        | 312,164        | -                      | -             | 7,175,346        |
| <b>Total liabilities from financing activities</b> | <b>13,536,496</b> | <b>(4,015,931)</b> | <b>418,283</b> | <b>-</b>               | <b>14,471</b> | <b>9,924,377</b> |

### 31. Parent entity disclosures

|   | 30 June 2021<br>\$ | 30 June 2020<br>\$ |
|---|--------------------|--------------------|
| <b>(a) Statement of financial position</b>                            |                    |                    |
| Current assets  | 16,756,765         | 15,755,778         |
| Non-current assets  | 38,886,563         | 39,072,757         |
| <b>Total assets</b>   | <b>55,643,328</b>  | <b>54,828,535</b>  |
| Current liabilities   | 9,722,356          | 8,912,016          |
| Non-current liabilities   | -                  | -                  |
| <b>Total liabilities</b>  | <b>9,722,356</b>   | <b>8,912,016</b>   |
| Net assets  | 45,920,972         | 45,916,519         |
| Contributed equity  | 67,587,550         | 65,303,457         |
| Accumulated losses  | (21,666,578)       | (19,386,938)       |
| <b>Total equity</b>   | <b>45,920,972</b>  | <b>45,916,519</b>  |
| <b>(b) Statement of profit or loss and other comprehensive income</b> |                    |                    |
| Profit/(Loss) for the year  | (131,213)          | 666,099            |
| Total comprehensive income  | (131,213)          | 666,099            |

#### Parent entity financial information - investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Prime. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

### 32. Significant events after balance date

On 20 August 2021, the Directors of Prime Financial Group Ltd declared a final dividend on ordinary shares in respect of the FY21 financial year. The total amount of the dividend is \$787,392 which represents a fully franked dividend of 0.40 cents per share. The dividend has not been provided for in the 30 June 2021 financial statements.

On the 5 August 2021, Mr S Madder received a loan funded share scheme with an initial value of \$860,356. At the date of settlement \$301,200 of Mr S Madder's Short-Term Incentive will be settled against the loan. Other amounts payable are \$330,000 in October 2021, and the balance of \$169,156 (plus accrued interest) payable by June 2023.

Except for the items above, 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.

This page has been left intentionally blank

# Directors' Declaration

- 1 The Financial Statements and Notes, as set out on pages 30 to 76, are in accordance with the Corporations Act 2001 and;
  - (a) comply with Accounting Standards, the Corporation Act 2001, and other mandatory professional reporting requirements;
  - (b) give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the consolidated group; and
  - (c) the attached financial statements are in compliance with international Financial Reporting Standards, as stated in Note 2 to the financial statements.
2. The Managing Director and Chief Executive Officer, and Company Secretary have each declared that:
  - (a) The financial records of the company for the financial year have been properly maintained in accordance with s286 of the Corporations Act 2001;
  - (b) The Financial Statements and Notes for the financial year comply with the Accounting Standards; and
  - (c) The Financial Statements and Notes for the financial year give a true and fair view.

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 Board of Directors.



**Simon Madder**  
Managing Director & CEO

Melbourne  
Date: 20 August 2021

# Independent Auditor's Report



**Building a better  
working world**

Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000 Australia  
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000  
Fax: +61 3 8650 7777  
ey.com/au

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

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Prime Financial Group Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

# Independent Auditor's Report



## Impairment assessment of goodwill

### Why significant

Goodwill has been recognised as a result of the Group's previous acquisitions.

The Group performs an annual impairment assessment, or more frequently if there is an indication that goodwill may be impaired. It involves a comparison of the carrying value of the CGU with its recoverable amount.

The impairment assessment involves estimates and assumptions concerning future performance, forecast cash flows, discount rates and terminal growth rates.

These assumptions are subject to estimation uncertainty, with potential changes in assumptions leading to changes in the recoverable value of the asset.

Accordingly, we considered this to be a key audit matter.

Further details on the methodology and assumptions used in the impairment assessment of goodwill are included in Note 2.3(e) and Note 15.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Assessed whether the impairment testing methodology met the requirements of Australian Accounting Standards;
- ▶ Tested the mathematical accuracy of the impairment testing model;
- ▶ Assessed whether the forecast cash flows were consistent with the most recent Board approved cash flow forecasts;
- ▶ Assessed the appropriateness of key assumptions, such as the discount rates and long-term growth rates, including performing our own sensitivity analyses around these key assumptions; and
- ▶ Assessed the historical accuracy of the Group's previous forecasts by performing a comparison of historical forecasts to actual results.

Our valuation specialists were involved in the performance of these procedures where appropriate.

We also assessed the adequacy of the disclosures associated with the goodwill impairment assessment.

# Independent Auditor's Report



## Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

# Independent Auditor's Report



- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Independent Auditor's Report



## Report on the Audit of the Remuneration Report Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 24 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Prime Financial Group Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

T M Dring  
Partner  
Melbourne  
20 August 2021

# ASX Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is presented below. This information is current as at 17 August 2021.

## (a) Distribution of equity securities

Ordinary share capital – 195,322,440 fully paid ordinary shares are held by 842 individual shareholders. The number of shareholders, by size of holding, in each class of share are:

| Category (size of holding) | Ordinary Shares |                    |
|----------------------------|-----------------|--------------------|
|                            | No. of holders  | No. of shares      |
| 1 - 1,000                  | 54              | 22,177             |
| 1,001 - 5,000              | 130             | 402,366            |
| 5,001 - 10,000             | 138             | 1,095,734          |
| 10,001 - 100,000           | 330             | 13,627,817         |
| 100,001 over               | 190             | 180,174,346        |
| <b>Total</b>               | <b>842</b>      | <b>195,322,440</b> |

## (b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

| Name  | Listed Ordinary Shares |                      |
|---|------------------------|----------------------|
|   | Number of shares       | % of ordinary shares |
| 1 DOMAIN INVESTMENT (MELBOURNE) PTY LTD                               | 22,778,713             | 11.66                |
| 2 ASCENSION BUSINESS INVESTMENTS PTY LTD <ASCENSION BUSINESS INV A/C> | 13,628,571             | 6.98                 |
| 3 KIUT INVESTMENTS PTY LTD <KEPPEL INVESTMENTS UNIT A/C>              | 9,558,061              | 4.89                 |
| 4 GOGORM SUPER PTY LTD <GOGORM SUPER FUND A/C>                        | 9,333,450              | 4.78                 |
| 5 SONNING ROAD PTY LTD <PSB SUPERANNUATION FUND A/C>                  | 7,817,142              | 4.00                 |
| 6 WILLOUGHBY CAPITAL PTY LTD <WILLOUGHBY CAPITAL A/C>                 | 5,900,000              | 3.02                 |
| 7 CULVERWOOD SUPERANNUATION PTY LTD <CULVERWOOD A/C>                  | 4,600,000              | 2.36                 |
| 8 MR PETER WATSON   | 4,100,000              | 2.10                 |
| 9 BROWN EYE PTY LTD <BROWN FAMILY A/C>                                | 3,804,291              | 1.95                 |
| 10 COMMON SENSE INVESTMENTS PTY LTD                                   | 3,650,747              | 1.87                 |
| 11 HISHENK PTY LTD  | 3,600,000              | 1.84                 |
| 12 DRAKEVALE PTY LTD <JOANNE&PETER KENNEDY S/F A/C>                   | 3,337,296              | 1.71                 |
| 13 MR SIMON MADDER  | 3,198,651              | 1.64                 |
| 14 SM SUPERANNUATION PTY LTD <THE SM SUPER FUND A/C>                  | 3,129,644              | 1.60                 |

| Name  | Listed Ordinary Shares |                      |
|---|------------------------|----------------------|
|   | Number of shares       | % of ordinary shares |
| 15 SOMACO PTY LTD <THE S & M COHEN FAMILY A/C>  | 3,000,000              | 1.54                 |
| 16 ARQ CONSULTING PTY LTD <ARQ CONSULTING TRUST17 A/C>                                  | 2,766,666              | 1.42                 |
| 17 MR MATTHEW SHAYNE KEOHAN SMITH + MS SASHA KIMBERLEY SMITH <THE SMITH FAMILY S/F A/C> | 2,708,578              | 1.39                 |
| 18 MR WILLIAM MARK OLSEN & MRS JANET THERESE OLSEN                                      | 2,635,000              | 1.35                 |
| 19 MS CHEN ZHANG  | 2,550,000              | 1.31                 |
| 20 FENNING COURT PTY LTD <SCOBLE FAMILY A/C>  | 2,475,000              | 1.27                 |

## (c) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

# Corporate Information

Prime Financial Group Ltd  
ABN 70 009 487 674

---

## Head Office

A Level 17, HWT Tower  
40 City Road  
Southbank VIC 3006  
T (03) 9827 6999  
F 1800 265 374  
W [www.primefinancial.com.au](http://www.primefinancial.com.au)

---

## Directors

S. Madder, Managing Director/CEO & Chairman  
M. Murphy, Executive Director  
T. Bennett, Executive Director

---

## Company Secretary

R. McLaughlin

---

## Registered Office & Principal Place of Business

A Level 17, HWT Tower  
40 City Road  
Southbank VIC 3006  
T (03) 9827 6999  
F 1800 265 374

---

## Solicitors

Holman Fenwick Willan

---

## Bankers

Westpac Banking Corporation

---

## Share Register

Computershare Investor Services  
Yarra Falls  
452 Johnston Street  
Abbotsford VIC 3067

---

## Auditors

Ernst & Young  
8 Exhibition Street  
Melbourne VIC 3000

## Contact us

**A** Level 17, HWT Tower, 40 City Road, Southbank VIC 3006  
**W** [www.primefinancial.com.au](http://www.primefinancial.com.au)

|   |              |
|---|--------------|
| <b>Accounting &amp; Business Advisory</b> | 1800 317 005 |
| <b>Wealth Management &amp; Protection</b> | 1800 064 959 |
| <b>Self-Managed Superannuation</b>        | 1800 064 959 |
| <b>Capital &amp; Corporate Advisory</b>   | 1800 317 006 |

**f** PrimeFinancialGroup  
**in** PrimeFinancialGroup