



Prime Financial Group Ltd & Controlled Entities

ABN 70 009 487 674

Prime Financial Group Ltd

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**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2014**

This half-year financial report is to be read in conjunction
with the financial report for the year ended 30 June 2014

Prime Financial Group Ltd & Controlled Entities

FINANCIAL REPORT FOR THE HALF-YEAR ENDED
31 DECEMBER 2014

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Prime Financial Group Ltd & Controlled Entities

Directors' Report

The Directors present their report together with the financial report of the consolidated entity consisting of Prime Financial Group Ltd (Prime) and the entities it controlled, for the half-year ended 31 December 2014 and independent review report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors Names

The names of the Directors in office at any time during or since the end of the half-year are:

Name

S. James
S. Madder
P. Madder

The Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of Operations

For the 6 months from July 2014 to December 2014 (1H2015) the Australian stockmarket was steady, this has substantially been reflected in Prime's performance for the period.

Transactional Wealth Management Licensing revenue from Prime's CEM was 75% higher than 1H2014, and encouragingly the pipeline of investment opportunity continues to build through the ongoing Business Development program to recruit new Accounting Investees and Wealth Management JV Partners.

As part of the program to expand the growth of Prime, Prime has completed a funding arrangement and established a new subsidiary, Prime Accounting & Wealth Management Pty Ltd (PWM). The purpose of PWM is to pursue future investment opportunities using Prime's Integrated Wealth Management model. Prime has been operating a successful Integrated Wealth Management model, featuring minority equity (non-controlling) interests in Accounting Firms and their associated Wealth Management entities since 2006.

This funding arrangement through PWM will assist Prime in reaching its goal of becoming the Premier Partner to Accounting Firms for Growth, Succession and Integrated Wealth Management. For more information on this announcement please refer to the ASX announcement dated 2 October 2014.

Wealth Management revenue, excluding CEM Licensing Fees, fell for the period, mainly because of lower stockmarket related activity as measured by Investment Brokerage and New Issues & IPO's. Importantly, this stockmarket related activity has increased substantially since 1 January 2015 as the Australian stockmarket has increased by approximately 9% to date.

Prime's Managed Portfolio Service (MPS), a discretionary service provided to Prime clients, has performed exceedingly well over the last 12 months to 31 December 2014 with the Growth Portfolio delivering a 13.39% return (before fees) versus the benchmark ASX200 Accumulation Index of 5.58%, a 7.81% outperformance (two year performance to 31 December 2014 was 16.05% versus the benchmark of 12.64%, an outperformance of 3.41% p.a). Although this service is currently marginal as part of Prime's overall FUM, its appeal to clients and usage continues to increase.

The Operational Focus & Key Developments for Prime in 1H2015 have been;

- Building the pipeline and recruiting new Accounting Firm Wealth Management JV Partners for Prime's Client Engagement Model;
- Continuing the expansion plan for further investment in Accounting investees;
- FUM;
 - Building an increasingly diversified Advisory offering across additional Asset Classes
 - New FUM +\$24.5M for 1H2015
 - Reduce lost FUM run rate (\$33.8M in 1H2015 compared to \$117.1M in 1H2014)
- Steady Cost Base – 4% drop compared to 1H2014; and
- Maintain half-year Dividend at 0.40 CPS

Low Debt

Prime continues to take a prudent approach to debt. Debt did however increase slightly by \$0.5M during the period which related to Prime's investment in Accounting Investee MPR Group Pty Ltd. Debt levels will remain in balance and be conservatively managed as the investment program continues to expand.

Dividend Policy

Directors confirm an interim dividend of 0.40 cents per share (CPS).

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration in relation to the review for the half-year is provided with this report.

Signed in accordance with a resolution of the Directors made pursuant to Section 306 (3) of the Corporations Act 2001:




Chairman (S. James)

Dated: 26th day of February 2015

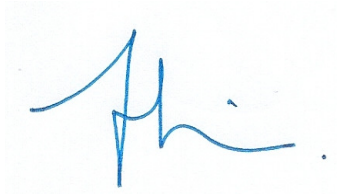
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF PRIME FINANCIAL GROUP LIMITED

I declare that, to the best of my knowledge and belief during the half year ended 31 December 2014 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink that reads 'William Buck'.

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

A handwritten signature in blue ink, appearing to be 'J.C. Luckins'.

J.C. Luckins
Director

Dated this 26th day of February, 2015

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Prime Financial Group Ltd & Controlled Entities

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Half-year	
	2014	2013
	\$	\$
Wealth revenue	5,072,907	5,394,619
Accounting revenue – share of net profit of associates and partnerships accounted for using the equity method	1,052,320	1,044,575
Other income	197,121	166,029
	<u>6,322,348</u>	<u>6,605,223</u>
Employee benefits	(2,339,283)	(2,489,356)
Depreciation and amortisation	(290,279)	(253,294)
Finance costs	(211,981)	(214,458)
Information technology and communication	(443,409)	(408,034)
Insurance	(128,919)	(122,915)
Occupancy	(58,502)	(190,015)
Other expenses	(615,849)	(580,467)
	<u>(4,088,222)</u>	<u>(4,258,539)</u>
Profit before income tax	<u>2,234,126</u>	<u>2,346,684</u>
Income tax expense	(731,772)	(776,848)
Profit after income tax	<u>1,502,354</u>	<u>1,569,836</u>
Other comprehensive income	-	-
Total comprehensive income for the period	<u>1,502,354</u>	<u>1,569,836</u>
Total comprehensive income attributable to:		
- Members of the parent entity	1,156,338	1,162,569
- Non-controlling interest	346,016	407,267
	<u>1,502,354</u>	<u>1,569,836</u>
Earnings per share		
Basic earnings per share (cents)	0.79	0.82
Diluted earnings per share (cents)	0.79	0.82

The accompanying notes form part of these financial statements

Prime Financial Group Ltd & Controlled Entities

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	Notes	31 Dec 2014	30 June 2014
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		213,553	250,934
Trade and other receivables		3,122,896	3,495,137
Other current assets		536,167	912,433
Total current assets		<u>3,872,616</u>	<u>4,658,504</u>
NON-CURRENT ASSETS			
Receivables		4,629,819	4,013,681
Plant and equipment		1,087,222	1,127,627
Investments accounted for using the equity method	6	12,996,141	12,237,052
Intangible assets		49,939,971	50,059,207
Deferred tax assets		18,145	51,218
Total non-current assets		<u>68,671,298</u>	<u>67,488,785</u>
Total assets		<u>72,543,914</u>	<u>72,147,289</u>
CURRENT LIABILITIES			
Bank overdraft		47,864	56,846
Payables		905,197	1,090,359
Current tax payable		2,172,757	1,471,322
Employee benefits		279,855	279,190
Borrowings		7,963,468	-
Total current liabilities		<u>11,369,141</u>	<u>2,897,717</u>
NON-CURRENT LIABILITIES			
Borrowings		-	7,490,416
Total non-current liabilities		<u>-</u>	<u>7,490,416</u>
Total liabilities		<u>11,369,141</u>	<u>10,388,133</u>
NET ASSETS		<u>61,174,773</u>	<u>61,759,156</u>
EQUITY			
Contributed equity		68,429,403	68,429,403
Treasury shares held		(7,129,493)	(6,878,074)
Non-controlling interest		455,882	933,734
Accumulated losses		(581,019)	(725,907)
TOTAL EQUITY		<u>61,174,773</u>	<u>61,759,156</u>

The accompanying notes form part of these financial statements

Prime Financial Group Ltd & Controlled Entities

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Attributable to owners of Prime Financial Group Ltd		Non- controlling interest	Total
	Contributed equity	Retained earnings		
	\$	\$	\$	\$
Balance at 1 July 2013	<u>63,825,324</u>	<u>(1,208,385)</u>	<u>466,628</u>	<u>63,083,567</u>
Total comprehensive income for the period	-	<u>1,162,569</u>	<u>407,267</u>	<u>1,569,836</u>
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	(868,042)	(356,131)	(1,224,173)
Reallocation of shares held by the employee share trust	(1,840,952)	-	-	(1,840,952)
Acquisition of treasury shares	(661,685)	-	-	(661,685)
Transactions with non-controlling interests	-	<u>(320,185)</u>	<u>(237,186)</u>	<u>(557,371)</u>
Total transactions with equity holders in their capacity as equity holders	<u>(2,502,637)</u>	<u>(1,188,227)</u>	<u>(593,317)</u>	<u>(4,284,181)</u>
Balance at 31 December 2013	<u>61,322,687</u>	<u>(1,234,043)</u>	<u>280,578</u>	<u>60,369,222</u>
 Balance at 1 July 2014	 <u>61,551,329</u>	 <u>(725,907)</u>	 <u>933,734</u>	 <u>61,759,156</u>
Total comprehensive income for the period	-	<u>1,156,338</u>	<u>346,016</u>	<u>1,502,354</u>
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	(706,134)	(653,253)	(1,359,387)
Acquisition of treasury shares	(251,419)	-	-	(251,419)
Transactions with non-controlling interests	-	<u>(305,316)</u>	<u>(170,615)</u>	<u>(475,931)</u>
Total transactions with equity holders in their capacity as equity holders	<u>(251,419)</u>	<u>(1,011,450)</u>	<u>(823,868)</u>	<u>(2,086,737)</u>
Balance at 31 December 2014	<u>61,299,910</u>	<u>(581,019)</u>	<u>455,882</u>	<u>61,174,773</u>

The accompanying notes form part of these financial statements

Prime Financial Group Ltd & Controlled Entities

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Half-year	
	2014	2013
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	7,031,199	6,752,874
Payments to employees and suppliers	(4,713,346)	(4,438,817)
Interest paid	(211,981)	(214,458)
Income tax paid	(166,927)	(197,226)
Net cash provided by operating activities	1,938,945	1,902,373
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for equity accounted investments	(473,052)	-
Payments for plant and equipment	(130,638)	(18,476)
Net cash used in investing activities	(603,690)	(18,476)
CASH FLOW FROM FINANCING ACTIVITIES		
Purchase of shares for the PFG Employee Share Plan	-	(661,685)
Dividends paid	(706,134)	(781,780)
Dividends paid to non-controlling interests	(653,253)	(356,131)
Transactions with non-controlling interests	(477,319)	(557,371)
Receipt of borrowings	473,052	-
Net cash used in financing activities	(1,363,654)	(2,356,967)
Net increase/ (decrease) in cash and cash equivalents	(28,399)	(473,070)
Cash and cash equivalents at beginning of half year	194,088	656,820
Cash and cash equivalents at end of the half-year	165,689	183,750

The accompanying notes form part of these financial statements

Prime Financial Group Ltd & Controlled Entities

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2014**

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

This half-year financial report does not include all the notes of the type usually included in an annual financial report. It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2014 and any public announcements made by Prime Financial Group Ltd during the half-year in accordance with any continuous disclosure obligations arising under the ASX listing rules.

(a) Basis of preparation of the half-year financial report

This general purpose half year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The half year financial report has been prepared on an accruals basis and under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(b) Summary of Significant Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the consolidated entity's annual financial report for the year ended 30 June 2014.

The consolidated entity has adopted all of the new revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period, being the half year ended 31 December 2014. In adopting these new and revised pronouncements, the Consolidated Entity has determined that there has been no material impact to the Consolidated Entity's reported position or performance.

Note 2: Subsequent Events

The company is currently negotiating the re-newal of the Westpac bank facility which expires on 31 December 2015. The loan has been recorded as a current liability at 31 December 2014 as accounting standards do not allow a non-current classification as the loan legally cannot be deferred for 12 months from the end of the current reporting period. However, Prime has every expectation that the facility will be renewed for a further two year period.

Except for the above, there has not been any matter or circumstance that has arisen since the end of the period, that has significantly affected, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future periods.

Prime Financial Group Ltd & Controlled Entities

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2013**

Note 3: Dividends

	Half-year	
	2014	2013
	\$	\$
Dividends paid during the half-year:		
Ordinary shares (0.4 cents per share)	<u>709,833</u>	<u>709,833</u>
Proposed dividends not recognised at the end of the half-year (0.4 cents per share)	<u>709,833</u>	<u>709,833</u>

Note 4: Segment Information

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

Note 5: Commitments & Contingent Liabilities

Prime Development Fund Pty Ltd continues to provide cross guarantees to Pacifica Pty Ltd for \$444,500 and Rundles Prime Pty Ltd for \$250,000.

Note 6: Equity Accounted Investments

During July 2014 Prime acquired 10% equity interest in the business of MPR Group Pty Ltd for \$473,052.

Prime Financial Group Ltd & Controlled Entities

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 7 to 12 are in accordance with the *Corporations Act 2001*, including:

- (a) Complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*, and
- (b) Giving a true and fair view of the financial position of the consolidated entity as at 31 December 2014 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Prime Financial Group Ltd will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Stuart James
Chairman

Melbourne
Date 26th February 2015

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Prime Financial Group Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity) on, which comprises the consolidated statement of financial position as at 31 December 2014, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Prime Financial Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

CHARTERED ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PRIME FINANCIAL GROUP LIMITED AND CONTROLLED ENTITIES (CONT)*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Prime Financial Group Limited is not in accordance with the Corporations Act 2001 including:

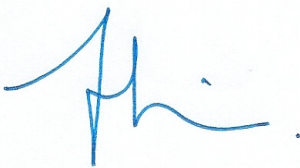
- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Matters Relating to the Electronic Presentation of the Reviewed Half Year Financial Report

This auditor's review report relates to the half year financial report of Prime Financial Group Limited for the half year ended 31 December 2014 included on Prime Financial Group Limited's web site. The company's directors are responsible for the integrity of the Prime Financial Group Limited's web site. We have not been engaged to report on the integrity of the Prime Financial Group Limited's web site. The auditor's review report refers only to the half year financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half year financial report to confirm the information included in the reviewed financial report presented on this web site.



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



Jeffrey C. Luckins
Director

Dated this 26th day of February 2015