

Prime Financial Group Ltd

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Prime Financial Group Ltd
& Controlled Entities

ABN 70 009 487 674

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2015

Financial Report for the Half-Year

ENDED 31 DECEMBER 2015

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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 2015 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. Madder
P. Madder
P. Cowan (Appointed 12/11/2015)
T. Carroll (Appointed 27/11/2015)
S. James (Resigned 24/11/2015)

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 & Investments

In line with Prime's goal of becoming the Premier Partner to Accounting Firms for Growth, Succession and Integrated Wealth Management, Prime increased its equity investment in Accounting & Advisory Firm MPR Group Pty Ltd from 10% to 40%. Separately, Prime made a 40% Accounting Firm Investment in Watermans International Holdings Pty Ltd plus, established a Wealth Management JV on a 50/50 equity basis. An existing Prime Accounting Investee acquired a small parcel of accounting fees (their second acquisition) and two other Prime Investees are also seeking accounting firm acquisitions.

The pipeline of new investment opportunity continues to build through Corporate Development to recruit new Accounting Investees and Wealth Management JV Partners. Interestingly, few Accountants seem prepared for the 1 July 2016 commencement of 'Limited Accountant Licensing' and most Accounting Firms will require more support than simply 'Accountant Licensing'. Prime's Accountant Licensing & Wealth Management JV structure is the solution for Accounting Firms seeking a complete client experience.

Wealth Management New Business revenue increased for the period and the focus remains on securing new clients and expanding the services provided to existing clients. Prime continues to communicate the 3 tier Investment Advisory Service to Clients and Accounting Partners and introduced a new pricing schedule reflecting this offering for Self Directed Investors through to Full Advice Clients.

Prime's Separately Managed Accounts (SMA's), have outperformed over the last 12 months to 31 December 2015 with the Growth Portfolio delivering a 6.89% p.a. return versus the benchmark ASX200 Accumulation Index of 2.79% p.a., a 4.10% p.a. outperformance (two year performance to 31 December 2015 was 20.4% versus the benchmark of 8.3%, an outperformance of 12.1%). The appeal and usage of the SMA service continues to increase with the successful rollout of Prime's 3 tier service offering and the broadening of Prime's Client Asset Allocation Model and International SMA offering.

The Operational Focus & Key Developments for Prime in 1H2016 have been;

- Building the pipeline and recruiting new Accounting Firm Wealth Management JV Partners for Prime's Client Engagement Model (CEM);
- Continuing the expansion plan for further investment in Accounting Investees plus supporting and finding equity acquisitions for existing Accounting Investees;

- FUM;
 - Leveraging the differing price points of the 3 tier Investment Advisory Service, including for Self Directed investors
 - Building an increasingly diversified Advisory offering across additional Asset Classes (International SMA)
 - New FUM +\$31M for 1H2016
 - Reduce lost FUM run rate (\$44M in 1H2016 compared to \$55M in 1H2015)
- Group Overheads – 7% drop compared to 1H2015; and
- Maintain Half-Year Dividend at 0.40 CPS

Low Debt

Net Debt decreased to \$2.53M (down 66%) at 31 December 2015. 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:



P. Madder
Chairman

Dated: 25th day of February 2016

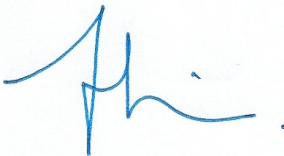
**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF PRIME FINANCIAL GROUP
LIMITED**

I declare that, to the best of my knowledge and belief during the year ended 31 December 2015 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. Luckins'.

Jeffrey C. Luckins
Director

Dated this 25th day of February, 2016

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& ADVISORS**

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Consolidated Statement of Profit and Loss and Other Comprehensive Income

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	CONSOLIDATED ENTITY	
	31 DECEMBER 2015	31 DECEMBER 2014
	\$	\$
Wealth revenue	4,817,770	5,072,907
Accounting revenue – share of profit of associates and partnerships accounted for using the equity method	1,278,170	1,052,320
Other income	208,960	197,121
Profit on sale of investments	463,339	-
	<u>6,768,239</u>	<u>6,322,348</u>
Employee benefits	(2,374,966)	(2,339,283)
Depreciation and amortisation	-	(290,279)
Finance costs	(112,052)	(211,981)
Information technology and communication	(410,519)	(443,409)
Insurance	(126,062)	(128,919)
Occupancy	(208,399)	(58,502)
Other expenses	(582,346)	(615,849)
	<u>(3,814,344)</u>	<u>(4,088,222)</u>
Profit before income tax	<u>2,953,895</u>	<u>2,234,126</u>
Income tax expense	<u>(611,001)</u>	<u>(731,772)</u>
Total comprehensive income for the period	<u>2,342,894</u>	<u>1,502,354</u>
Total comprehensive income attributable to:		
- Members of the parent entity	1,607,659	1,156,338
- Non-controlling interest	735,235	346,016
	<u>2,342,894</u>	<u>1,502,354</u>
Earnings per share		
Basic earnings per share (cents)	1.12	0.79
Diluted earnings per share (cents)	1.12	0.79

The above Consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2015

CONSOLIDATED ENTITY			
		31 DECEMBER 2015	30 JUNE 2015
	NOTES	\$	\$
Current assets			
Cash and cash equivalents		420,593	595,288
Trade and other receivables		1,727,283	1,617,590
Other current assets		413,122	758,267
Total current assets		2,560,998	2,971,145
Non-current assets			
Receivables		300,000	500,000
Investments accounted for using the equity method	7	12,018,300	12,073,184
Intangible assets		35,332,500	35,332,500
Deferred tax assets		109,383	111,731
Total non-current assets		47,760,183	48,017,415
Total assets		50,321,181	50,988,560
Current liabilities			
Payables		1,043,441	929,233
Current tax payable		1,640,529	1,204,077
Employee benefits		244,394	299,987
Balance outstanding on acquisition of investments	7	825,000	-
Total current liabilities		3,753,364	2,433,297
Non-current liabilities			
Borrowings		2,947,313	7,965,150
Total non-current liabilities		2,947,313	7,965,150
Total liabilities		6,700,677	10,398,447
Net assets		43,620,504	40,590,113
Equity			
Contributed equity		68,429,403	68,429,403
Treasury shares held		(7,998,395)	(7,633,205)
Non-controlling interest		5,881,821	3,079,349
Accumulated losses		(22,692,325)	(23,285,434)
Total equity		43,620,504	40,590,113

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE HALF -YEAR ENDED 31 DECEMBER 2015

ATTRIBUTABLE TO OWNERS OF PRIME FINANCIAL GROUP LTD				
	CONTRIBUTED EQUITY \$	RETAINED EARNINGS \$	NON- CONTROLLING INTEREST \$	TOTAL \$
Balance at 1 July 2014	61,551,329	(725,907)	933,734	61,759,156
Total comprehensive income for the period	-	1,156,338	346,016	1,502,354
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	(706,134)	(653,253)	(1,359,387)
Interest & purchase of shares for the PFG employee share plan	(251,419)	-	-	(251,419)
Transactions with non-controlling interests	-	(305,316)	(170,615)	(475,931)
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>
 Balance at 1 July 2015	 60,796,198	 (23,285,434)	 3,079,349	 40,590,113
Total comprehensive income for the period	-	1,607,659	735,235	2,342,894
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	(706,134)	(507,692)	(1,213,826)
Interest & purchase of shares for the PFG employee share plan	(365,190)	-	-	(365,190)
Transactions with non-controlling interests	-	(308,416)	2,574,929	2,266,513
Total transactions with equity holders in their capacity as equity holders	<u>(365,190)</u>	<u>(1,014,550)</u>	<u>2,067,237</u>	<u>687,497</u>
Balance at 31 December 2015	<u>60,431,008</u>	<u>(22,692,325)</u>	<u>5,881,821</u>	<u>43,620,504</u>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2015

	CONSOLIDATED ENTITY	
	2015	2014
	\$	\$
Cash flows from operating activities		
Receipts from customers	5,903,903	6,324,002
Receipts from associates	835,156	699,197
Payments to employees and suppliers	(4,398,767)	(4,713,346)
Interest received	8,000	8,000
Interest paid	(112,052)	(211,981)
Income tax paid	(240,660)	(166,927)
Net cash provided by operating activities	<u>1,995,580</u>	<u>1,938,945</u>
Cash flows from investing activities		
Dividends paid to non-controlling interests	(337,408)	(653,253)
Receipts from business disposals	5,988,657	-
Payments for business acquisitions	(4,720,102)	(473,052)
Transactions with non-controlling interests	(493,908)	(477,319)
Payments for plant and equipment	-	(130,638)
Repayment of loan	200,000	-
Expenses relating to the purchase/disposal of investments	(515,198)	-
Net cash provided by/ (used in) investing activities	<u>122,041</u>	<u>(1,734,262)</u>
Cash flows from financing activities		
Capital raising by subsidiary company	3,637,255	-
Repayment of borrowings	(5,017,837)	-
Receipt of borrowings	-	473,052
Purchase of shares for the PFG employee share plan	(203,658)	-
Dividends paid	(708,076)	(706,134)
Net cash provided by/ (used in) financing activities	<u>(2,292,316)</u>	<u>(233,082)</u>
Net increase/ (decrease) in cash and cash equivalents	<u>(174,695)</u>	<u>(28,399)</u>
Cash and cash equivalents at beginning of half year	595,288	194,088
Cash and cash equivalents at end of the half-year	<u><u>420,593</u></u>	<u><u>165,689</u></u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Half-Year Financial Statements

31 DECEMBER 2015

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 2015 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 2015.

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 2015. 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: Fair Value Measurement

The net fair value of financial assets and liabilities approximates their carrying amounts as disclosed in the statement of financial position and notes to the financial statements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Note 3: Subsequent Events

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

Notes to the Half-Year Financial Statements

31 DECEMBER 2015

Note 4: Dividends

	2015	2014
	\$	\$
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 5: Segment Information

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

Note 6: 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 \$580,000.

Note 7: Equity Accounted Investments

During August 2015 Prime disposed of its 50% equity interest in the business of Wynn & Bennett Pty Ltd. The proceeds of the sale was \$1,850,000.

During September 2015 Prime acquired a 40% equity interest in Watermans International Holdings Pty Ltd (WIH) for \$500,000. WIH is a next generation Accounting and Advisory Firm with an operating model that optimises outcomes for all stakeholders and clients through a Global Resourcing & Technology platform combined with personalised client advice.

During December 2015 Prime acquired an additional 30% equity interest in MPR Group Pty Ltd (MPR) for \$1,407,847. This takes Prime's investment in MPR to 40%. MPR is an Accounting and Advisory Firm that has a focus on supporting Business and Business Owners that Aspire, Innovate and Grow.

Currently there is \$825,000 outstanding in relation to these acquisitions.

Note 8: Restructuring Program

As a result of the establishment of Prime Accounting & Wealth Management Pty Ltd (PWM) a company undertaking investments in Accounting Firms and associated Wealth Management entities, Prime is restructuring its existing investments in accounting firms and wealth management entities. The restructuring program is expected to be completed by 30 June 2016 at which point the net result of the transactions will be accounted for in the annual report. Currently the result of the transactions conducted to 31 December 2015 is a net benefit of \$1.9m.

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 2015 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.



Peter Madder
Chairman

Melbourne
Date 25th February 2016

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 2015, 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:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and
2. 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 2015 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.



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



Jeffrey C. Luckins
Director

Dated this 25th day of February 2016