

Prime Financial Group Limited

FY16 Annual Results

Members of the Parent Entity

- **Profit Before Income Tax \$3.94M (up 120%)**
- **Profit After Income Tax \$3.23M (up 116%)**
- **Earnings Per Share 2.22 cents (up 116%)**
- **Final Dividend of 0.40 cents**

The Directors of Prime Financial Group Ltd (Prime) report a Profit Before Income Tax for members of the parent entity of \$3.94m (Consolidated \$5.95m) and a Profit After Income Tax of \$3.23m (Consolidated \$4.59m). The profit is at the higher end of the previous forecast profit provided in the market update on 22 June 2016. This represents a 116% increase over the reported 2015 Profit After Income Tax (Consolidated 123%). Excluding the 2015 impairment charge, the underlying Profit After Income Tax increased 20% (Consolidated 32%).

The profit includes a profit on the restructure of the Company's portfolio of investments in Accounting Firms and Wealth Management Businesses of \$463k.

Business & Operating Environment

The past twelve months has seen Prime complete the substance of its restructuring which involves a more concentrated and focused operating model and greater involvement with key partners to assist more proactively with growth, often through a higher equity interest in the investment. This we believe will allow for greater consistency in outcomes for clients, team members, equity partners in investments and Prime shareholders.

The Australian stockmarket during the financial year ending 30 June 2016 was down approximately 3%. This, combined with the sale of a Wealth Management entity as part of a broader divestment led to a reduction in Wealth Management Recurring Revenue. This however was offset by increasing Accounting Revenue through Share of Profit plus the Profit on Sale of Investments.

As mentioned 12 months ago, the pace of change and disruption in professional services across Accounting, Wealth Management & Advice continues unabated and it is for this reason that Prime increased its investment in Technology and our Global Resourcing Platform. These two investments are in part about protecting margins, reducing costs and looking for scalable growth but also about industrialising best practice operating models so that clients can be better served and their experience with Prime and Prime related partners continues to improve.

Exciting opportunities are presenting themselves and with increased scale and resources Prime are well positioned to progress a more concentrated strategy.

Key Developments

Restructure of Investments

Prime undertook a review of all of its accounting firm investments as part of a restructuring process, reflecting the need to address the substantial operational changes occurring through accountants licensing, technology and Prime's global resourcing platform. This resulted in the transfer of 2 accounting firm investments and their associated wealth management entities to Prime Accounting & Wealth Management Pty Ltd (PWM). Where an investee did not fully embrace the Prime operating model, it was decided to dispose of the equity back to the accounting firm partners. This resulted in the sale of equity in 2 accounting firms.

New Investments

During the year, Prime established or agreed to establish two new wealth management JV's with accounting firms. This takes the number of wealth management JV's to 35.

Consistent with our ongoing investment strategy, on 5 August 2016 Prime increased its investment in high growth Accounting & Advisory Firm MPR Group Pty Ltd (MPR) from 40% to approximately 93%.

On 26 August 2016 MPR announced it had acquired the accounting client base of Watermans International Pty Ltd, which Prime already held a 40% interest in, this was part of a broader consolidation opportunity.

Net Debt

Group debt has reduced from \$7.4m to approximately \$2.3m (down 69%) over the previous corresponding period, whilst debt facilities have also been renewed providing continued funding for growth.

Dividend

Directors confirm a final dividend of 0.40 cents per share (CPS), which when added to the interim dividend of 0.40 CPS, equates to a full year dividend of 0.80 CPS. Directors expect dividends to increase, however this is being balanced against further acquisitions and maintaining appropriate debt levels.

Technology

Prime have undertaken a thorough review of its Information Communication Technology (ICT) systems and processes to ensure alignment with organisational growth, staff enablement and competitive advantage. As part of Prime's increasing focus to be more Technology enabled, Prime also appointed a Chief Technology Officer (CTO) to lead this development which is a key component of Prime's overall business strategy.

Investment Advice

Client use of Prime's Separately Managed Accounts (SMA's) increased substantially throughout the year. SMA Funds Under Management (FUM) were \$96M at 30 June 2016, up from \$19M a year earlier.

Investment Advice Cont.

As part of further developing the SMA offering, Prime also launched the Prime International SMA on 18 February 2016.

Group FUM declined by \$74M to \$977M principally due to outflows from business divestments of \$46M and other movements of \$33M.

Resourcing

Prime has increased resourcing in four key areas;

- Financial Advisory Staff (NSW & WA)
- Marketing Operations
- Technology Management & Development, and
- Global Resourcing

Each of these different areas contribute materially to Prime's overall growth plan.

Board

At Prime's Annual General Meeting in November 2016, Mr Paul Cowan, who joined the board of Prime on 12th November 2015 as an Independent Director, will be appointed as Independent Chairman taking over from Mr Peter Madder, who undertook the role in an interim capacity during the transition period. Mr Peter Madder will remain as Chief Financial Officer and a Director of the company.

Prime Financial Group Limited

ASX Preliminary final report – 30 June 2016

(Previous corresponding period is the year ended 30 June 2015)

Lodged with the ASX under Listing Rule 4.3A

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Results for Announcement to the Market

Results for announcement to the market			
Revenues from ordinary activities	up	5% to	12,989,355
Profit (loss) from ordinary activities after tax attributable to members	up	114% to	2,768,177
Net profit (loss) for the period attributable to members	up	116% to	3,231,516
Dividend		Amount per security	Franked amount per security
Interim dividend		0.40 cents	0.40 cents
Final dividend		0.40 cents	0.40 cents
Record date for determining entitlements to the dividend		29 September 2016	
Payment date for Final dividend		27 October 2016	

Report of Directors on Financial Results

Results Summary

Prime increased total revenue by 9%, overheads were stable and Profit Before Income Tax increased by 120% compared to FY15. Profit After Income Tax increased by 116% and Earnings Per Share increased by 116%, whilst debt reduced by 69% from \$7.4M to \$2.3M.

	30 June 2016 \$M	30 JUNE 2015 \$M	% CHANGE 16 v 15
FINANCIAL RESULTS			
Consolidated Entity			
Profit Before Income Tax	5.95	(18.33)	132%
Profit After Income Tax	4.59	(19.72)	123%
Members of the Parent Entity (After Outside Equity Interest)			
Profit Before Income Tax	3.94	(19.43)	120%
Profit After Income Tax	3.23	(20.49)	116%
Basic & Diluted Earnings (cents per share)	2.22	(14.07)	116%
Dividend Paid & Proposed (cents per share) (Fully franked)	0.80	0.80	-

Preliminary Statement of Comprehensive Income

	CONSOLIDATED ENTITY	
	30 JUNE 2016	30 JUNE 2015
	\$	\$
Wealth revenue	9,791,048	10,148,902
Accounting revenue – share of profit of associates and partnerships accounted for using the equity method	2,719,455	1,799,255
Other income	478,852	378,266
Net benefit from restructuring investments	463,339	-
	<u>13,452,694</u>	<u>12,326,423</u>
Employee benefits	(4,458,293)	(4,824,361)
Depreciation and amortisation	-	(44,739)
Finance costs	(235,267)	(428,268)
Information technology and communication	(1,109,859)	(908,466)
Insurance	(249,846)	(253,578)
Occupancy	(425,274)	(162,624)
Professional fees	(119,559)	(159,878)
Investment research costs	(149,356)	(104,317)
Other expenses	(760,198)	(575,343)
Impairment	-	(23,191,192)
	<u>(7,507,652)</u>	<u>(30,652,766)</u>
Profit before income tax	<u>5,945,042</u>	<u>(18,326,343)</u>
Income tax expense	<u>(1,352,221)</u>	<u>(1,390,563)</u>
Total comprehensive income for the period	<u>4,592,821</u>	<u>(19,716,906)</u>
Total comprehensive income attributable to:		
- Members of the parent entity	3,231,516	(20,489,497)
- Non-controlling interest	1,361,305	772,591
	<u>4,592,821</u>	<u>(19,716,906)</u>
Earnings per share		
Basic earnings per share (cents)	2.22	(14.07)
Diluted earnings per share (cents)	2.22	(14.07)

Preliminary Statement of Financial Position

	CONSOLIDATED ENTITY	
	30 JUNE 2016	30 JUNE 2015
	\$	\$
Current assets		
Cash and cash equivalents	1,262,750	595,288
Trade and other receivables	1,605,321	1,617,590
Other current assets	1,411,758	758,267
Total current assets	<u>4,279,829</u>	<u>2,971,145</u>
Non-current assets		
Receivables	-	500,000
Investments accounted for using the equity method	11,362,738	12,073,184
Intangible assets	35,332,500	35,332,500
Deferred tax assets	145,554	111,731
Total non-current assets	<u>46,840,792</u>	<u>48,017,415</u>
Total assets	<u>51,120,621</u>	<u>50,988,560</u>
Current liabilities		
Payables	771,874	929,233
Current tax payable	1,322,742	1,204,077
Employee benefits	267,015	299,987
Balance outstanding on acquisition of investments	466,153	-
Total current liabilities	<u>2,827,784</u>	<u>2,433,297</u>
Non-current liabilities		
Borrowings	3,584,583	7,965,150
Total non-current liabilities	<u>3,584,583</u>	<u>7,965,150</u>
Total liabilities	<u>6,412,367</u>	<u>10,398,447</u>
Net assets	<u>44,708,254</u>	<u>40,590,113</u>
Equity		
Contributed equity	68,429,403	68,429,403
Treasury shares held	(8,312,001)	(7,633,205)
Non-controlling interest	6,606,924	3,079,349
Accumulated losses	(22,016,072)	(23,285,434)
Total equity	<u>44,708,254</u>	<u>40,590,113</u>

Preliminary Statement of Changes in Equity

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	-	(20,489,497)	772,591	(19,716,906)
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	(1,419,666)	(650,777)	(2,070,443)
Interest & purchase of shares for the PFG employee share plan	(755,131)	-	-	(755,131)
Transactions with non-controlling interests	-	(650,364)	2,023,801	1,373,437
Total transactions with equity holders in their capacity as equity holders	(755,131)	(2,070,030)	1,373,024	(1,452,137)
Balance at 30 June 2015	60,796,198	(23,285,434)	3,079,349	40,590,113
Balance at 1 July 2015	60,796,198	(23,285,434)	3,079,349	40,590,113
Total comprehensive income for the period	-	3,231,516	1,361,304	4,592,820
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	(1,419,666)	(507,692)	(1,927,358)
Interest & purchase of shares for the PFG employee share plan	(678,796)	-	-	(678,796)
Transactions with non-controlling interests	-	(542,488)	2,673,963	2,131,475
Total transactions with equity holders in their capacity as equity holders	(678,796)	(1,962,154)	2,166,271	(474,679)
Balance at 30 June 2016	60,117,402	(22,016,072)	6,606,924	44,708,254

Preliminary Statement of Cashflow

	CONSOLIDATED ENTITY	
	30 JUNE 2016	30 JUNE 2015
	\$	\$
Cash flows from operating activities		
Receipts from customers	10,489,719	11,361,350
Receipts from associates	1,328,329	1,310,441
Payments to employees and suppliers	(7,655,818)	(8,804,771)
Interest received	8,000	16,000
Interest paid	(215,166)	(421,497)
Income tax paid	(1,233,556)	(534,273)
Net cash provided by operating activities	<u>2,721,508</u>	<u>2,927,250</u>
Cash flows from investing activities		
Dividends paid to non-controlling interests	(507,692)	(650,777)
Receipts from Sale of investments	7,288,657	-
Repayment of loans	500,000	-
Payments for business acquisitions	(5,020,102)	(2,116,412)
Transactions with non-controlling interests	(652,169)	1,373,437
Expenses relating to the restructure of investments	(1,214,134)	-
Payments for plant and equipment	-	(44,739)
Net cash provided by / (used in) investing activities	<u>394,560</u>	<u>(1,438,491)</u>
Cash flows from financing activities		
Purchase of shares for the PFG employee share plan	(283,108)	(142,627)
Dividends paid	(1,422,186)	(1,419,667)
Capital Raising by subsidiary company	3,637,255	-
Repayment of borrowings	(4,380,567)	-
Receipt of borrowings	-	474,735
	<u>(2,448,606)</u>	<u>(1,087,559)</u>
Net increase / (decrease) in cash and cash equivalents	<u>667,462</u>	<u>401,200</u>
Cash and cash equivalents at beginning of the year	<u>595,288</u>	<u>194,088</u>
Cash and cash equivalents at end of the year	<u>1,262,750</u>	<u>595,288</u>

Other Appendix 4E Information

Dividends		
Dividends	Date of Payment	Total amount of dividend
Interim dividend – year ended 30 June 2016	29 April 2016	0.40 cents
Final dividend – year ended 30 June 2016	27 October 2016	0.40 cents
Amount per security	Amount per security	Franked amount per security at % tax
Current Year	0.80 cents	100%
Previous Year	0.80 cents	100%
Total dividend on all securities	2016 \$A'000	2015 \$A'000
Ordinary Securities	1,474	1,420
Total	1,474	1,420

Net tangible assets per security		
	2016	2015
Net tangible asset backing per ordinary security	6.4 cents	3.6 cents

Other Appendix 4E Information (Cont.)

Associates

Name of associate	% Securities held
Bstar Pty Ltd	15%
MPR Group Pty Ltd	40%
Pacifica Pty Ltd	35%
Rothsay Accounting Services Pty Ltd	30%
Rundles Prime Pty Ltd	50%

Aggregate share of profits (losses) of associates

Group's share of associates	2016	2015
Profit (loss) from ordinary activities before tax	2,719,455	1,799,255
Income tax on ordinary activities	815,837	539,777
Net profit (loss) from ordinary activities after tax	1,903,618	1,259,478
Adjustments	-	-
Share of net profit (loss) of associates	1,903,618	1,259,478

Changes in accounting policy

No changes in accounting policy

Discontinued operations

Nil

Other Appendix 4E Information (Cont.)

Subsequent events

On 5 August 2016 Prime announced it had increased its stake in leading Melbourne Accounting & Advisory firm MPR Group Pty Ltd (MPR) from 40% to approximately 93%. Prime has increased its holding through the issue of new shares by MPR and the acquisition of existing shares from MPR Managing Director Matthew Murphy. As part of the transaction Mr Murphy will receive \$1.35M cash, paid over 12 months plus 13,500,000 Prime shares. This will make Mr Murphy a significant shareholder in Prime with those shares being escrowed, one third for 1 year, one third for two years and one third for three years.

On 8 August Prime announced it had issued 13,500,000 Fully Paid Ordinary Shares. This increases the total Fully Paid Ordinary Shares to 190,937,314.

On 26 August 2016 MPR announced it had acquired the accounting client base of Watermans International Pty Ltd which Prime already held a 40% interest in.

Controlled entities acquired or disposed of

On 1 April 2016 Prime acquired a 50% equity in Bishop Collins Wealth Management Pty Ltd.

On 28 August 2015 Prime disposed of its 50% equity in Wynn & Bennett Financial Services Pty Ltd.

Associated and Joint Venture entities

Not Applicable.

Foreign Accounting Standards

Not Applicable.

Audit

This report is based on accounts that are currently being audited. Directors do not expect any adjustments to the content of this Appendix 4E.

About Prime Financial Group

Prime Financial Group Ltd (Prime) is an Integrated Wealth Management Firm for business owners and family groups. Prime's goal is for clients to receive complete Accounting & Wealth Management Advice.