Integrated Wealth Management

ABN 70 009 487 674

Prime Financial Group Ltd
Annual Report 2012

Prime

Prime Financial Group Ltd (Prime) is a National Financial Services and Advisory Group, delivering Wealth Management Services, including:

- Financial Planning;
- Investment Advice;
- Life Insurance;
- Asset Protection Advice incorporating Legal Services;
- Superannuation, including Self Managed Superannuation; and
- Accounting Services.

We are a Wealth Management Group managing over $1.0B of client assets, with a primary goal to advise clients on how to 'Build Wealth & Protect Assets'.

Prime's focus is to deliver Wealth Management Services through quality client service across Australia using Prime's proven business model.

PRIME

Prime Financial Group Ltd (Prime) is a National Financial Services and Advisory Group, delivering Wealth Management Services and managing over $1.0B of client assets. Prime advises clients how to 'Build Wealth & Protect Assets'. Our services include:

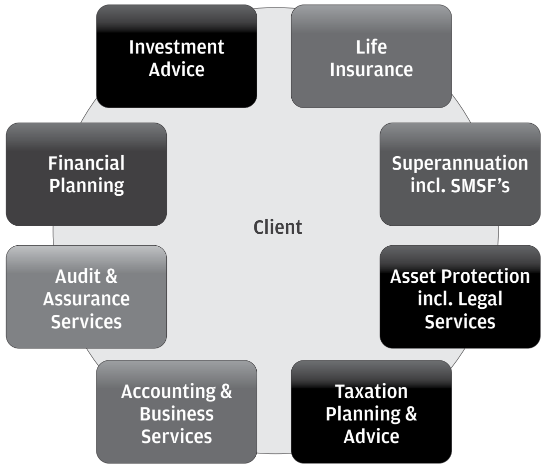
- Financial Planning;
- Investment Advice;
- Life Insurance;
- Asset Protection Advice incorporating Legal Services;
- Superannuation, including Self Managed Superannuation; and
- Accounting Services.

Prime's business is focussed on a Wealth Management operation that directly services its own clients and the clients of Prime's 30 Investments in Wealth Management entities (co-owned with Accounting Firms). Prime also has 9 Investments in Accounting and / or Self Managed Superannuation entities.

As Prime's business has evolved so too has our value proposition, which now focuses on 'Helping Clients Build their Wealth and Protect their Assets'.

Prime has developed unique processes for Wealth Management and Asset Protection Advice, utilising Prime's proprietary Client Engagement Model. This model delivers high levels of service and value for Prime's clients, our Accounting Firm and Financial Advisory Partners and Prime through a systematic approach with an improved and expanded service offering.

Prime aims to become a client's key trusted Adviser assisting them to 'Build Wealth & Protect Assets', becoming the central point to the ongoing delivery of services for them. Utilising Prime's Client Engagement Model, which brings together a team of advisers across Wealth Management and Accounting Services, Prime delivers 'Integrated Advice' specific to each client's needs.



Integrated Advice Model

STRATEGY

The key strategic focus for Prime is:

1. Secure new clients for Wealth Management services.
2. Retain existing clients and expand the Wealth Management services provided to them.
3. Grow the number of Prime relationships with Accounting Firms and Financial Advisory Groups for Wealth Management using Prime's Client Engagement Model & Wealth Management Joint Venture Licensing structure.
4. Continue to deliver 'Integrated Advice' to clients using Prime's Client Engagement Model.
5. Further diversify revenue streams away from the stockmarket.
6. Invest in our people, processes and systems.
7. Grow and develop the Prime Managed Portfolio Service (MPS).
8. Rationalise and grow Prime's Accounting Firm & Self Managed Superannuation Entity Investees.
9. Continue to build Prime's brand.

Strategy – Wealth Management

Prime's Wealth Management strategy in the last twelve months has focussed on growing its business in a structured way through the development and implementation of Prime's Client Engagement Model. This model has been developed so it can be 'licensed' and sold to Accounting or Financial Advisory Firms under a Wealth Management Joint Venture Licensing structure. Our success in implementing this Wealth Management strategy is measured by:

- The number of new leads we generate;
- Net new Funds Under Management (FUM);
- Life insurance revenue;
- Fee for service revenue (Asset Protection Advice & Legal Services);
- Prime's Client Engagement Model sales and licensing revenue.

Strategy – Accounting & Self Managed Superannuation

Prime's Accounting & Self Managed Superannuation strategy in the last twelve months has focussed on consolidation, merger or divestment activity with existing investees. As part of this strategy Prime has been in active discussions with various investees in relation to merger opportunities and has also realised an existing non-core Accounting Investee where there was no opportunity for growth.

Ultimately, our success in implementing this strategy will be measured through:

- Investee earnings;
- Investee equity value appreciation;
- Market positioning;
- Scale; and
- The contribution that these investees make to the Wealth Management business.

Chairman's Report

The 2012 financial year (FY2012) has been a difficult year for the Financial Services sector. Prime's normalised earnings before interest and tax (N.EBIT) declined from $5.50M to $5.02M, while EBIT, after a capital loss on a non-core asset of $0.7M, declined to $4.32M. Net profit after tax in FY2012 was $2.81M compared to $3.84M in FY2011. The net profit after tax includes the capital loss of $0.7M which was not tax deductible. Whilst the FY2012 net profit after tax declined the directors consider that Prime achieved a good result in a most difficult year, and a year in which the business was restructured to address industry changes and position the company for future growth.

The directors and management have recognised the long term structural changes in the Financial Services sector and the need to address those changes in order to remain competitive and maximise the substantial opportunities for growth and profitability. These industry changes are being addressed as follows:

- The implementation in FY2012 of Prime's Client Engagement Model which has resulted in substantial new revenue streams and new client opportunities. This model has involved an initial cash flow investment but it will form the basis of future growth.
- Prime is also currently reviewing its capital deployment strategy and is looking at restructuring alternatives for some of its Accounting and Self Managed Superannuation investments.

Prime has numerous growth opportunities, within its existing business and does not propose to use its capital to grow by acquisition unless there is a demonstrable financial and strategic advantage. The Directors question the benefit of acquiring generally overpriced principal dependent businesses, which are facing significant structural change and provide limited growth and integration benefits.

Taking into account the current difficult environment and the current cash flow investment into business growth initiatives, the Directors determined that it is prudent to have a short term reduction in the dividend payout ratio. The final dividend is 0.25 cents per share, which when added to the interim dividend of 0.75 cents per share, makes the full year dividend 1.00 cent per share. Based upon Prime's share price of $0.11 at 30 June 2012, this represents a fully franked annual dividend return to shareholders of 9% or a gross return of 13%.

Stuart James
Chairman
27 August 2012

Managing Director and CEO's report

FINANCIAL RESULTS & BUSINESS ENVIRONMENT

Earnings

Prime's normalised (excluding one-off's) Earnings Before Interest & Tax (N.EBIT) for the 2012 Financial Year (FY2012) was 9% lower than the 2011 Financial Year (FY2011), at $5.02M. In addition, Prime has realised a capital loss of $0.70M relating to a non-core Accounting Firm Investee.

Based on this Prime's reported EBIT (including the one-off capital loss) for FY2012 was $4.32M. Prime's net profit after tax was $2.81M (including the one-off capital loss).

Prime's overall revenue for FY2012 was consistent with FY2011, however within this, Wealth Management revenue increased by 11%. This increase was primarily driven by the growth, from a nil base in the previous year, of Wealth Management Licensing Revenue, which more than offset the fall in Wealth Management New Business and Recurring Revenue which fell by 7%, mainly because the Australian stockmarket fell by 11% from July 2011 to June 2012.

Prime's Accounting and Self Managed Superannuation Revenue, incorporating Corporate Revenue, was down by 36% for the year. The 9 investees themselves were only down by 5%, however Corporate Revenue was not replicated from the previous year as no transactions took place, this was the main factor for the overall fall.

Prime's overheads marginally increased by 6% in FY2012 in response to Prime's continued investment in business development and marketing activity, principally Prime's scalable Client Engagement Model.

The generation of positive operational cash flow remained a priority in FY2012 and the Prime business delivered positive operational cash flows throughout the year. Debt levels did increase by $1.2M due to factors such as funding for new Wealth Management Licenses, increases in working capital for Accounting & Self Managed Superannuation Investees, and activating the share buyback. However, Prime remains conservatively geared.

Low Debt

Prime continues to take a prudent approach to debt and has a current net debt level of $7.6M at 30 June 2012 equating to a gearing ratio of 10.3%.

Dividend Policy

Directors confirm a final dividend of 0.25 cents per share (CPS) which when added to the interim dividend of 0.75 CPS equates to a full-year dividend of 1.00 CPS. This represents a dividend payout ratio of approximately 46% based on the full year normalised EPS (excluding one-off losses) of 2.2 CPS, or a 57% payout ratio based on reported EPS of 1.7 CPS.

Directors have reduced the final dividend compared to FY2011 to ensure that Prime is in a position to continue to fund the growth and development of the Wealth Management division. By investing in this division in FY2012, this development program has yielded additional and new Wealth Management licensing revenue of $1.8M, via the Joint Venture Licensing structure which materially contributed to the division's revenue growing by 11% in a difficult business environment. Plans are in place to continue to grow Wealth Management licensing revenue however this growth is best funded by retaining capital in what is a difficult equity and debt funding environment.

It should be noted that this reduction in dividend is expected to be short-term and that Prime intends to maintain the comparatively high dividend payout ratio in the near future.

Separately, in order to ensure that Prime is maximising potential returns for shareholders, Prime is actively exploring various capital management alternatives and structures for Prime's Accounting and Self Managed Superannuation investments. This may include a divisional restructuring, merging of investees, alternatively, these investees may be divested.

Summary

- Normalised EBIT (excluding one-off's) down 9% on FY2011;
- Reported EBIT (including one-off's) down 21% on FY2011;
- Net Profit After Tax (including one-off's) down 27% compared to FY2011;
- A Final Dividend of 0.25 cents per share (CPS) was declared bringing the Full Year Dividend to 1.00 CPS;
- Funds Under Management of $1.0B, down $54M from FY2011;
- New Funds Under Management (FUM) in FY2012 of approximately $69M, down from $101M in FY2011;
- Lost FUM in FY2012 of approximately $21M versus $51M in FY2011;
- Increased client contact and service levels throughout the year;
- Wealth Management income up 11% but New Business and Recurring Revenue down a combined 7%;
- Accounting & Self Managed Superannuation Revenue down 36% on FY2011, mainly due to no Corporate Revenue being earned. Accounting & Self Managed Superannuation entity Revenue was down 5% on FY2011;
- Group overheads (excluding one-off's) up by 6% on FY2011;
- Group Operating Margin (excluding one-off's) lower at 39% versus 43% in FY2011;
- Low level of net debt during FY2012 with a gearing ratio of 10.3%; and
- Remained cash flow positive.

Business Environment

Throughout FY2012 the Financial Services sector experienced a difficult business environment through a combination of:

- Low investor confidence;
- Global and domestic uncertainty;
- A declining Australian stockmarket (down 11% from July 2011 to June 2012);
- Ongoing regulatory change; and
- Pressure on margins.

Whilst Prime has been affected by these factors, Prime's diversified model across Wealth Management, Accounting and Self Managed Superannuation has proved to be resilient. Furthermore, a focus in the last two years on diversifying revenue and building a scalable Wealth Management Joint Venture Licensing strategy has proved to be beneficial.

Strong indicators within the business that demonstrate Prime's robust business model, include;

- Growth in Wealth Management New Leads over the past two years;
- An increasing percentage of revenue from non stockmarket related activities and further diversification in Wealth Management revenue;
- Net new Funds Under Management (FUM) of $48M in FY2012;
- A more consistent Wealth Management Client Engagement Model across the group to increase the number of services delivered to clients;
- Growth in new Joint Venture licenses and existing 50/50 Joint Ventures with Accounting Firms, plus a growing pipeline of opportunities; and
- Rationalisation and merger activity within Prime's Accounting Firm and Self Managed Superannuation Investees to help assist with margin and earnings growth.

Whilst recognising the challenging prevailing environment in the Financial Services sector, Prime's performance has been comparatively solid, the growth plan remains clear and we are confident that this strategy will continue to yield positive results.

WEALTH MANAGEMENT REVENUE

In FY2012, Wealth Management Revenue increased by 11%. This increase was primarily driven by the growth, from a nil base in the previous year, of Wealth Management Licensing Revenue. This offset the fall in Wealth Management New Business and Recurring Revenue which fell by 7%, mainly because the Australian stockmarket fell by 11% from July 2011 to June 2012. A more detailed outline of Wealth Management is below.

Financial Planning, Superannuation & Investment Advice

Recurring Revenue (FUM) (Down 5%) – Recurring Revenue is driven by the level of client funds that the firm manages, the value of those assets managed, the fees and charges on that FUM and the growth in Net New FUM. Regarding the movement of FUM, the New FUM for FY2012 was $69M which was down 31% on FY2011; however the Net New FUM for FY2012 was $48M which was only down 6% on FY2011. Encouragingly, lost FUM fell from $51M to $21M which was a major improvement. The main driver is however stockmarket value and given the decline of equity markets was 11% for the year a 5% decline in recurring revenue was an acceptable outcome. New FUM will remain a focus and is a continued strong area of growth for Prime.

Investment Brokerage (Down 34%) – The drivers of Investment Brokerage are linked to stockmarkets, investor confidence, investment recommendations and new client activity. The majority of the revenue is however derived from advising existing clients. Given the poor performance of the Australian stockmarket over the past 12 months it was not surprising to see a fall in revenue in this area from FY2011.

New Issues & IPO's (Up from $0 in FY2011 to $369K in FY2012) – This area is dependent on the prevailing environment and the needs of listed companies, accordingly, the performance of this area can vary significantly. In FY2012, and in particular the second half, there were a number of fixed interest and defensive investment opportunities / raisings. Given the overall falling and negative equity environment at the time, clients were particularly attracted to these offerings, hence the strong performance of this area.

Asset Protection Advice & Life Insurance

Asset Protection Advice & Life Insurance New Business (Up 31%) – These service lines focus on protecting clients at a personal, business and family level, it is essentially the foundation of any well structured wealth creation plan.

Given the difficult business and economic environment, clients are increasingly concerned, about protecting their existing assets, which includes themselves. Prime has evolved its value proposition to incorporate 'Helping Clients Build their Wealth and Protect their Assets' and clients have been very receptive to this service line, reflecting the strong performance. This service provides one of the largest growth potential opportunities for Prime.

Asset Protection Advice & Life Insurance Recurring Revenue (Up 6%) - The performance of this service line is consistent with the principal theme of protecting assets in a difficult business and economic environment.

Although Asset Protection Advice now incorporates Legal Services, Legal Services were only launched during the year and are in their infancy and had minimal impact in FY2012.

Wealth Management Licence Revenue

By far the largest growth area (Up from $0 to $1.8M in FY2012) and biggest contributor to the overall growth in Wealth Management Revenue, has been Prime's Client Engagement Model which is delivered through a Wealth Management Joint Venture Licensing strategy. This highly scalable structure has started being deployed with existing Accounting Firm Partners, which will continue in FY2013, but is primarily for recruiting Accounting Firms and Financial Advisory Group equity partners to Prime for which they pay a fee for the services, processes, structure, resources, operating model and intellectual property that has been developed.

ACCOUNTING & SELF MANAGED SUPERANNUATION REVENUE

Prime's Accounting and Self Managed Superannuation Revenue, incorporating Corporate Revenue, was down 36% for the year. The 9 investees themselves were down by 5%, however Corporate Revenue was not replicated from the previous year as no transactions took place, this was the main factor for the overall fall.

Accounting & Self Managed Superannuation Services Investees

Accounting & Self Managed Superannuation Services Investees (Down 5% - Excluding one-off capital loss) – These 9 investees have a high degree of recurring revenue and work that is performed over a diverse group of clients. The performance in FY2012 was impacted by three main factors:

- Some were more materially impacted by the general difficult economic and business environment;
- Certain investees did not have the same level of one-off advisory work in FY2012 that occurred in FY2011, impacting on revenue; and
- A number of investees are considering merger opportunities, which can be distracting and impact on short-term performance.

Corporate Revenue

Corporate Revenue (Down from $1.05M to $0) – Corporate Revenue relates to fees that Prime charges to assist investees in a Corporate capacity. In FY2011 there were a number of transactions that Prime was involved with, and although a similar level of work was initiated in FY2012, none was completed. This revenue is transactional and not consistent, however Prime is focussed on assisting its existing investees to grow, consolidate and or merge as part of Prime's wider business plan, this will continue to create opportunities in this area.

BUSINESS DEVELOPMENT & GROWTH STRATEGY

Prime has been very active during FY2012 in reviewing and evolving its main operations and consolidating Prime as a valuable Wealth Management partner to a range of stakeholders.

Wealth Management

Wealth Management constitutes 85% of Prime's overall revenue, accordingly the Business Development & Growth Strategy is particularly important. The primary focus for business development has been:

- Implementing Prime's Client Engagement Model with existing Accounting Firm Partners;
- Recruiting new Accounting Firm Partners for Joint Venture licenses;
- Building new leads for the Wealth Management services we provide;
- Increasing the existing service lines that are, where possible, less reliant on stockmarkets, such as;
  - Life insurance;
  - Asset Protection Advice; and
  - Legal Services relating to Asset Protection Advice.

In FY2012, five of Prime's existing Accounting Firm Partners moved to the new Client Engagement Model and commenced the implementation of this model. In FY2013 Prime expect to make further progress in signing up additional existing Accounting Firm Partners to this new model, the benefit of which is a tangible improvement in business activity with new and existing clients and revenue improvement.

Prime has also actively started recruiting additional Accounting Firms and Advisory Groups to join Prime and implement Prime's Client Engagement Model under Prime's Wealth Management Joint Venture Licensing structure. Although in the early stage of this business development, Prime recruited a three Partner Accounting Firm in New South Wales in the second half of FY2012 and will commence the implementation of the structure in the first quarter of FY2013. This is an exciting development and Prime has an increasingly large number of opportunities to grow this area of the Wealth Management business.

In FY2012 Prime built on the prior year's initiatives that have seen new leads increase from the previous period. This has been achieved by applying the more concentrated Client Engagement Model and integrated approach to the business development and marketing of our Wealth Management Services to Prime's clients and clients of our Accounting Firm Equity Partners and Accounting Investees. As the model is further deployed through existing Accounting Firm Partners, Prime will gain further traction and business activity based on what was achieved in FY2012.

Although Prime's growth strategy is focussed on growing client numbers, Prime also concentrates its efforts on ensuring that our substantial existing client base is well serviced and receiving access to the benefits of the new Client Engagement Model, including the additional services we have available. Regular contact and the delivery of additional services relevant to our existing clients needs and a continuing high level of service is essential as approximately 70 - 80% of Wealth Management revenue is generated from existing clients.

Accounting & Self Managed Superannuation

Prime has 9 Accounting and / or Self Managed Superannuation Investees where Prime typically has a 50% equity interest. Combined they represent approximately 15% of Prime's overall revenue. These businesses all operate independent of each other with their own business plan, infrastructure and resourcing. The common thread is that in all cases they are also Wealth Management Partners of Prime and contribute to Prime's overall Wealth Management Growth Strategy.

The primary focus for business development in this area has been:

- For growth orientated Accounting Investees, proactively identifying potential merger or acquisition opportunities and seeking to execute transactions that are beneficial for all stakeholders;
- Implementing Prime's Client Engagement Model across Accounting investees for a more seamless and structured business development process for cross-servicing of clients; and
- For those Accounting Investees that are sub-scale or without a clear business plan and direction, actively working with management to refine the future direction of the business.

Prime continues to consider the most appropriate allocation of capital and the best possible returns for shareholders which is consistent with Prime's overall business plan and strategy.

Prime believes there is a considerable opportunity in the Self Managed Superannuation sector and Prime's current Investees provide exposure and leverage to this opportunity. In particular, Prime has focussed attention on consolidation and merger opportunities to build a base business to tap into this opportunity in a scalable manner.

New Brand

To better represent Prime and our business objectives, Prime undertook to redefine and reposition our brand in FY2012. Prime's new brand identity is outlined below and represents:

- The Integrated and Client Focused nature of advice across service lines;
- The Depth and Layers to our group / team approach;
- The Interconnected relationship between Prime, our Accounting Firm Business Partners and Clients; and
- Prime's Growth objectives for the future.

Prime

Prime's new brand identity will be consistently used across group entities and service lines.

EXPANSION

Prime has spent considerable time and effort in developing new initiatives that will form the cornerstones of future growth across an expanded client base.

Integrated Client Engagement Model & Wealth Management Joint Venture Licensing Strategy

Prime has developed a highly scalable and 'Integrated' Client Engagement Model and Wealth Management Joint Venture Licensing strategy which allows Prime to partner with Accounting Firms and Financial Advisory Groups to deliver Wealth Management Advice to their clients.

This model, which delivers value to all stakeholders, importantly including clients, has required a substantial investment of time and money. This investment has however built a new revenue stream for Prime. Furthermore this model supports Prime's growth objectives around:

- Increasing New Leads;
- Delivering additional services to existing clients;
- Developing New Services for clients;
- Being the primary adviser to clients for their Wealth Management and Asset Protection needs.

The 'Licensing Fees' are derived from converting existing and introducing new Accounting Firm Partners to Prime's proprietary new Client Engagement Model. Prime then implements and operates the Client Engagement Model on behalf of the joint shareholders, being the Accounting Firm and Prime.

Significantly, this model is equally relevant to Accounting Firms whether they have an existing Wealth Management relationship or if they are a start-up opportunity. Prime pride ourselves on finding ways to work with our Partners in a collaborative manner for all parties benefit.

New Services

During the year Prime launched two main new services for our clients:

- Legal Services as part of Asset Protection Advice; and
- The 'Prime Managed Portfolio Service (Prime MPS)'.

These new services are part of Prime's focus on becoming a client's primary adviser for their Wealth Management needs. Services are delivered in an 'Integrated' format using a standardised, quality controlled process via a structured connection between two primary service providers, the;

- Wealth Management & Asset Protection Adviser; and
- The Accountant.

Legal Services

The Legal Services that Prime delivers are primarily related to our Asset Protection service line and broadly incorporate the following:

- General Securities Agreements;
- Loan Agreements;
- Buy/Sell Agreements;
- Shareholders Agreements; and
- Wills and Estate Planning.

Although in its infancy Prime's Legal Services will increasingly contribute to revenue but importantly will become a complimentary service for clients and allow a more complete service to be delivered through the one group of service providers.

Prime Managed Portfolio Service (Prime MPS)

As part of Prime's plans to expand our Investment Advice offering for clients, and consistent with Prime's overall growth plans, Prime launched the Prime Managed Portfolio Service (Prime MPS) – a new managed discretionary account service, in FY2012 in conjunction with a licensed responsible entity.

The Prime MPS allows clients to hold a portfolio of investments managed within a separately managed account, according to an investment strategy selected by clients and advisers, but managed by Prime. This service is complementary to Prime's current Non-Discretionary Investment Advisory offering that focuses on a direct security investment approach which is transparent and cost effective for clients.

The Prime MPS was designed to meet broader investor concerns over traditional Managed Funds products, specifically in relation to transparency, fees, performance, control and the fairness of capital gains tax outcomes. With the Prime MPS the beneficial ownership of the securities sits with the investor. This entitles them to company dividends and franking credits and facilitates personalised capital gains tax outcomes. At the same time, clients continue to benefit from the oversight and input of Prime's professional investment managers.

THE TEAM AND PRIME'S PARTNERS

I would like to thank the entire Prime team for their ongoing commitment to the development of the business and the client services we deliver. Prime is very well positioned at the forefront of industry change with a compelling client value proposition and a clear development model which will assist to expand the businesses operations creating more opportunities for personal and professional development for the whole team.

It is also important to acknowledge the support of Prime's Accounting Firm Equity and Joint Venture Partners, without their support Prime's growth ambitions would be far less possible. For those Partners that have already committed to transition to Prime's New Client Engagement Model we thank you for your support and vision and for those that we are transitioning with in FY2013, we look forward to working closely with you.

THE YEAR AHEAD

Our company has a clear strategy for growing value. There will continue to be challenges, whether that be stockmarkets, client sentiment, regulatory change or growing pains from the development of the business, regardless we remain committed to executing on our plan which continues to yield results.

That plan for the next twelve months is focussed on:

1. Securing new clients for Wealth Management services.

2. Retaining existing clients and expanding the Wealth Management services provided to them.

3. Growing the number of Prime relationships with Accounting Firms and Financial Advisory Groups for Wealth Management using Prime's Client Engagement Model & Wealth Management Joint Venture Licensing structure.

4. Continuing to deliver 'Integrated Advice' to clients using Prime's Client Engagement Model.

5. Further diversifying revenue streams away from the stockmarket.

6. Investing in our people, processes and systems.

7. Growing and developing the Prime Managed Portfolio Service (MPS).

8. Rationalising and growing Prime's Accounting Firm & Self Managed Superannuation Entity Investees.

9. Continuing to build Prime's brand.

The Wealth Management and Financial Services Sector is a tough environment at the moment. Prime is however fortunate to benefit from a diversified model across Wealth Management, Accounting and Self Managed Superannuation. Furthermore, a focus in the last two years on diversifying revenue and building a scalable Client Engagement Model & Wealth Management Joint Venture Licensing strategy has proved successful.

The key for Prime continues to be to have a clear plan which we can execute on, to not be afraid to continue to develop the business and innovate ahead of what may be the generally accepted model of the day, and position ourselves to take advantage of the opportunities that will avail and that we will proactively develop.

We look forward to the next year with optimism and a strong conviction that the path we have laid out and are already executing on is the best way forward to drive value for shareholders.

Mr Simon Madder
Managing Director & CEO

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 ('the Group'), for the financial year ended 30 June 2012 and auditors report thereon. These financial statements have been prepared in accordance with Australian Accounting Standards.

Compliance with Australian Accounting Standards ensures compliance with the International Financial Reporting Standards ('IFRS').

OVERVIEW

Prime and the Group delivered a full year net profit after tax of $2,814,450.

Prime's normalised (excluding one-off's) Earnings Before Interest & Tax (N.EBIT) for the 2012 Financial Year (FY2012) was 9% lower than the 2011 Financial Year (FY2011), at $5.02M. In addition, Prime has realised a capital loss of $0.70M relating to the sale of a non-core Accounting Firm Investee.

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Prime's Accounting and Self Managed Superannuation Revenue, incorporating Corporate Revenue, was down by 36% for the year. The 9 investees themselves were only down by 5%, however Corporate Revenue was not replicated from the previous year as no transactions took place, this was the main factor for the overall fall.

Prime's overheads marginally increased by 6% in FY2012 in response to Prime's continued investment in business development and marketing activity, principally Prime's scalable Client Engagement Model.

The generation of positive operational cash flow remained a priority in FY2012 and the Prime business delivered positive operational cash flows throughout the year. Debt levels did increase by $1.2M due to factors such as funding for new Wealth Management Licenses, increases in working capital for Accounting & Self Managed Superannuation Investees, and activating the share buyback. However, Prime remains conservatively geared.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were Wealth Management Services including:

- Financial Planning;
- Investment Advice;
- Life Insurance;
- Asset Protection Advice incorporating Legal Services;
- Superannuation, including Self Managed Superannuation; and
- Accounting Services.

RESULTS

The consolidated profit after income tax was $2,814,450. (2011: $3,838,920). The Group's EBIT decreased by 9% to $5,020,007 compared to the previous year.

AFTER BALANCE DATE EVENTS

There has not been any matter or circumstance that has risen since the end of the financial year, 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.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the 2012 financial year there were no significant changes in the state of affairs of the consolidated company.

STRATEGY

The key strategic focus for Prime is:

1. Secure new clients for Wealth Management services.
2. Retain existing clients and expand the Wealth Management services provided to them.
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Strategy – Wealth Management

Prime's Wealth Management strategy in the last twelve months has focussed on growing its business in a structured way through the development and implementation of Prime's Client Engagement Model. This model has been developed so it can be 'licensed' and sold to Accounting or Financial Advisory Firms under a Wealth Management Joint Venture Licensing structure. Our success in implementing this Wealth Management strategy is measured by:

- The number of new leads we generate;
- Net new Funds Under Management (FUM);
- Life insurance revenue;
- Fee for service revenue (Asset Protection Advice & Legal Services);
- Prime's Client Engagement Model sales and licensing revenue.

Strategy – Accounting & Self Managed Superannuation

Prime's Accounting & Self Managed Superannuation strategy in the last twelve months has focussed on consolidation, merger or divestment activity with existing investees. As part of this strategy Prime has been in active discussions with various investees in relation to merger opportunities and has also realised an existing non-core Accounting Investee where there was no opportunity for growth.

Ultimately, our success in implementing this strategy will be measured through:

- Investee earnings;
- Investee equity value appreciation;
- Market positioning;
- Scale; and
- The contribution that these investees make to the Wealth Management business.

LIKELY DEVELOPMENT AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operation of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATION

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

DIVIDEND PAID, RECOMMENDED AND DECLARED

The Board has resolved to declare a fully franked final dividend of 0.25 cents per ordinary share, bringing the total dividends declared in respect of the 12 months to 30 June 2012 to 1.0 cents per ordinary share. This compares to total dividends declared in the prior twelve month period of 1.5 cents per ordinary share.

SHARE OPTIONS

There were no options granted during the financial year.

SHARES UNDER OPTION

Unissued ordinary shares of Prime under option, as at the date of this report, are as follows:

2012

Options outstanding as at 30 June 2011	Options granted	Options expired	Options outstanding as at 30 June 2012	Exercise price of shares ($)	Expiry date of options
-	-	-	-	-	-

2011

Options outstanding as at 30 June 2010	Options granted	Options expired	Options outstanding as at 30 June 2011	Exercise price of shares ($)	Expiry date of options
105,103	-	(105,103)	-	0.25	30/06/2011

There were no members of the Key Management Personnel who held any options during the periods ending 30 June 2012 and 30 June 2011.

No option holder has any right under the options to participate in any share issue of the Company.

SHARES ISSUED ON EXERCISE OF OPTIONS

There were no ordinary shares in Prime issued during the financial year as a result of the exercise of options.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

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 of $19,914 were paid during the financial year, for all Directors and Officers of the consolidated entity.

No indemnities have been given, or insurance premiums paid for auditors of the Company.

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

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

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

The qualifications, experience and special responsibilities of each person who has been a Director of Prime at any time during or since the end of the financial year is provided below, together with details of the company secretary as at the year end.

Mr Stuart James **BA (HONS)**
Chairman (Appointed 16 May 2006)

Mr James has held a number of high profile executive positions during his career and has extensive experience in the financial services sector. Mr James' past roles have included Managing Director of Australian Financial Services for Colonial and Managing Director of Colonial State Bank (formerly the State Bank of N.S.W). Mr James' most recent executive role was as Chief Executive Officer of the Mayne Group. He is also a Member of the Supervisory Board of Wolters Kluwer NV. Mr James is the Chairman of Pulse Health Ltd, Progen Pharmaceuticals Ltd, Non-Executive Director of Greencross Ltd and Non-Executive Director of Phosphagenics Ltd. Mr James is Chairman of the Audit, Remuneration and Nomination Committees.

Mr Simon Madder **B.COMM**
Managing Director & CEO (Appointed 2 January 2007)

Mr S Madder is the Managing Director and CEO of Prime. Mr S Madder was the co-founder and Managing Director of Prime Development Fund Ltd ('PDF') (since 1998). Mr S Madder has 15 years experience in the financial services and advisory industry across operations, strategy and acquisitions. Mr S Madder is a member of the Audit, Remuneration and Nomination Committees.

Mr Stephen Bennett **B.BUS, FCA**
(Resigned 27 March 2012)

Mr Bennett has 30 years experience in the accounting profession in both an international firm and Sydney based Wynn & Bennett Pty Ltd ('Wynn & Bennett'), where he is Managing Partner. Apart from providing taxation and accounting solutions, he is heavily involved in providing business and structuring advice to start up and growing businesses. Mr Bennett was the Chairman of the Audit Committee and was a member of the Remuneration Committee.

Mr Peter Madder **FCA, FCPA, ACIS**
(Appointed 2 January 2007)

Mr P Madder is the co-founder of PDF and has also been the Managing Partner of two accounting firms. Mr P Madder has 35 years experience advising clients on financial matters as a Chartered Accountant, as well as experience across business structuring, corporate finance and acquisitions. Mr P Madder is a member of the Audit, Remuneration and Nomination Committees.

Mr Campbell Kennedy **B.COMM, CA, GRAD DIP APP CORP GOV**
Company Secretary (Appointed 2 February 2005)

Mr C Kennedy is a Chartered Accountant who has more than 13 years experience in a variety of accounting roles, both in Australia and the United Kingdom.

DIRECTORS' 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 James	11	11	4	4
Mr S Madder	11	11	0	0
Mr Bennett	7	7	3	3
Mr P Madder	11	11	4	4

A meeting of the Remuneration Committee was held during the year ending 30 June 2012 and attended by all Directors who were members of the Remuneration Committee.

No formal meeting of the Nomination Committee was held during the year ended 30 June 2012.

DIRECTORS' INTERESTS IN SHARES OR OPTIONS

Directors' relevant interests in shares and options over shares in the company are detailed below:

Director's relevant interests in:	Ordinary shares	Options over shares
Mr James	3,900,000	-
Mr S Madder	7,951,709	-
Mr P Madder*	4,831,290	-

* Includes partly paid shares.

DIRECTORS' INTERESTS IN CONTRACTS

Mr Bennett is the Managing Director of, and shareholder in Wynn & Bennett, in which PDF is a significant shareholder. Mr Bennett receives a commercial remuneration in respect of this role.

During the financial year, interests associated with Mr P Madder received fees for work performed on a commercial basis (refer also note 23 of the financial statements).

AUDITOR'S INDEPENDENCE DECLARATION

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

REMUNERATION REPORT

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, where necessary. During the year, the Remuneration Committee did not seek professional advice as no contracts for Executive Directors or Senior Executives were due for renewal.

(I) PRINCIPLES OF COMPENSATION

The Company will remunerate 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 performance cash bonus designed to reward achievement by individuals of performance objectives; and
- Participation in Prime Employee Share Plan.

Senior Executives can be employed under either a fixed term contract or a continuous employment agreement. The term of any such contract is set by the Remuneration Committee in accordance with market practice.

By remunerating senior executives through performance 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/ strategy is to provide a clear intention to improve the Company's fiscal performance, and thereby increase underlying shareholder value.

Fixed Salary

Fixed Salary is determined from a review of the market that takes into account an individual's responsibilities, performance, qualifications and experience. The broad goal is that fixed salary for individuals is market competitive and within a similar range to peers in comparative roles.

Depending on the role the executive is undertaking, benchmarking data is drawn from the advice of an external remuneration consultant or alternatively information that is publicly available from industry related peers.

During the financial year, senior executives Fixed Salary typically increased by CPI or AWOTE, unless the executive involved increased their level of responsibility within Prime.

Performance Cash Bonus

Key management personnel that are remunerated under the Senior Executive Remuneration Policy are eligible for an Annual Performance Cash Bonus. In determining whether or not management are eligible for a Performance Cash Bonus, the Remuneration Committee review the achievement of both Financial and Non-Financial key performance indicators (KPI's) for the year compared with managements personal KPI's that had been set for the year. The achievement of some or all of the KPI's will allow the Remuneration Committee to determine the level of Performance Cash Bonus that is paid.

Specific KPI's that are applied to management by the Remuneration Committee to measure performance are set out below:

- Earnings before interest and Tax (EBIT)
- Earnings per Share (EPS)
- Gearing levels
- New Funds under Management (FUM)
- Lost Funds under Management (FUM) and Maintenance of Existing Clients
- New Business Revenue including the growth in Key Revenue Streams
- Compliance Management
- Rollout and Execution of Key Business Strategies
- Operating Margins
- Performance of Key Investees
- Other Items identified of importance from time to time

The Financial KPI's are a direct measure of the Company's performance. The Non-Financial KPI's are related directly to business drivers that generate financial performance. Through the achievement of these KPI's the Company aligns its interests with shareholders through an increase in value of the organisation.

Prime Employee Share Plan

The Prime Employee Share Plan is designed to reward eligible employees for their ongoing commitment to Prime and to provide the employee additional incentive to improve the long-term financial performance of Prime.

Non-Executive 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 2012 Financial Year, $135,437 was paid to Non-Executive Directors.

Non-Executive Directors do not, and will not receive performance based bonuses and shall not participate in equity-based remuneration schemes of the Company which the Company may elect to establish in the future.

(II) KEY MANAGEMENT PERSONNEL

Key management personnel	
NON-EXECUTIVE DIRECTORS	
Mr Stuart James	Non-Executive Chairman
Mr Stephen Bennett	Non-Executive Director (resigned 27 March 2012)
EXECUTIVE DIRECTORS	
Mr Simon Madder	Managing Director and CEO
Mr Peter Madder	Executive Director – Corporate
OTHER KEY MANAGEMENT PERSONNEL	
Mr Matthew Cohen	National General Manager
Mr Mark Johnson	State Manager and Managing Director of Carroll Pike & Piercy Pty Ltd
Mr Campbell Kennedy	Chief Financial Officer and Company Secretary

(III) KEY MANAGEMENT PERSONNEL COMPENSATION

2012

	Short-term			Post employment		Long-term	Share-based payments	Total	Total performance related
	Salary/ fees $	Cash bonus $	Non-monetary $	Super $	Retirement benefits $	Incentive plans $	Options $	$	%
NON-EXECUTIVE DIRECTORS									
Mr S James	95,871	-	-	8,629	-	-	-	104,500	0
Mr S Bennett	30,937	-	-	-	-	-	-	30,937	0
Sub-total	126,808	-	-	8,629	-	-	-	135,437	
EXECUTIVE DIRECTORS									
Mr S Madder#	425,183	82,826	-	45,721	-	-	-	553,730	19
Mr P Madder**	321,540	-	-	-	-	-	-	321,540	0
OTHER KEY MANAGEMENT PERSONNEL									
Mr M Cohen	183,334	-	-	-	-	-	-	183,334	0
Mr M Johnson	200,517	4,587	-	18,460	-	-	-	223,564	2
Mr C Kennedy	173,635	-	-	15,627	-	-	-	189,262	0
	1,431,017	87,413	-	88,437	-	-	-	1,606,867	

The bonus relates to the 2011 financial year, however, was paid in the 2012 financial year. The bonus was 51% lower in 2012 versus 2011, this is a decrease of $85,441. Overall remuneration fell by 12.5% for the 2012 financial year.

Based on the 2012 financial year result, there is no bonus payable.

** The above includes all payments to entities associated to Mr P Madder (refer to note 23 of the financial statements).

2011

	Short-term			Post employment		Long-term	Share-based payments	Total	Total performance related
	Salary/ fees $	Cash bonus $	Non-monetary $	Super $	Retirement benefits $	Incentive plans $	Options $	$	%
NON-EXECUTIVE DIRECTORS									
Mr S James	91,743	-	-	8,257	-	-	-	100,000	0
Mr S Bennett	35,000	-	-	-	-	-	-	35,000	0
Sub-total	126,743	-	-	8,257	-	-	-	135,000	
EXECUTIVE DIRECTORS									
Mr S Madder#	412,000	168,267	-	52,223	-	-	-	632,490	27
Mr P Madder**	311,575	-	-	-	-	-	-	311,575	0
OTHER KEY MANAGEMENT PERSONNEL									
Mr S Carroll	206,497	-	-	18,585	-	-	-	225,082	0
Mr M Johnson	185,321	13,761	-	17,918	-	-	-	217,000	6
Mr N Pike	206,497	3,257	-	18,878	-	-	-	228,632	1
Mr A Piercy	187,724	-	-	16,896	-	-	-	204,620	0
Mr C Kennedy	165,366	-	-	14,884	-	-	-	180,250	0
	1,801,723	185,285	-	147,641	-	-	-	2,134,649	

The bonus relates to the increased profit from the 2009 financial year to the 2010 financial year. This 2010 result was a 34% increase in NPAT, 26% increase in EBIT and a 15% increase in EPS. The bonus was paid in the 2011 financial year, but relates to the material increase in profit in the 2010 financial year.

** The above includes executive services provided by Mr P Madder (refer note 23 for further details).

Signed in accordance with a resolution of the Directors.

Mr Stuart James
Chairman

27 August 2012

William Buck

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 30 June 2012 there have been:

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

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

H.D. Paton
Director

Dated this 27th day of August 2012

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

Melbourne: Level 20, 181 William Street, Melbourne VIC 3000 | **Hawthorn:** Level 1, 465 Auburn Road, Hawthorn East VIC 3123
PO Box 185, Toorak VIC 3142 • Telephone: +61 3 9824 8555 • Facsimile: +61 3 9824 8580
williambuck.com

Corporate Governance Statement

OVERVIEW

The Board of Prime is committed to the highest standards of corporate governance, whereby shareholder' interests are paramount.

The Board is responsible for the corporate governance of the consolidated entity and monitors the business and affairs of Prime on behalf of all shareholders, by whom they are elected and to whom they are accountable.

In accordance with the Australian Stock Exchange's Corporate Governance 'Revised Principles and Recommendations' ('the Recommendations'), this Corporate Governance Statement is required to contain certain information and report on Prime's adoption of the Recommendations. To this end, disclosure is required in respect of any recommendations which have not been adopted by Prime, together with reasons why they have not been adopted.

Prime's Corporate Governance Policy is structured with reference to the Council's Recommendations, which are as follows:

Prime's Corporate Governance Policy	
Principle 1	Lay solid foundation for management and oversight
Principle 2	Structure the Board to add value
Principle 3	Promote ethical and responsible decision making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Remunerate fairly and responsibly

The Board aims to adhere to the Recommendations set down by the Council with due regard to economic practicalities and the underlying interests of stakeholders.

A full copy of the Prime's Corporate Governance Policy can be found on Prime's website (www.primefinancial.com.au).

INDEPENDENCE

Recommendation 2.1 requires a majority of the Board to be independent Directors.

The Corporate Governance Council ('the Council') defines 'independence' as being free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of unfettered and independent judgement.

The Director who is independent in accordance with the Council's definition is Mr James. Prime does not have a majority of independent Directors on the Board at this time. The composition of the Board shall be reviewed by Prime and the Board with due regard to Prime's evolving business activities.

Mr James (Chairman) is considered independent.

Mr S Madder is the Managing Director and Chief Executive Officer of Prime. Mr S Madder is also the Managing Director of Prime Development Fund Pty Ltd (PDF) (Formerly Prime Financial Group Ltd) and is a co-founder (together with Mr P Madder) of that company which is a wholly owned subsidiary. Mr S Madder is not classified as independent.

Mr P Madder is the Chairman and co-founder of PDF. PDF is a wholly owned subsidiary and material investee of the Company. Mr P Madder is an executive of Prime and is considered to be an Executive Director. Mr P Madder is not classified as independent.

The Chairperson of the Board is currently Mr James who is an independent Director.

The Board is required to establish a Nomination Committee to examine the selection and appointment of Directors. Prime has established a Nomination Committee which currently comprises Mr James (Chairman), Mr P Madder and Mr S Madder. No formal meeting of the Nomination Committee was held during the year ended 30 June 2012.

The Board undertakes periodic performance evaluations based upon appropriate commercial criteria, having due regard to the cost/benefit thereof. The Board's performance shall be measured against both "qualitative" and "quantitative" indicators (subject to basic commercial principles). The objective of this evaluation is to adhere to "best practice corporate governance" for the Company. No formal performance evaluation of the Board members was undertaken during the year ending 30 June 2012.

Any other Directors shall be appointed, based on the specific governance skills required by the Company after detailed evaluation of the cost/benefit to the Company, and hence its shareholders. The Company acknowledges that it will at all times require at least two Directors with (direct and current) experience in the financial services industry, having due regard to the Company's market and its current and intended activities.

STRUCTURE OF THE BOARD

An effective Board is one that facilitates the efficient discharge of its duties under the law and adds value to Prime. The skills, experience and expertise of each Director of Prime as at the date of this Annual Report are included in the Directors' Report.

The term of office of each Director as at the date of this Annual Report is as follows:

Name	Term of Office
Mr James	75 months
Mr S Madder	67 months
Mr P Madder	67 months

Prime has established procedures which enable the Board collectively and each Director individually to seek independent professional advice at the expense of Prime.

CODE OF CONDUCT

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has committed to adhere to an underlying corporate "Code of Conduct" to guide compliance with legal and other obligations to legitimate stakeholders. A full copy of the Company's Code of Conduct can be found within the Company's Corporate Governance Policy on Prime's website (www.primefinancial.com.au).

TRADING POLICY

The Company has implemented a Policy under which Designated Officers may only trade in the Company's securities during the four months commencing immediately after the release by the Company of its half-yearly results to the ASX and the release by the Company of its annual results to the ASX. If Designated Officers wish to trade in the Company's Securities outside of the trading windows, they must first seek permission from the Chairman. The Chairman will only approve the request in situations of severe financial hardship or other exceptional circumstances, where the Designated Officer has provided a compelling reason for needing to trade outside of the trading windows and the Designated Officer has confirmed that they are not in possession of any unpublished price sensitive information. A full copy of the Company's Trading Policy is contained in Prime's Corporate Governance Policy, which is publicly available on Prime's website.

AUDIT COMMITTEE

The Board has established an Audit Committee. The Committee's Chairman is Mr James. The other members of the Committee are Mr S Madder and Mr P Madder. One of the three Audit Committee members is an independent Director, being Mr James. Mr S Madder and Mr P Madder are not independent Directors. The qualifications of the Directors are included in the Directors' Report.

A formal charter of the Audit Committee's role and responsibilities is contained in Prime's Corporate Governance Policy, which is publicly available on Prime's website.

Details concerning the frequency of and attendance at meetings of the Audit Committee are included in the Directors' Report.

ASX LISTING RULES COMPLIANCE POLICY

The Company has a continuous disclosure policy to ensure compliance with its legal obligations and the ASX listing rules. This policy is contained in the Prime Corporate Governance Policy.

SHAREHOLDER COMMUNICATION

The Company recognises its role as a representative/ charge of its shareholders. The Company will facilitate the effective discharge of its duty to shareholders. The Company, inter alia, is committed to communicating effectively with shareholders through releases to the market via ASX and information mailed to shareholders and the general meetings of the Company. Furthermore, communicating clearly and succinctly in relation to the general and fiscal affairs of the Company, in a plain manner. Allowing and enabling shareholders to participate in general meetings of the Company. The Company will also make available a telephone number and email address for shareholders to make enquiries of the Company, in relation to day to day enquiries.

REMUNERATION

The Board has established a Remuneration Committee. The members of the Committee are Mr James, Mr S Madder and Mr P Madder. A meeting of the Remuneration Committee was held during the year ending 30 June 2012 and was attended by all Directors who were members of the Remuneration Committee. The Chairman of the Remuneration Committee of Prime is Mr James, who is recognised as an independent Director in accordance with the definition of 'independence' contained in Prime's Corporate Governance Policy.

The disclosure of the nature and amount of each element of the fee and salary of each Director is included in the Directors' Report.

RISK MANAGEMENT

The Company recognises the importance of effective risk management. The Company's risk management policies are contained throughout Prime's Corporate Governance Policy. Measures taken by the Company to manage material risks, namely liquidity and interest rate risks are contained in this Annual Report. The Company also maintains rigorous quality control programmes.

Management has reported to the Board as to the effectiveness of the Company's risk management programmes and processes. The Board has also received assurance from the CEO and CFO that the s.295A declaration is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial risks.

DIVERSITY

The Company has a strong commitment to diversity and seeks to promote an inclusive culture where people are encouraged to succeed to the best of their ability. Diversity is about recognising and valuing the contribution of people from different backgrounds, with different perspectives and experiences. Diversity includes, but is not limited to, gender, age, disability, ethnicity, religion and cultural background.

The measureable objectives established for achieving gender diversity is to increase the number of women in the whole organisation and at senior management positions to 50% by 2015. The proportion of women employees in the whole organisation at present is 33%, the proportion of women in senior management positions at present is 45% and there are currently no women on the Board.

A full copy of Prime's Diversity Policy can be found on Prime's website.

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2012

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated Entity	
	Notes	**2012** **$**	**2011** **$**
Revenue	3	12,395,679	12,656,172
Accounting expenses		(178,890)	(131,493)
Administrative expenses		(330,888)	(273,510)
Amortisation	4	(156,000)	(156,000)
Collection/broking fees		(192,480)	(314,511)
Contractors' expense		-	(109,800)
Depreciation expense	4	(243,514)	(200,080)
Directors' fees		(135,437)	(135,000)
Employee benefits expense	4	(4,451,620)	(4,118,246)
Insurance		(243,340)	(235,703)
Finance costs	4	(674,536)	(554,948)
Legal fees		(246,301)	(172,288)
Licence fees		(140,158)	(136,899)
Listing and registry fees		(53,402)	(53,614)
Loss on sale of investment		(705,174)	-
Rent and outgoings		(345,512)	(336,528)
Travel		(144,817)	(150,353)
Other expenses from ordinary activities		(949,698)	(1,079,184)
Share of net profit of associates and partnerships accounted for using the equity method	10(i)	500,917	545,546
Profit before income tax		3,704,829	5,043,561
Income tax expense	5	(890,379)	(1,204,641)
Profit for the year attributable to owners of Prime Financial Group Ltd		2,814,450	3,838,920
Other comprehensive income		-	-
Total comprehensive income for the year attributable to owners of Prime Financial Group Ltd		2,814,450	3,838,920
Basic earnings per share	21	1.7	2.4
Diluted earnings per share	21	1.7	2.4

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

Consolidated Statement of Financial Position

AS AT 30 JUNE 2012

		Consolidated Entity	
	Notes	2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	7	250,913	406,293
Trade and other receivables	8	4,470,593	5,885,732
Other current assets		388,969	306,899
Total current assets		5,110,475	6,598,924
NON-CURRENT ASSETS			
Receivables	8	4,737,746	1,712,635
Plant and equipment	9	1,538,132	1,503,537
Investments accounted for using the equity method	10	20,432,670	21,361,901
Intangible assets	11	49,117,837	48,374,657
Deferred tax assets	5	16,154	7,933
Total non-current assets		75,842,539	72,960,663
Total assets		80,953,014	79,559,587
CURRENT LIABILITIES			
Bank overdraft	17(b)	-	183,924
Payables	12	2,500,191	2,130,297
Current tax payable	5	807,887	1,007,284
Provisions	13	434,543	514,657
Borrowings	14	26,755	11,728
Total current liabilities		3,769,376	3,847,890
NON-CURRENT LIABILITIES			
Borrowings	14	9,049,951	7,754,964
Total non-current liabilities		9,049,951	7,754,964
Total liabilities		12,819,327	11,602,854
Net assets		68,133,687	67,956,733
EQUITY			
Contributed equity	15	66,717,077	66,883,355
Treasury shares held	15	(3,447,656)	(3,402,814)
Accumulated profits	16	4,864,266	4,476,192
Total equity		68,133,687	67,956,733

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2012

	Contributed equity $	Accumulated profits $	Total $
Balance at 1 July 2010	**64,229,990**	**3,073,397**	**67,303,387**
Total comprehensive income for the period	-	3,838,920	3,838,920
Transactions with equity holders in their capacity as equity holders:			
Dividends paid	-	(2,436,125)	(2,436,125)
Purshases of shares made by Prime for an employee share trust	(749,449)	-	(749,449)
Total transactions with equity holders in their capacity as equity holders	**(749,449)**	**(2,436,125)**	**(3,185,574)**
Balance at 30 June 2011	**63,480,541**	**4,476,192**	**67,956,733**
Balance at 1 July 2011	**63,480,541**	**4,476,192**	**67,956,733**
Total comprehensive income for the period	-	2,814,450	2,814,450
Transactions with equity holders in their capacity as equity holders:			
Dividends paid	-	(2,426,376)	(2,426,376)
Purshases of shares made by Prime for an employee share trust	(44,842)	-	(44,842)
Shares bought back and cancelled	(166,278)	-	(166,278)
Total transactions with equity holders in their capacity as equity holders	**(211,120)**	**(2,426,376)**	**(2,637,496)**
Balance at 30 June 2012	**63,269,421**	**4,864,266**	**68,133,687**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated Entity	
	Notes	2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		11,514,422	14,137,460
Payments to suppliers and employees		(8,433,081)	(9,872,447)
Interest received		78,184	69,435
Dividends and distributions received		544,328	376,609
Interest paid		(674,536)	(554,947)
Income tax paid		(1,097,998)	(1,348,013)
Net cash provided by operating activities	17(a)	1,931,319	2,808,097
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for business acquisitions		(22,001)	(1,844,367)
Payments for intangible acquisitions		(712,345)	-
Proceeds from sale of business		-	1,008,000
Payments for plant and equipment		(278,109)	(772,811)
Proceeds from disposal of equity investments		380,000	217,075
Receipt of borrowings from key management personnel		57,162	72,594
Net cash used in investing activities		(575,293)	(1,319,509)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share buy-back		(166,278)	-
Proceeds from borrowings		1,321,742	295,408
Repayment of borrowings		(11,728)	(11,728)
Purchases of shares made by Prime for an employee share trust		(44,842)	(421,975)
Dividends paid		(2,426,376)	(2,429,642)
Net cash provided by/(used in) financing activities		(1,327,482)	(2,567,937)
Net increase/(decrease) in cash and cash equivalents		28,544	(1,079,349)
Cash and cash equivalents at beginning of year		222,369	1,301,718
Cash and cash equivalents at end of the year	17(b)	250,913	222,369

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

NOTE 1: BASIS OF PREPARATION

These financial statements are general purpose financial statements that have been prepared in accordance with Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements were approved by the directors as at the date of the directors' report.

The financial statements cover Prime Financial Group Ltd and controlled entities as a consolidated entity. Prime Financial Group Ltd is a company limited by shares, incorporated and domiciled in Australia.

The following is a summary of material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Compliance with IFRS

Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards (IFRSs).

Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(a) Principles of consolidation

Details of the investments are contained in Note 23(a).

A controlled entity ("subsidiary") is an entity over which Prime Financial Group Ltd has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

Subsidiaries are consolidated from the date control is obtained and are de-consolidated from the date control is lost.

(b) Revenue recognition

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividends and distributions received from associates are accounted for in accordance with the equity method of accounting for investments in associates.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(c) Cash and cash equivalents

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, and bank overdrafts.

(d) 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 comprehensive income.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will eventuate and the cost of the item can be measured reliably.

Depreciation

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.

NOTE 1: BASIS OF PREPARATION continued

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 and loss.

The useful lives for each class of assets are:

	2012	2011
Office equipment	6 to 10 years	6 to 10 years
Software	10 years	10 years
Plant and equipment	3 to 20 years	3 to 20 years
Motor vehicles	5 years	5 years
Leasehold improvements	5 years	5 years

(e) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to entities within the consolidated entity are classified as finance leases. Finance leases are capitalised, recording at the inception of the lease an asset and liability equal to the present value of the minimum lease payments, and disclosed as plant and equipment under lease.

Each lease payment is allocated between the liability and finance costs. Finance costs are charged to the profit and loss over the period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Operating leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

(f) Intangibles

Goodwill

Goodwill on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired entities at the date of acquisition. Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life, that has been determined as 5 years, and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(g) Impairment of assets

Assets with an indefinite useful life are not amortised but are tested 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.

(h) Taxes

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A liability approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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 whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(i) Employee benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the end of the reporting period are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the end of the reporting period.

(j) Investments

Investments in associates

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 they have significant influence if they have more than 20% of the voting rights.

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 an impairment is recognised, the amount is not allocated to the goodwill of the associate.

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.

(k) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the consolidated entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, with the exception of those measured at fair value through the profit and loss.

NOTE 1: BASIS OF PREPARATION continued

Classification and subsequent measurement

Financial instruments are subsequently measured at amortised cost using the effective interest rate method.

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Financial assets

Financial assets comprise trade receivables and loans to related prices.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

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.

(l) 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 balance sheet are shown inclusive of GST.

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

(m) Comparatives

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

(n) Business combinations

Business combinations occur when an acquirer obtains control over one or more businesses and result in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e.: the parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the acquirer.

At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent considerations classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are based on past performance and management's expectation for the future.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The group makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below:

(a) Estimated impairment of investments in associates, subsidiaries and goodwill

Investments are allocated to cash generating units (CGU's) according to applicable business operations for the purposes of assessing goodwill for impairment. Prime has split its investments into two CGU's, the first for the wealth management operations and the second for the accounting and SMSF operations. The recoverable amount of a CGU is based on value-in-use calculations. These calculations are based on projected cash flows approved by management covering a period not exceeding five years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using a discount rate of 11.4% to determine value-in-use for both CGU's. The wealth management CGU uses an average revenue growth rate of 10%, whilst the accounting CGU uses 5%.

The same value in use inputs are applied in considering whether any additional impairment loss is required with respect to the Group's net investment in associates. The directors have considered the sensitivity of the impairment assessments to a reasonably possible change in the above key assumptions and have determined that the occurrence of any such reasonably possible change would not result in the recognition of any impairment losses.

(b) Income taxes

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTE 3: REVENUE

	Consolidated Entity 2012 $	Consolidated Entity 2011 $
REVENUES FROM OPERATING ACTIVITIES		
WEALTH MANAGEMENT		
Brokerage commission	1,977,704	2,420,591
Advice fees	2,536,848	2,858,200
Financial planning income	1,152,676	1,255,183
Client engagement model licence fee (new)	1,829,000	-
Licence fees (recurring)	1,586,745	1,664,961
Staff recoveries	916,150	888,045
ACCOUNTING AND SMSF		
Consulting fees	2,083,189	3,252,283
Total income from operating activities	12,082,312	12,339,263
REVENUES FROM NON-OPERATING ACTIVITIES		
Interest received – associates	16,000	16,000
Interest received – key management personnel	19,763	19,003
Interest received – other	277,604	281,906
Total revenue from non-operating activities	313,367	316,909
Total revenues	12,395,679	12,656,172

NOTE 4: EXPENSES

	2012 $	2011 $
Profit/(Loss) from ordinary activities before income tax has been determined after:		
DEPRECIATION OF NON-CURRENT ASSETS		
Software	143,104	92,075
Office equipment	14,491	18,288
Plant and equipment	47,157	48,842
Motor vehicles	9,142	8,429
Leasehold improvements	29,620	32,446
Total depreciation of non-current assets	243,514	200,080
AMORTISATION OF NON-CURRENT ASSETS		
Development costs	156,000	156,000
FINANCE COSTS		
Interest expense	674,536	554,948
EMPLOYEE BENEFITS EXPENSE		
Salary and wages	3,665,378	3,470,456
Superannuation	419,517	424,908
Other	366,725	222,882
Total employee benefits expense	4,451,620	4,118,246

NOTE 5: INCOME TAX

	Consolidated Entity 2012 $	Consolidated Entity 2011 $
(A) THE COMPONENTS OF TAX EXPENSE:		
Current tax	894,431	1,255,957
Deferred tax	(4,052)	(51,316)
Total income tax expense	890,379	1,204,641
(B) THE PRIMA FACIE TAX ON PROFIT DIFFERS FROM THE INCOME TAX PROVIDED IN THE FINANCIAL STATEMENTS AS FOLLOWS:		
Total profit before income tax	3,704,829	5,043,561
At the statutory income tax rate of 30% (2011: 30%)	1,111,449	1,513,068
Add: Tax effect of:		
- Dividends received from associates	221,283	152,987
- Other non-allowable items	67,594	66,903
- Loss on sale of investment	211,552	-
Less: Tax effect of:		
- Accounting profit of associates	(150,275)	(163,664)
- Other allowable deductions	(327,575)	(177,319)
- Capitalisation deductions	(22,366)	(34,582)
- Imputation credits received	(221,283)	(152,987)
Under (over) provision in prior years	-	235
Income tax expense attributable to ordinary activities	890,379	1,204,641
(C) TAX ASSETS AND LIABILITIES		
Current tax payable		
- Opening balance	1,007,284	1,099,340
- Tax paid	(1,093,828)	(1,348,013)
- Current tax payable	894,431	1,255,722
- Over provision in prior years	-	235
Closing balance	807,887	1,007,284
Deferred tax assets		
- Provision for employee entitlements	146,496	154,968
- Provision for audit fees	8,850	19,200
- Capital raising costs	12,494	24,888
	167,840	199,056
Deferred tax liabilities		
- Deferred revenue	151,686	191,123
Net deferred tax liabilities	16,154	7,933
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 1(h) occur		
- Tax losses: capital losses	710,019	498,467

NOTE 6: DIVIDENDS ON ORDINARY SHARES

	Consolidated Entity	
	2012 **$**	**2011** **$**
(A) DIVIDENDS PAID DURING THE YEAR		
(i) Current year interim Fully franked dividend	1,208,313	1,218,062
(ii) Previous year final Fully franked dividend	1,218,063	1,218,063
	2,426,376	2,436,125
(B) PROPOSED DIVIDEND		
Proposed dividend as at the date of this report at 0.25 cents per share (2011: 0.75 cents per share) not recognised as a liability		
Proposed dividend payment	402,771	1,218,062
(C) FRANKING CREDIT BALANCE		
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and after deducting franking credits:	5,657,154	5,549,286
Impact on the franking account of dividends recommended by the Directors since the year end but not recognised as a liability at year end	(172,616)	(522,027)
	5,484,538	5,027,259

NOTE 7: CASH AND CASH EQUIVALENTS

CURRENT		
Cash at bank	250,913	406,293
	250,913	406,293

NOTE 8: RECEIVABLES

	Notes	Consolidated Entity 2012 $	2011 $
CURRENT			
Trade receivables		2,039,560	1,746,039
Amounts receivable from associates		2,299,573	3,186,076
Loan to executives	(a)	-	249,973
Loan to employees		131,460	703,644
		4,470,593	5,885,732
NON-CURRENT			
Amounts receivable from associates		2,260,122	-
Loan to executives	(a)	255,651	-
Loans to employees		2,221,973	1,712,635
		4,737,746	1,712,635

(a)

- Prime made an advance of $129,841 during the 2006 financial year, to Mr C Kennedy, an officer of the Company to acquire 300,000 shares in the Company. The balance of this loan as at 30 June 2012 is $162,750 ($154,588 at 30 June 2011). Interest payable on the loan for the 30 June 2012 financial year is $12,662 (2011: $12,009). The highest amount of indebtedness during the 2012 financial year was $162,750 (2011: $154,588). The loan has been made on a non-recourse basis, as part of Mr C Kennedy's employment arrangements with the Company, on normal commercial terms (refer to note 23).
- PDF has made an advance of $46,438 ($47,681 at 30 June 2011) since the 2004 financial year, to Mr S Madder, a Director of the Company to acquire 160,575 shares in the Company. The Prime shares are held as security against the loan, with the Prime dividend payments offsetting the loan. Interest payable on the loan for the 2012 financial year is $3,550 (2011: $3,496). The highest amount of indebtedness during the 2012 financial year was $48,563 (2011: $47,681).
- PDF has made an advance of $46,463 ($47,704 at 30 June 2011) since the 2004 financial year, to Mr P Madder, a Director of the Company to acquire 160,575 shares in the Company. The Prime shares are held as security against the loan, with the Prime dividend payments offsetting the loan. Interest payable on the loan for the 2012 financial year is $3,552 (2011: $3,498). The highest amount of indebtedness during the 2012 financial year was $48,585 (2011: $47,704).

NOTE 9: PLANT AND EQUIPMENT

		Consolidated Entity	
	Notes	2012 $	2011 $
SOFTWARE			
At cost		1,957,939	1,718,041
Accumulated depreciation		(741,292)	(598,188)
	9(a)	1,216,647	1,119,853
OFFICE EQUIPMENT			
At cost		352,767	346,720
Accumulated depreciation		(272,593)	(258,102)
	9(a)	80,174	88,618
PLANT AND EQUIPMENT			
At cost		481,121	456,439
Accumulated depreciation		(386,624)	(339,467)
	9(a)	94,497	116,972
MOTOR VEHICLES			
At cost		44,326	44,326
Accumulated depreciation		(17,571)	(8,429)
	9(a)	26,755	35,897
LEASEHOLD IMPROVEMENTS			
At cost		254,719	247,237
Accumulated depreciation		(134,660)	(105,040)
	9(a)	120,059	142,197
TOTAL PLANT AND EQUIPMENT			
At cost		3,090,872	2,812,763
Accumulated depreciation		(1,552,740)	(1,309,226)
Total written down amount		1,538,132	1,503,537

(A) RECONCILIATIONS

	Notes	Consolidated Entity 2012 $	Consolidated Entity 2011 $
Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current financial year.			
SOFTWARE			
Carrying amount at beginning		1,119,853	540,199
Additions		239,898	671,729
Depreciation expense		(143,104)	(92,075)
	9(a)	1,216,647	1,119,853
OFFICE EQUIPMENT			
Carrying amount at beginning		88,618	74,952
Additions		6,047	31,954
Depreciation expense		(14,491)	(18,288)
	9(a)	80,174	88,618
PLANT AND EQUIPMENT			
Carrying amount at beginning		116,972	120,052
Additions		24,682	45,762
Depreciation expense		(47,157)	(48,842)
	9(a)	94,497	116,972
MOTOR VEHICLES			
Carrying amount at beginning		35,897	44,326
Additions		-	-
Depreciation expense		(9,142)	(8,429)
	9(a)	26,755	35,897
LEASEHOLD IMPROVEMENTS			
Carrying amount at beginning		142,197	112,893
Additions		7,482	61,750
Depreciation expense		(29,620)	(32,446)
	9(a)	120,059	142,197

NOTE 10: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated Entity	
	2012 $	2011 $
Associated companies	20,432,670	21,361,901

Interests are held in the following associated companies:

Name	Country of incorporation	Ownership interest held by Consolidated Entity	
		2012 %	2011 %
Aintree Group Financial Services Pty Ltd	Australia	50	50
Brentnalls NSW Financial Services Pty Ltd	Australia	50	50
Nexia Perth Financial Planning Pty Ltd (previously MGI Perth Financial Planning Pty Ltd)	Australia	50	50
Bstar Financial Services Pty Ltd	Australia	50	50
Butler Settineri Financial Services Pty Ltd	Australia	50	50
CP Financial Planners Pty Ltd	Australia	50	50
Crispin & Jeffery Financial Services Pty Ltd	Australia	50	50
DM Financial Planners Pty Ltd	Australia	50	50
Dormers Financial Services Pty Ltd	Australia	40	40
GG Financial Services Pty Ltd	Australia	50	50
Hughes O'Dea Corredig Financial Services Pty Ltd	Australia	50	50
IMMS Financial Planning Pty Ltd	Australia	50	50
Lym Securities Pty Ltd	Australia	-*	50
Madder & Co Financial Services Pty Ltd	Australia	50	50
McBurney Financial Services Pty Ltd	Australia	50	50
McHenry Financial Services Pty Ltd	Australia	50	50
Munro's Financial Advisors Pty Ltd	Australia	50	50
M V Anderson Financial Services Pty Ltd	Australia	50	50
Pacifica Financial Services Pty Ltd	Australia	50	50
Pascoe Partners Financial Services Pty Ltd	Australia	50	50
PRM Financial Services Pty Ltd	Australia	50	50
Green Taylor Financial Services Pty Ltd (previously Prime Wealth Consultants Pty Ltd)	Australia	50	50
Prior & Co Financial Services Pty Ltd	Australia	-*	50
RMM Financial Services Pty Ltd	Australia	50	50
RJS Financial Solutions Pty Ltd	Australia	50	50
Rundles Financial Services Pty Ltd	Australia	50	50
Selingers Financial Services Pty Ltd	Australia	50	50
Signum Business Advisors Financial Services Pty Ltd	Australia	50	50
SPBS Financial Services Pty Ltd	Australia	50	50

Name	Country of incorporation	Ownership interest held by Consolidated Entity	
		2012 %	2011 %
Stanwycks Financial Services Pty Ltd	Australia	50	50
Wynn & Bennett Financial Services Pty Ltd	Australia	50	50
Bstar Pty Ltd	Australia	15	15
Demeyer Consulting Pty Ltd	Australia	50	50
Hughes O'Dea Corredig Pty Ltd	Australia	50	50
Pacifica Pty Ltd	Australia	35	35
Rundles Prime Pty Ltd	Australia	50	50
Wynn & Bennett Pty Ltd	Australia	50	50

* Refer note 18.

The principal activity of all the associates listed above is providing financial services or accounting services. Prime's voting power within its investments in associates is equivalent to its ownership. The associates listed above all have a year end and reporting date of 30 June 2012.

	Consolidated Entity	
	2012 $	2011 $
(i) Share of associate's profit		
Share of associate's:		
- net profit before income tax	711,532	764,574
- income tax expense attributable to net profit	(210,615)	(219,028)
Share of associate's net profit	500,917	545,546
(ii) Share of associate's revenues	8,795,824	9,866,597
(iii) Carrying amount of investment in associate		
Balance at the beginning of the financial year	21,361,901	24,166,267
- Contributions to existing investments	507,608	9,852
- Share of associate's net profit for the financial year	500,917	545,546
- Dividends/distributions received from associates	(544,328)	(386,059)
- Consolidation of associates	(142,671)	(2,756,630)
- Disposal of interests in an associate	(1,250,757)	(217,075)
Carrying amount of investment in associate at the end of the financial year	20,432,670	21,361,901
(iv) Share of associates' assets and liabilities		
Current assets	3,597,762	3,388,263
Non-current assets	5,379,318	6,754,965
Current liabilities	(2,699,640)	(2,339,614)
Non-current liabilities	(253,208)	(350,955)
NET ASSETS	6,024,232	7,452,659

NOTE 11: INTANGIBLE ASSETS

		Consolidated Entity	
	Notes	2012 $	2011 $
GOODWILL			
Cost	(a)	48,308,402	48,121,567
		48,308,402	48,121,567
DEVELOPMENT COSTS			
Cost		1,511,435	799,090
Accumulated amortisation		(702,000)	(546,000)
		809,435	253,090
Total intangibles		49,117,837	48,374,657

(A) RECONCILIATION OF GOODWILL

Balance at the beginning of the year		48,121,567	44,234,500
Additions via acquisition of subsidiary	18	186,835	3,887,067
Closing carrying value at end		48,308,402	48,121,567

Intangible assets represent goodwill on acquisitions of subsidiary companies in the financial services industry and their goodwill on acquisition of businesses in the financial services industry during the past five years. Goodwill has been accounted for at historical cost and carried forward on the basis of these subsidiaries/businesses and the goodwill to which they relate having an indeterminate life.

NOTE 12: PAYABLES

CURRENT		
Trade creditors	506,212	167,454
Other creditors and accruals	253,759	243,154
Earn-out agreement payable	332,000	332,000
GST payable	119,337	87,517
Amounts payable to associates	1,288,883	1,300,172
	2,500,191	2,130,297

NOTE 13: PROVISIONS

	Notes	Consolidated Entity 2012 $	Consolidated Entity 2011 $
CURRENT			
Employee entitlements		434,543	514,657
Movements in provisions other than employee benefit			
Employee entitlements			
- Carrying amount at the beginning of the year		514,657	437,619
- Additional provisions recognised		(80,114)	77,038
Carrying amount at the end of the year		434,543	514,657

NOTE 14: BORROWINGS

CURRENT			
Secured liabilities:			
Other borrowings		26,755	11,728
		26,755	11,728
NON-CURRENT			
Secured liabilities:			
Commercial bills	(a)	8,054,633	6,732,891
Bank loans	(b)	990,416	990,416
Other borrowings		4,902	31,657
		9,049,951	7,754,964

(a) The commercial bills are secured by a registered fixed and floating charge over all assets and uncalled capital of the Group, except the subsidiary Carroll Pike and Piercy Pty Ltd (CPP) which is secured by a second ranking security.

(b) This bank loan is secured by way of a fixed and floating charge over CPP, with Prime acting as guarantor to this bank loan.

NOTE 15: CONTRIBUTED EQUITY

(A) ISSUED AND PAID UP CAPITAL

		Consolidated Entity
	Notes	2012
Ordinary shares fully paid	(a)	66,698,217
Ordinary shares partly paid	(b)	18,860
		66,717,077

(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 sold.

(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.

(B) MOVEMENTS IN SHARES ON ISSUE

	Consolidated Entity 2012		Consolidated Entity 2011	
	No. of shares	$	No. of shares	$
Beginning of the financial year	164,482,874	66,883,355	164,482,874	66,883,355
Issued during the year				
- Shares bought back and cancelled	(1,300,000)	(166,278)	-	-
End of the financial year	163,182,874	66,717,077	164,482,874	66,883,355

(C) TREASURY SHARES HELD

During the prior year the Group purchased 90,000 (2011: 3,829,999) of its own issued ordinary shares. The shares are designated to be held in trust until they will be granted to employees as part of the terms of the employee share scheme. Each share held by the Group retains the same voting rights, rights to dividends and capital distributions as those of other ordinary shareholders.

	Consolidated Entity	
	2012 $	2011 $
Opening balance	3,402,814	2,653,365
Purchase of shares for the employee share trust	44,842	749,449
Closing balance	3,447,656	3,402,814

(D) CAPITAL MANAGEMENT

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board is constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the Board may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2012, the Board paid dividends of $2,426,376 (2011: $2,436,125). The Board's policy for dividend payments is a payout ration of 50% - 60% which is subject to potential acquisitions and debt reduction. The FY2012 dividend payout ratio is 46% based on full year normalised EPS (excluding one-off losses) of 2.2 CPS, or a 57% payout ratio based on reported EPS of 1.7 CPS.

The Board has no current plans to issue further shares on the market.

As at 30 June 2012, the Group had met its bank covenant requirements.

The Board monitors capital through the gearing ratio (net debt/total capital). The target for the Group's gearing ratio is between 5% - 15%. The gearing ratios based on operations at 30 June 2011 and 2012 were as follows:

		Consolidated Entity	
	Notes	2012 $	2011 $
Total borrowings#		8,086,290	6,960,199
Less cash and cash equivalents		(250,913)	(406,293)
Net debt		7,835,377	6,553,906
Total equity		68,133,687	67,956,733
Total capital		75,969,064	74,510,639
Gearing ratio:		10.3%	8.8%

Includes interest-bearing loans and borrowings. Refer to Note 14 and 17(c). Excludes the Macquarie bank loan which has an offsetting receivable.

NOTE 16: ACCUMULATED PROFITS/(LOSSES)

Accumulated profits	(a)	4,864,266	4,476,192
(A) ACCUMULATED PROFITS			
Balance at the beginning of year		4,476,192	3,073,397
Total comprehensive income for the year		2,814,450	3,838,920
Total available for appropriation		7,290,642	6,912,317
Dividends paid		(2,426,376)	(2,436,125)
Balance at end of year		4,864,266	4,476,192

NOTE 17: CASH FLOW INFORMATION

	Consolidated Entity	
	2012 $	2011 $
(A) RECONCILIATION OF THE NET PROFIT AFTER TAX TO THE NET CASH FLOWS FROM OPERATIONS		
Net profit	2,814,450	3,838,920
Non-cash items		
Depreciation/amortisation	399,514	356,080
Equity accounted profit after tax net of dividends and distributions received	43,411	(714,483)
Loss on disposal of associate	705,174	-
Changes in assets and liabilities		
(Increase)/decrease in current receivables	(1,212,132)	250,413
(Increase)/decrease in other assets and receivables	(6,915)	154,119
(Decrease)/increase in payables	(524,450)	(889,592)
(Decrease)/increase in provisions	(80,114)	(21,583)
(Decrease)/increase in deferred tax	(8,222)	(51,316)
(Decrease)/increase in tax payable	(199,397)	(114,461)
Net cash flow from operating activities	1,931,319	2,808,097
(B) RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash balance comprises:		
Cash at bank	250,913	406,293
Bank overdraft	-	(183,924)
Closing cash balance	250,913	222,369

(C) FINANCING FACILITIES AVAILABLE

Westpac Bank has in place an agreement with the Group to provide facilities amounting to $13,250,000. At the end of the reporting period these facilities have been utilised to the amount of $8,054,633. The facility includes a limit of $5,000,000 for potential acquisitions and a limit of $1,000,000 for an overdraft. The facility is reducing by $375,000 per quarter until 31 December 2013 when the available facility will be $11,000,000. Interest rates are set at the time of rollover of the bills which is usually at 30 or 90 day intervals. The current effective interest rate is 5.31% per annum.

Macquarie Bank has in place an agreement with CPP to provide facilities amounting to $1,000,000. As at 30 June 2012, the outstanding loan payable is $990,416. CPP has a corresponding loan receivable with its employees totalling $1,213,768. The repayment date is 31 December 2015.

NOTE 18: BUSINESS COMBINATIONS

On 12 October 2011, Prime acquired the remaining 50% equity in Lym Securities Pty Ltd ('Lym'), therefore, increasing Prime's equity to 100% in the Lym Financial Planning entity. The consideration for the additional 50% equity in the Lym Financial Planning entity was $15,000. The net profit after tax contribution and the revenue contribution from the Lym Financial Planning entity in Prime's consolidated profit and loss since the date of acquisition (12 October 2011) is $4,106 and $10,874 respectively. If the acquisition had occurred on 1 July 2011, the net profit after tax contribution and the revenue contribution would have been $4,549 and $18,546 respectively.

On 9 May 2012, Prime acquired the remaining 50% equity in Prior & Co Financial Services Pty Ltd ('Prior'), therefore, increasing Prime's equity to 100% in the Prior Financial Planning entity. The consideration for the additional 50% equity in the Prior Financial Planning entity was $7,001. The net profit after tax contribution and the revenue contribution from the Prior Financial Planning entity in Prime's consolidated profit and loss since the date of acquisition (9 May 2012) is ($363) and $1,321 respectively. If the acquisition had occurred on 1 July 2011, the net profit after tax contribution and the revenue contribution would have been ($344) and $9,708 respectively.

	Lym $	Prior $	Total $
Purchase consideration			
- Cash consideration	15,000	7,001	22,001
Consideration for remaining 50% of the investment	**15,000**	**7,001**	**22,001**
Fair value of equity accounted investment	97,671	45,000	142,671
Total consideration	**112,671**	**52,001**	**164,672**
Less:			
Receivables	10,206	9,113	19,319
Payables	(5,293)	(36,189)	(41,482)
Identifiable assets acquired and liabilities assumed	**4,913**	**(27,076)**	**(22,163)**
Goodwill	107,758	79,077	186,835

NOTE 19: EXPENDITURE COMMITMENTS

(A) OPERATING LEASE COMMITMENTS

PDF has entered into a commercial rental lease for Level 17, 644 Chapel Street, South Yarra, Victoria on 1 July 2010. The commercial rental lease has a life of four years from 1 July 2010. Future minimum rental payable under the operating lease is as follows:

	Consolidated Entity	
	2012 $	**2011 $**
OPERATING LEASE COMMITMENTS		
- within one year	266,939	256,672
- after one year but not more than 5 years	277,616	544,555
Total	544,555	801,227

NOTE 20: COMMITMENTS AND CONTINGENCIES

PDF provides cross guarantees to Pacifica Pty Ltd for $444,500 (2011: $357,000) and Rundles CPP Pty Ltd for $250,000 (2011: $250,000).

NOTE 21: EARNINGS PER SHARE

	2012 $	2011 $
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit after tax	2,814,450	3,838,920
Earnings used in calculating basic and diluted earnings per share	2,814,450	3,838,920

	2012 No. of shares	2011 No. of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	161,611,591	162,408,270
Effect of dilutive securities:		
Share options in the money		
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	161,611,591	162,408,270
Basic earnings per share (cents)	1.7	2.4
Diluted earnings per share (cents)	1.7	2.4

NOTE 22: AUDITOR'S REMUNERATION

	Consolidated Entity	
	2012 $	2011 $
Amounts received or due and receivable by the auditor for:		
Auditing or reviewing the financial report	96,000	89,000
	96,000	89,000

NOTE 23: RELATED PARTY DISCLOSURES

(a) The consolidated financial statements include the financial statements of Prime Financial Group Ltd and its controlled entities listed below:

		Percentage owned	
	Country of incorporation	2012 %	2011 %
PARENT ENTITY:			
Prime Financial Group Ltd	Australia		
SUBSIDIARIES OF PRIME FINANCIAL GROUP LTD			
Beksan Pty Ltd	Australia	100	100
Prime Development Fund Pty Ltd (PDF)	Australia	100	100

(b) The total amount of transactions that were entered into with related parties for the relevant financial year is provided below:

Transactions with key management personnel of the entity or its parent and their personally related entities.

Refer note 8 in relation to advances made to Mr S Madder, Mr C Kennedy and Mr P Madder to acquire shares in the Company.

Other transactions with director and/or specified executives and their personally-related entities

(i) Interests associated with Mr P Madder received $204,871 for executive services provided to the Company plus an additional $116,669 as a payment for the assignment of intellectual property, which forms the basis of the Company's new client engagement model. The minimum annualised payment under this agreement is $200,000 for a maximum of 5 years but this can be cancelled by the Company at any time by 12 months notice. The agreement also provides for an uplift payment based upon the sale and payment to the Company for new licenses to joint venture partners of that intellectual property. The total payments for the year were $321,540 (2011: $311,575).

Transactions with investments in associates

(i) The entities listed in Note 10 are all associated investments of PDF or Prime. PDF derives consulting fees from its equity investments in accounting and advisory firms.

PDF receives 100% of the income and pays 100% of the expenses for it's financial services equity accounted investments. PDF is reimbursed for the portion of expenses paid on behalf of the financial services equity accounted investment and transfers the portion of income relating to the financial services equity accounted investment (refer note 8).

The aggregate of the transactions between PDF and its associated investments are:

	Consolidated Entity	
	2012 $	**2011 $**
Consulting fees received from accounting and advisory firms	2,023,189	3,252,283
Income received from financial services	4,358,508	4,422,393
Expenses reimbursed from financial services equity accounted investments	(2,984,742)	(2,789,337)
	3,396,955	4,885,339

As at 30 June 2012, PDF has an outstanding loan receivable from the accounting firms of $1,070,123 (loan receivable of $1,069,124 at 30 June 2011). PDF also has an outstanding loan payable to its associated joint ventures of $1,288,883 relating to unpaid dividends (loan payable of $1,300,172 at 30 June 2011).

As at 30 June 2012, CPP has an outstanding loan receivable from the employees of Carroll Pike & Piercy Pty Ltd of $1,749,840 ($1,844,095 at 30 June 2011).

COMPENSATION FOR KEY MANAGEMENT PERSONNEL

Short-term employment benefits	1,518,430	1,987,008
Post employment benefits	88,437	147,641
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	1,606,867	2,134,649

NOTE 23: RELATED PARTY DISCLOSURES continued

NUMBER OF SHARES HELD BY KEY MANAGEMENT PERSONNEL

Key Management Personnel 2012

	Balance 01/7/11	Received as remuneration	Options exercised	Net change other	Balance 30/6/12
NON-EXECUTIVE DIRECTORS					
Mr S James	3,900,000	-	-	-	3,900,000
Mr S Bennett	496,843	-	-	-	496,843
Sub-total	4,396,843	-	-	-	4,396,843
EXECUTIVE DIRECTORS					
Mr S Madder	8,587,439	-	-	(635,730)	7,951,709
Mr P Madder	4,195,560	-	-	635,730	4,831,290
OTHER KEY MANAGEMENT PERSONNEL					
Mr M Cohen	70,000	-	-	-	70,000
Mr M Johnson	679,920	-	-	-	679,920
Mr C Kennedy	310,000	-	-	-	310,000
Total	18,239,762	-	-	-	18,239,762

Key Management Personnel 2011

	Balance 01/7/10	Received as remuneration	Options exercised	Net change other	Balance 30/6/11
NON-EXECUTIVE DIRECTORS					
Mr S James	3,900,000	-	-	-	3,900,000
Mr S Bennett	496,843	-	-	-	496,843
Sub-total	4,396,843	-	-	-	4,396,843
EXECUTIVE DIRECTORS					
Mr S Madder	8,587,439	-	-	-	8,587,439
Mr P Madder	4,195,560	-	-	-	4,195,560
OTHER KEY MANAGEMENT PERSONNEL					
Mr S Carroll	993,108	-	-	-	993,108
Mr M Johnson	679,920	-	-	-	679,920
Mr N Pike	897,490	-	-	-	897,490
Mr A Piercy	260,840	-	-	-	260,840
Mr C Kennedy	310,000	-	-	-	310,000
Total	20,321,200	-	-	-	20,321,200

NOTE 24: SEGMENT INFORMATION

The Group operates in one business segment, being investing in financial services, solely in Australia.

NOTE 25: FINANCIAL RISK MANAGEMENT

(A) FINANCIAL LIABILITY AND FINANCIAL ASSET MATURITY ANALYSIS

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payable, loans to and from subsidiaries and associates, bills, leases. The major financial risks that Prime is exposed to through its financial instruments are interest rate, liquidity and credit risk. This is reviewed on a monthly basis by the Board.

Cash flows expected to be realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

(i) Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2012 a majority of group debt is floating. The Group has no material exposure to changes in interest rates.

(ii) 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.

(iii) Credit risk

Credit risk is the risk that a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group. At 30 June 2012, Prime's receivables consist of amounts owing from trade receivables, employees, key management personnel and amounts receivable from associates.

The Group has no significant concentration of credit risk. The carrying amounts of financial assets best represent the maximum credit risk exposure at the statement of financial position date.

All other loan and receivable amounts, though unsecured, are not considered a significant credit risk. Amounts owing from employees and key management personnel are secured by shares in Prime, held in escrow until paid by the employees; shares can only be released from escrow upon satisfaction of amounts owing by the employee. All receivables are current and not considered to be impaired.

NOTE 25: FINANCIAL RISK MANAGEMENT continued

(B) FINANCIAL INSTRUMENTS

(i) Fair values

The net fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the statement of financial position and Notes to the financial statements. The Company did not directly hold any listed shares and equities at 30 June 2012 (2011: nil).

Financial instruments	Fixed interest rate maturing in 1 year or less		Fixed interest rate maturing 1 to 5 years		Floating interest rate maturing in 1 year or less	
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $
(i) Financial assets						
Cash	250,913	406,293	-	-	-	-
Receivables	2,060,827	2,022,739	1,618,380	1,712,635	-	-
Total financial assets	2,311,740	2,429,032	1,618,380	1,712,635	-	-
(ii) Financial liabilities						
Bank overdraft	-	-	-	-	-	183,924
Commercial bills	-	-	-	-	-	-
Other borrowings	26,755	11,728	4,902	31,657	-	-
Bank loans	-	-	990,416	990,416	-	-
Payables	-	-	-	-	-	-
Total financial liabilities	26,755	11,728	995,318	1,022,073	-	183,924

	Floating interest rate maturing in 1 to 5 years		Non-interest bearing maturing 1 year or less		Total carrying amount as statement of financial position		Weighted average effective interest rate	
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 %	2011 %
	-	-	-	-	250,913	406,293	2.4	2.9
	-	-	5,529,132	3,862,993	9,208,339	7,598,367	8.0	8.0
	-	-	5,529,132	3,862,993	9,459,252	8,004,660		
	-	-	-	-	-	183,924	-	10.8
	8,054,633	6,732,891	-	-	8,054,633	6,732,891	5.3	6.7
	-	-	-	-	31,657	43,385	8.3	8.3
	-	-	-	-	990,416	990,416	8.5	9.3
	-	-	2,500,191	2,130,297	2,500,191	2,130,297	-	-
	8,054,633	6,732,891	2,500,191	2,130,297	11,576,897	10,080,913		

NOTE 26: PARENT ENTITY DISCLOSURES

	Parent Entity	
	2012 $	2011 $
(A) CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	23,733,779	24,119,765
Non-current assets	41,952,755	41,943,557
Total assets	65,686,534	66,063,322
LIABILITIES		
Current liabilities	5,676,139	5,908,889
Non-current liabilities	151,686	191,124
Total liabilities	5,827,825	6,100,013
Net assets	59,858,709	59,963,309
EQUITY		
Contributed equity	66,717,077	66,883,355
Accumulated losses	(6,858,368)	(6,920,046)
Total equity	59,858,709	59,963,309
(B) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
Profit for the year	2,488,053	3,039,601
Other comprehensive income	-	-
Total comprehensive income	2,488,053	3,039,601

NOTE 27: ECONOMIC DEPENDENCY

The consolidated entity is not economically dependent upon another entity for revenue or financial support.

NOTE 28: SUBSEQUENT EVENTS

There has not been any matter or circumstance that has risen since the end of the reporting 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.

NOTE 29: NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

(I) AASB 9 FINANCIAL INSTRUMENTS, AASB 2009-11 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 9 AND AASB 2010-7 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 9 (DECEMBER 2010) (EFFECTIVE FROM 1 JANUARY 2013*)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013* but is available for early adoption.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The group has not yet decided when to adopt AASB 9.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

(II) AASB 10 CONSOLIDATED FINANCIAL STATEMENTS, AASB 11 JOINT ARRANGEMENTS, AASB 12 DISCLOSURE OF INTERESTS IN OTHER ENTITIES, REVISED AASB 127 SEPARATE FINANCIAL STATEMENTS AND AASB 128 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AND AASB 2011-7 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM THE CONSOLIDATION AND JOINT ARRANGEMENTS STANDARDS (EFFECTIVE 1 JANUARY 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 112 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

NOTE 29: NEW ACCOUNTING STANDARDS AND INTERPRETATIONS continued

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The group is still assessing the impact of these amendments.

The group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(III) AASB 13 FAIR VALUE MEASUREMENT AND AASB 2011-8 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 13 (EFFECTIVE 1 JANUARY 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

Directors' Declaration

The Directors of the company declare that:

1. the financial statements and notes, as set out on pages 25 to 56, 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 2012 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 1 to the financial statements.

2. the Managing Director and Chief Executive Officer, and Chief Financial Officer 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.

3. In the Directors' opinion there are reasonable grounds to believe that the company 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.

Stuart James
Director

27 August 2012

William Buck

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

Report on the Financial Report

We have audited the accompanying consolidated financial report comprising Prime Financial Group Limited (the Company) and the entities in controlled at the year's end or from time to time during the financial year (the consolidated entity). The consolidated financial report comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

Melbourne: Level 20, 181 William Street, Melbourne VIC 3000 | **Hawthorn:** Level 1, 465 Auburn Road, Hawthorn East VIC 3123
PO Box 185, Toorak VIC 3142 • Telephone: +61 3 9824 8555 • Facsimile: +61 3 9824 8580
williambuck.com

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

Auditor's Opinion
In our opinion:

a) the financial report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. 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.

Auditor's Opinion
In our opinion, the Remuneration Report of Company Name for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Matters Relating to the Electronic Presentation of the Audited Financial Report
This auditor's report relates to the financial report of Prime Financial Group Limited for the year ended 30 June 2012 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 report refers only to the 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 audited financial report to confirm the information included in the audited financial report presented on this web site.

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

H.D. Paton
Director

Dated this 27th day of August 2012

ASX Additional Information

Additional information required by the Australian Stock Exchange and not shown elsewhere in this report is as follows. The information is current as at 24 August 2012.

(A) DISTRIBUTION OF EQUITY SECURITIES

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	48	28,898
1,001 – 5,000	172	553,706
5,001 – 10,000	210	1,737,531
10,001 – 100,000	487	19,589,022
100,001 and over	185	139,178,157
	1,102	161,087,314

(B) TWENTY LARGEST SHAREHOLDERS

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

		Listed Ordinary Shares	
	Name	No. of shares $	Percentage of ordinary shares %
1.	Hudson Conway Investments Pty Ltd	8,028,789	4.98
2.	PFG Employee Share Plan Pty Ltd	8,011,454	4.97
3.	Garnfam Pty Ltd	7,766,666	4.82
4.	Mr Jeremy Michael Feiglin	5,913,993	3.67
5.	Bardex Finance Pty Ltd	5,375,806	3.34
6.	29th Marsupial Pty Ltd	5,367,704	3.33
7.	Sonning Road Pty Ltd	4,659,031	2.89
8.	National Nominees Limited	4,619,924	2.87
9.	Mr Stuart James & Mrs Gillian James	3,900,000	2.42
10.	Fenning Court Pty Ltd	3,850,000	2.39
11.	Mr Vaughan Webber	3,595,730	2.23
12.	Mr Simon Madder	3,048,823	1.89
13.	Prime Fin Group Emp Share A/C	3,020,000	1.87
14.	Hamco Nominees Pty Ltd	2,996,765	1.86
15.	Lyndoc Holdings Pty Ltd	2,382,993	1.48
16.	Mr Victor John Plummer	2,323,572	1.44
17.	Domain Investment (Melbourne) Pty Ltd	2,229,355	1.38
18.	M F Custodians Ltd	2,099,495	1.30
19.	Fifty Second Celebration Pty Ltd	2,000,000	1.24
20.	Mr Gabor Eugene Hubay	1,866,491	1.16

(C) VOTING RIGHTS

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

Corporate directory

PRIME FINANCIAL GROUP LTD
ABN 70 009 487 674
Level 17, Como Office Tower
644 Chapel Street
South Yarra VIC 3141
Phone (03) 9827 6999
Facsimile (03) 9827 9100
www.primefinancial.com.au

DIRECTORS
S. James
S. Madder
P. Madder

COMPANY SECRETARY
C. Kennedy

REGISTERED OFFICE
Level 17, Como Office Tower
644 Chapel Street
South Yarra VIC 3141
Phone (03) 9827 6999
Facsimile (03) 9827 9100

SOLICITORS
Holman Fenwick Willan

BANKERS
Westpac Banking Corporation

SHARE REGISTER
Computershare Investor Services
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

AUDITORS
William Buck
Level 20
181 William Street
Melbourne VIC 3000

PRIME FINANCIAL GROUP LTD
Level 17, Como Office Tower
644 Chapel Street
South Yarra VIC 3141
Phone (03) 9827 6999
Facsimile (03) 9827 9100
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