

20 August 2010

2010 Full Year Results

Summary

- FY10 NPAT up 34% to \$3.66M compared to normalised FY09
- FY10 EBIT up 26% to \$5.36M compared to normalised FY09
- Final dividend of 0.75cps, equates to full year dividend of 1.5cps (66% payout ratio)
- FY10 operating margin of 43% compared to 36% in FY09
- FUM at 30 June 2010 = \$1.025B
- \$80.0M of new FUM for FY10
- FY10 EPS up 15% to 2.3cps compared to normalised FY09
- Net debt of \$5.0M at 30 June 10 compared to \$6.5M at 30 June 09

Note: normalised earnings for FY09 excludes the capital loss on sale of investment

The 2010 financial year, as forecast at the November 2009 Annual General Meeting (AGM) has seen a significant improvement in Prime Financial Group Ltd's ('Prime's') operating performance. This has included a 26% increase in normalised EBIT, a reduction in net debt and a return to paying dividends. Stock market volatility subsided over the course of the year and the stock market ended the financial year 9.9% higher than it commenced, even though it tailed off in the final few months.

The overhead and operational adjustments that were made to strengthen and consolidate Prime in 2009 to position the business for future growth and margin improvement have been successfully implemented and have been a strong contributor to the result.

The industry focus in the past months by the government has been around proposed changes to the Financial Services sector, Self Managed Superannuation Funds (SMSF's) and Superannuation. Importantly, these proposed changes, which would still have to be legislated, will not materially impact our group as Prime's business model has and continues to be structured/positioned to deliver financial services where clients make a direct payment to Prime for those services.

Operations

Prime's business model has proved resilient over the past two years and in FY10 has returned to its growth profile with a substantial improvement in operational performance. Subject to the future performance of stock markets and the economic outlook, Prime remains confident of a continuing improvement in short-term operating profits and growth in long-term shareholder value.

Financial Planning new business and recurring income in both the 'Retail and Wholesale' Financial Planning operations have steadily improved in line with stock markets and client confidence. The group operating margin has improved from 36% in FY09 to 43% in FY10, a substantial improvement achieved through a combination of cost control and revenue improvements.

Prime continues to see strong long-term opportunities for growth in Financial Planning via the expansion of its client centric independent operating model free from conflicts of interest. This structure, which the wider Financial Services Industry is now moving to, ideally places Prime to take advantage of the significant opportunities to advise clients by promoting its competitive, integrated service offering.

Prime's Self Managed Superannuation & Accounting Services Investments have been consistent performers. The earnings contribution from these areas has been in line with FY09 however this area presents opportunity for improvement in its own right, separate to the support it provides for growing Financial Planning revenue and FUM.

Prime's primary focus will remain on organic growth in Financial Planning & Self Managed Superannuation; however Prime has and continues to selectively consider acquisitions in its core operations where there are clear benefits for consolidation and margin improvement and where those acquisitions can integrate with current operations.

The Team

Prime's dedicated team of professionals are an important component of the Company's growth plan.

The Prime team was dedicated to delivering quality service and ongoing advice to clients over the past 12 months. In an economic environment that was and continues to be challenging for clients and staff, Prime benefited from the Group's combined skills and resources.

Prime will continue to support the ongoing career development of its staff and provide the appropriate environment and resources to help develop knowledge, capabilities and personal growth.

I thank the team for their efforts and look forward to their ongoing contribution and encourage new ideas for the continued development of the Group and client offering. Directors also strongly acknowledge the advantages of aligning staff interests with those of shareholders in order to build long-term shareholder value. In line with this, Prime will continue to promote and encourage staff participation in the Group's Employee Share Plan (ESP).

Low Debt

Prime has taken a prudent approach and reduced debt levels in FY10 further from FY09 levels. Prime has a low gearing level with net debt of \$5.0M at 30 June 2010 equating to a gearing ratio of approximately 7%.

Dividend Policy

Directors are pleased to reinstate Prime's dividend programme after a period of restraint in FY09. The full year dividend of 1.5 CPS represents a dividend payout ratio of approximately 66%. Subject to potential acquisitions and debt reduction, Prime's Directors expect that future payouts will be in line with these levels.

Looking Forward

The Directors believe the business is well positioned for growth with an increasing level of service provided to clients, utilising our industry competitive fee structure. Consideration will be given to appropriate tuck in acquisitions, but only if they meet our investment criteria and provide superior returns and benefits.

The 2011 financial year has commenced well, but due to market volatility and economic uncertainty the Directors believe that profit guidance is difficult at this time.

The team looks forward to continuing to grow Prime and are focussed on improving shareholder value and ongoing client service.

Prime

Prime is a National Financial Services & Advisory Group providing Financial Planning, Self Managed Superannuation and Accounting Services.

For more information on this announcement please contact Simon Madder (Managing Director/CEO) on 03 9827 6999.

Simon Madder (Managing Director/CEO)