

26 August 2011

2011 Full Year Results

Summary

- FY2011 NPAT up 5% to \$3.84M compared to FY2010
- FY2011 EBIT up 3% to \$5.50M compared to FY2010
- FY2011 Income up 2% compared to FY2010
- Final dividend of 0.75cps, equates to full year dividend of 1.5cps (62.5% payout ratio)
- FY2011 operating margin maintained at 43%
- FUM at 30 June 2011 = \$1.055B, up \$30.0M from 30 June 2010
- \$101.0M of new FUM for FY2011
- FY2011 EPS up 4% to 2.4cps from 2.3cps in FY2010
- Net debt of \$6.4M at 30 June 2011

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

- Financial Planning;
- Investment Advice;
- Asset Protection & Life Insurance;
- 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 how to 'Build Wealth and Protect Assets'.

Prime's value proposition is our unique ability to deliver quality Wealth Management Services to clients across Australia using Prime's proven business model.

Review of Operations

The FY2011 financial results have been achieved in an environment of challenging economic conditions and falling investor confidence. Despite these business conditions, Prime's diversified business model continues to prove its ability to attract new clients and additional Funds under Management (FUM).

For the year 76% of the Group's Income was generated from Wealth Management and 24% from Accounting Firm Investees.

Wealth Management Income fell by 4% in FY2011. Although the Australian stock market rose in the twelve months to June 2011 by approximately 9%, a lack of investor confidence in the stock market was reflected by

lower Equities trading volumes and higher than usual client exposures to Cash & Fixed Interest investments. These factors had a direct impact on Wealth Management Income.

Despite the fall in Income, Prime experienced positive underlying organic growth in new clients and FUM. For the year there was a significant uplift in new client opportunities, increasing from an average of 31 per month in FY2010, to 43 per month in the first half of FY2011 and 51 per month in the second half of FY2011. In addition, Prime generated new FUM of approximately \$101M as both new and existing clients provided Prime with additional funds to manage. This was however offset by clients shifting \$51M of FUM away (lost clients) and market movements which equated to a Net FUM increase of \$30M, for total FUM of \$1.055B up from \$1.025B at 30 June 2010.

Prime's Asset Protection & Life Insurance business continues to grow as clients increasingly seek to not only build wealth but protect it through appropriate structures and Personal Life Insurances. Prime increased the income generated from delivering Asset Protection & Life Insurance advice during the year by 55%. Asset Protection & Life Insurance business now accounts for 17% of New Business income, up from 10% in the previous year, a very encouraging sign.

Prime continues to see long-term opportunities for growth in Wealth Management via the expansion of its client centric independent operating model.

Prime's Accounting Investees contribution to income was 28% higher in FY2011. This is a reflection of the restructuring and investment that was undertaken and an overall improvement in the Investees. Further work continues on the development of these Investees, their growth profile and the services they deliver and importantly the Wealth Management opportunities that are sourced from them.

Prime's overheads were marginally higher over the course of the financial year principally due to Prime's continued investment in business development and marketing activity which was aimed at continual improvement in client service levels and accessing new clients.

Overall, the Group operating margin was maintained at 43%.

Prime's business is in good condition with continued new client opportunities for our core Wealth Management Services, including Financial Planning & Investment Advisory and Asset Protection & Life Insurance. Prime also has a solid diversified income base that is typified by high levels of recurring income and exposure to non-stock market related income, such as Accounting Investees. Prime's core focus will remain on organic growth in Wealth Management, however Prime continues to seek out opportunities to expand our national profile through acquisitions and recruitment.

Low Debt

The generation of positive operational cash flow remained a priority in FY2011 and the Prime business delivered consistent cash flows throughout the year. Whilst debt levels did increase marginally, through acquisition / restructuring activity and employee share plan share purchases, Prime remains conservatively geared with a current debt level of \$6.4M at 30 June 2011 equating to a gearing ratio of approximately 8.6%.

Dividend Policy

Prime is pleased to announce a final dividend of 0.75 cents per share (CPS) which when added to the interim dividend of 0.75 CPS equates to a full-year dividend of 1.5 CPS. This represents a dividend payout ratio of 62.5%.

Looking Forward

Volatile conditions in global and local stock markets and the direct impact on investor confidence make it difficult to forecast financial outcomes for FY2012. However, Prime is well placed for the year ahead with its experienced management team and proven business model, systems and processes.

The Team

I would like to thank the entire Prime team for their ongoing commitment to quality client service. Especially in times of market volatility, all team members play an essential role in delivering advice and support to our diverse client base, thank you again for all of your efforts.

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

Simon Madder (Managing Director & CEO)