

Annual Report

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16

Integrated Wealth Management

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Prime Financial Group is an  
ASX Listed Integrated Wealth  
Management Firm for business  
owners and family groups.

Prime's goal is for clients to  
receive complete Accounting  
& Wealth Management Advice.

# Managing Director/CEO & Chairman's Report

## FY16 Annual Results

Members of the Parent Entity

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

We are pleased to report a Profit Before Income Tax for members of the parent entity of \$3.94m (Consolidated \$5.95m) and a Profit After Income Tax of \$3.23m (Consolidated \$4.59m). The profit is at the higher end of the previous forecast profit provided in the market update on 22 June 2016. This represents a 116% increase over the reported 2015 Profit After Income Tax (Consolidated 123%).

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

## Other Key Performance Indicators

- Excluding the 2015 impairment charge the underlying Profit Before Income Tax increased by 5% while the Profit After Income Tax increased by 20%
- Normalised Earnings Per Share increased by 19%
- Revenue increased by 9%
- Debt reduced by 69% from \$7.4m to \$2.3m

## Business & Operating Environment

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

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

The Australian stockmarket during the financial year ending 30 June 2016 was down approximately 3%. This, combined with the sale of a wealth management entity as part of a broader divestment led to a reduction in wealth management recurring revenue. This however was offset by increasing accounting revenue through Share of Profit plus a profit on the restructure of investments in accounting firms and wealth management businesses.

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

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

## Prime's Operations

Prime's revenue is generated through a wealth management operation that directly services its own clients and the clients of Prime's 35 investments in wealth management entities (co-owned with accounting firms). Prime also has investments in accounting entities, 'directly' and through Prime subsidiary Prime Accounting & Wealth Management Pty Ltd (PWM).

## Strategy

Prime's key strategic objectives are;

1. For the Prime brand to be known as the destination for complete Accounting, Wealth Management and Advice
2. To become the Premier Partner to Accountants for Growth and Integrated Wealth Management, by;
  - a. Building Wealth Management entities with Accountants to 'complete' their client service offering utilising Prime's Client Engagement Model (CEM)
  - b. Investing equity capital into Accounting Firms for Growth and to address internal Succession Planning where appropriate
  - c. Enabling Accounting Firms strategy through a clear Vision of the Future of Advice, Client Service and efficient Operating Model
3. Deliver Personalised Advice for Business Owners and Family Groups for a Secure Financial Future
4. Focus Client Service around a theme of 'Immediate Fulfilment' (anytime, anywhere) and 'Co-Created Client Experiences' delivered within established and developing Prime systems, processes and technology
5. Utilise Technology, Centralisation and Global Labour Resources to enable growth, scalability and continuous and improved client service and value in a combined physical and digital environment
6. At our core, build a culture of innovation

## Key Developments

The key developments for Prime have included;

### Marketing

1. Creation of 'Whitepapers' and other regular thought leadership pieces on 'The future of Advice'
2. Implementation of Prime's 'Accountant Advisory Board' to help guide future strategies around CRM, database development and more Integrated Client Engagement
3. Delivery of Strategic Marketing support to Accounting Partners
4. Regular production of client focused content through campaigns across Digital, Social and Physical channels
5. Corporate sponsorship of both charity events, and a local sporting club partnership to promote social causes and local community engagement
6. Trialing direct to market digital campaigns for new client opportunities

### Technology

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

# Managing Director/CEO & Chairman's Report

## continued

### Investment Advice

1. Increased use of Prime's Separately Managed Accounts (SMA's). SMA Funds Under Management (FUM) were \$96m at 30 June 2016, up from \$19m a year earlier
2. Rollout of Prime's International SMA on 18 February 2016

### Performance

(1/07/13 – 30/06/16)

PRE-FRANKING CREDITS	3 YEAR AV.
<b>Prime Australian Equity Growth Portfolio</b>	<b>9.31%</b>
S&P/ASX200 Accumulation Index	7.66%
<b>Prime value added</b>	<b>1.65%</b>
<b>Prime Australian Equity Income Portfolio</b>	<b>6.66%</b>
S&P/ASX200 Accumulation Index	7.66%
<b>Prime value added</b>	<b>(1.00%)</b>
<b>Prime Defensive Income Portfolio</b>	<b>3.28%</b>
Bloomberg Bank Bill Index	2.85%
<b>Prime value added</b>	<b>0.43%</b>

3. Increased use of Prime's 'three tier' service offering for clients from Self Directed investors through to Full Advice clients
4. Group FUM declined by \$74m to \$977m principally due to outflows from business divestments of \$46m and other movements of \$33m

### Resourcing

1. Prime has increased Financial Advisory staff in both New South Wales, a key market opportunity for Prime, and also in Western Australia where Prime is also seeking to grow
2. Another key area of investment for Prime has been in Marketing where Prime continues to build our operations
3. Progress has also been advanced to further imbed Prime's global labour resourcing model which is a key part of Prime's growth strategy

### Investments & Divestments

1. On 21 July 2015, Prime completed the transfer of two of its existing investments in Accounting Firms and their related Wealth Management Entities to its subsidiary PWM. After allowing for Prime's capital contribution to PWM of \$1.8m an amount of approximately \$3.6m was available to pay down existing bank debt
2. On 26 August 2015 Prime sold its direct 50% interest in a Sydney based Accounting and Wealth Investment to the existing principals. Prime realised \$2.5m from the sale
3. On 1 September 2015, Prime acquired a 40% interest in Accounting & Advisory Firm Watermans International Holdings Pty Ltd
4. On 8 December 2015, Prime increased its investment in Accounting & Advisory Firm MPR Group Pty Ltd from 10% to 40%
5. On 5 August 2016, Prime increased its investment in Accounting & Advisory Firm MPR Group Pty Ltd from 40% to approximately 93%
6. On 26 August 2016 Prime's 93% owned MPR Group (MPR) announced it had acquired the majority of the accounting client base of Watermans International Holdings Pty Ltd which Prime already had a 40% interest

## Earnings

FINANCIAL	FY16 \$M	FY15 \$M	% CHANGE FY16 V FY15
<b>Consolidated Entity</b>			
Profit Before Income Tax	5.95	(18.33)	132%
Profit After Income Tax	4.59	(19.72)	123%
<b>Members of the Parent Entity (After Outside Equity Interest)</b>			
Profit Before Income Tax	3.94	(19.43)	120%
Profit After Income Tax	3.23	(20.49)	116%
Basic & Diluted Earnings (cents per share)	2.22	(14.07)	116%
Dividend Paid & Proposed (cents per share) (Fully franked)	0.80	0.80	-

FINANCIAL – LESS IMPAIRMENT	FY16 \$M	FY15 \$M	% CHANGE FY16 V FY15
<b>Consolidated Entity</b>			
Profit Before Income Tax	5.95	4.87	22%
Profit After Income Tax	4.59	3.47	32%
<b>Members of the Parent Entity (After Outside Equity Interest)</b>			
Profit Before Income Tax	3.94	3.76	5%
Profit After Income Tax	3.23	2.70	20%
Basic & Diluted Earnings (cents per share)	2.22	1.86	19%
Dividend Paid & Proposed (cents per share) (Fully franked)	0.80	0.80	-

# Managing Director/CEO & Chairman's Report

## continued

### Summary

DETAILED FINANCIAL – LESS IMPAIRMENT	FY16 \$M	FY15 \$M	% CHANGE FY16 V FY15
Wealth Management - New Business Revenue	2.63	2.32	13%
- Recurring Revenue	6.85	7.48	(8%)
- Licensing Revenue	0.31	0.35	(11%)
<b>Total Wealth Revenue</b>	<b>9.79</b>	<b>10.15</b>	<b>(4%)</b>
Accounting revenue – Share of Profit	2.72	1.80	51%
Other Income	0.48	0.38	26%
Net benefit from restructuring investments	0.46	-	-
<b>Total Accounting &amp; Other Income</b>	<b>3.66</b>	<b>2.18</b>	<b>67%</b>
<b>Total Revenue</b>	<b>13.45</b>	<b>12.33</b>	<b>9%</b>
Less Group Overheads	(7.50)	(7.46)	(1%)
<b>Profit Before Income Tax</b>	<b>5.95</b>	<b>4.87</b>	<b>22%</b>
Less Non-Controlling Interest	(2.01)	(1.11)	(81%)
<b>Members of the Parent Entity (After Outside Equity Interest)</b>			
Less Impairment	-	(23.19)	-
<b>Profit Before Income Tax</b>	<b>3.94</b>	<b>(19.43)</b>	<b>120%</b>
<b>Profit After Income Tax</b>	<b>3.23</b>	<b>(20.49)</b>	<b>116%</b>

OPERATIONAL – LESS IMPAIRMENT	FY16	FY15	% CHANGE
Group Operating Margin	29%	30%	(1%)
Total FUM (\$B)	0.977	1.051	(7%)

FUNDS UNDER MANAGEMENT (FUM)	FY16 \$M
<b>Opening FUM</b>	<b>1,051</b>
FUM - Net FUM	5
FUM – Outflow from Sale of Business	(46)
Other Movements	(33)
<b>FUM – Net Total Movement</b>	<b>(74)</b>
<b>Closing FUM</b>	<b>977</b>



## Dividend Policy

Directors confirm a final dividend of 0.40 cents per share (CPS), which when added to the interim dividend of 0.40 CPS, equates to a full year dividend of 0.80 CPS. Directors expect dividends to increase over time however this is being balanced against the prospect of acquisition activities and reasonable debt levels.

## Focus for The Year Ahead

Prime continues to have a focussed strategy for growing value, at both an organic and acquisition level.

The plan for the next twelve months is to:

1. Invest further in Technology and Prime Client Engagement Platforms
2. Build and market the Prime brand as the destination for complete Accounting, Wealth Management and Advice
3. Continue to differentiate at a client solution level and build more scale
4. Seek to increase equity interests, as appropriate, with existing partners and new partners that share a similar business and client philosophy, a concept of fewer done better
5. Build further scale and leverage a Global Labour Resourcing Team for Growth, Scalability and Efficiency
6. Innovate, change and evolve ahead of the curve

Having substantially completed its restructuring of operations Prime will now look to leverage the knowledge and operating model for better more concentrated results, both through internal operations and through our partner operations (Investments) in Accounting and Wealth Management.

Prime's goal remains to become the Premier Partner to Accountants for Growth and Integrated Wealth Management and to deliver personalised advice for clients for a secure financial future. Importantly though, Prime is also seeking to build and lead the market as the brand destination for complete Accounting, Wealth Management and Advice.

## Directors

Mr Stuart James resigned as Chairman on 24 November 2015. The board would like to thank Mr James for his significant contribution over the last 9.5 years as a Director and also as Chairman of Prime.

Mr Paul Cowan and Mr Tim Carroll were appointed to the board as Independent Non-Executive Directors. Both Directors have brought additional diversity of experience to the Prime Board.

Mr Cowan will be appointed as independent chairman prior to the annual general meeting.

## The Team and Prime's Partners

We would like to thank the extended Prime team for their dedication and passion, to deliver on the Prime Group goals. It is also very important to acknowledge Prime's existing and new Accounting and other related Partners, without their support Prime's growth ambitions can not be achieved.



**Mr Simon Madder**  
Managing Director  
& CEO



**Mr Peter Madder**  
Chairman  
& CFO

# 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 2016 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

The Directors of Prime Financial Group Ltd (Prime) report a Profit Before Income Tax for members of the parent entity of \$3,944,477 (Consolidated \$5,945,042) and a Profit After Income Tax of \$3,231,516 (Consolidated \$4,592,821). The profit is at the higher end of the previous forecast profit provided in the market update on 22 June 2016. This represents a 116% increase over the reported 2015 Profit After Income Tax (Consolidated 123%). Excluding the 2015 impairment charge, the underlying Profit After Income Tax increased 20% (Consolidated 32%).

The profit includes a profit on the restructure of the Company's portfolio of investments in Accounting Firms and Wealth Management Businesses of \$463,339.

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

## Principal activities

The principal activities of the consolidated entity during the financial year were:

- Financial & Retirement Planning;
- Investment Advice;
- Life Insurance;
- Asset Protection Advice incorporating Legal Services;
- Superannuation, including Self Managed Superannuation;
- Lending & Finance; and
- Accounting Firm Investments.

## After balance date events

On 5 August 2016 Prime announced it had increased its stake in leading Melbourne accounting & advisory firm MPR Group Pty Ltd (MPR) from 40% to approximately 93%.

Prime has increased its holding through the issue of new shares by MPR and the acquisition of existing shares from MPR Managing Director Matthew Murphy.

As part of the transaction Mr Murphy has received \$1,350,000 cash, payable over 12 months plus 13,500,000 Prime shares. This has made Mr Murphy a significant shareholder in Prime with those shares being escrowed, one third for 1 year, one third for two years and one third for three years.

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

## Significant changes in state of affairs

During the 2016 financial year there were no significant changes in the state of affairs of the consolidated company.

### **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.

### **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 0.40 cents per ordinary share, bringing the total dividends declared in respect of the 12 months to 30 June 2016 to 0.80 cents per ordinary share. This compares to total dividends declared in the prior twelve month period of 0.80 cents per ordinary share.

### **Share options**

There were no options granted during the financial year.

### **Shares issued in 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 \$24,171 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.

# Directors Report

## continued

### 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 Peter Madder FCA, FCPA**

**Chairman (Appointed 27 November 2015)**  
**Director (Appointed 2 January 2007)**  
**CFO (Appointed 6 March 2015)**  
**Company Secretary (Resigned 27 November 2015)**

Mr Madder was the co-founder of Prime Development Fund Ltd (PDF) and has also been the Managing Partner of two accounting firms. Mr Madder has over 40 years experience advising clients on financial matters as a Chartered Accountant, as well as experience across business structuring, corporate finance and acquisitions. Mr Madder is a member of the Audit, Remuneration and Nomination Committees.



**Mr Simon Madder B.Comm**

**Managing Director & CEO (Appointed 2 January 2007)**

Mr Madder is the Managing Director and CEO of Prime. Mr Madder was the co-founder and Managing Director of PDF (since 1998). Mr Madder has 19 years experience in the financial services and advisory industry across operations, strategy and acquisitions. Mr Madder is a member of the Audit, Remuneration and Nomination Committees.



**Mr Paul Cowan B.ECO, CA**

**Director (Appointed 12 November 2015)**

Mr Cowan is an Executive Director of River Capital Pty Ltd and has had extensive experience as a Director of a number of public companies including Brumby's Bakeries Holdings Ltd and Cash Converters International Ltd (October 2008 - November 2009). Mr Cowan has over 30 years' experience in the financial services sector including funds management and corporate advisory. Having commenced his working career with Price Waterhouse in 1980, Mr Cowan has a Bachelor of Economics degree from Monash University and is a qualified Chartered Accountant. Mr Cowan is the Chairman of the Audit, Remuneration and Nomination Committees.



**Mr Tim Carroll**

**Director (Appointed 27 November 2015)**

Mr Carroll has over 20 years experience in senior marketing and customer relationship management roles and is recognised as an expert in Entertainment, Brand, Digital & Social, Loyalty Marketing and Media.

Mr Carroll was formerly the Chief Global Marketing Officer of Village Roadshow Corporation, Australia's No.1 entertainment company, having served from June 2000 through to 2011. Mr Carroll is currently the CEO of BUCKITDREAM Inc, an innovative Entertainment Digital Marketing company. Mr Carroll is a member of the Remuneration and Nomination Committees.

### Mr Stuart James BA (Hons)

**Chairman (Appointed 16 May 2006)  
(Resigned 24 November 2015)**

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. Mr James is the Chairman of Pulse Health Ltd (appointed November 2007), Chairman of Greencross Ltd (appointed October 2013).

### Mr Dale Gaskell B.Bus, CA

**Company Secretary  
(Appointed 27 November 2015)**

Mr Gaskell is a Chartered Accountant who has over 9 years experience in a variety of accounting roles within public practice, large corporates and ASX listed companies.

## 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	Attend-ed	Eligible to attend	Attend-ed
Mr S James	5	5	1	1
Mr S Madder	11	11	3	3
Mr P Madder	11	11	3	3
Mr P Cowan	7	7	2	2
Mr T Carroll	6	6	-	-

	REMUNERATION COMMITTEE		NOMINATION COMMITTEE	
	Eligible to attend	Attend-ed	Eligible to attend	Attend-ed
Mr S James	-	-	1	1
Mr P Cowan	1	1	-	-
Mr S Madder	1	1	1	1
Mr P Madder	1	1	1	1
Mr T Carroll	1	1	-	-

## 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 S James	-	-
Mr S Madder	25,632,398	-
Mr P Madder*	10,179,367	-
Mr P Cowan	2,000,000	-

\* Includes partly paid shares.

## Directors' interests in contracts

During the financial year, interests associated with Mr P Madder received fees for work performed on a commercial basis (refer also note 24 of the financial statements).

## Corporate Governance Statement

A full copy of Prime's Corporate Governance Statement can be found on Prime's website (<http://primefinancial.com.au/corporate-governance>).

# Directors Report

## continued

### Diversity Policy

The measurable objectives established for achieving gender diversity is to increase the number of women in the whole organisation and at senior management positions to 50%. The proportion of women employees in the whole organisation at present is 43%, the proportion of women in senior management positions at present is 40% and there are no women on the board.

A full copy of Prime's Diversity Policy can be found on Prime's website ([www.primefinancial.com.au](http://www.primefinancial.com.au)).

### 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.

### Non-audit services

During the year no fees were paid or payable for non-audit services provided by William Buck Audit (VIC) Pty Ltd or its related practices.

### Remuneration Report audited

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 seek professional advice.

### (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.

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.

#### Performance Cash Bonus

Senior executives who are remunerated under the Executive Remuneration Policy are eligible for an Annual Performance Cash Bonus. In determining whether or not executives 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 executives 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.

While no performance bonuses were paid, specific KPI's that are applied to management by the Remuneration Committee to measure performance are set out below:

- Net profit before tax
- Earnings per Share (EPS)
- Gearing levels
- New Funds under Management (FUM)
- Lost Funds under Management (FUM) & 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.

The aim is to align our senior executive's remuneration to Prime's strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the group's financial performance over the last five years as required by the Corporations Act 2001. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration awarded to be awarded to senior executives.

	2016	2015	2014	2013	2012
Profit attributable to members of the parent entity (\$,000's)	3,232	(20,489)	2,630	2,785	2,814
Basic earnings per share (cents per share)	2.22	(14.07)	1.83	1.91	1.74
Dividend paid (cents per share)	0.80	0.80	0.80	0.75	1.00
Share price at the end of the financial year	0.100	0.095	0.105	0.095	0.110

### Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the remuneration committee have regard to profit attributable to owners of the company, dividends paid and change in share price. Profit is considered as one of the financial performance targets in setting short term incentives.

### 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 2016 Financial Year, \$134,720 was paid to Non-Executive Directors.

Non-Executive Directors do not currently participate in performance based bonuses or in equity-based remuneration schemes of the Company.

# Directors Report

## continued

### (ii) Key management personnel

#### KEY MANAGEMENT PERSONNEL

##### Non-Executive Directors

Mr Stuart James	Non-Executive Chairman (Resigned 24 November 2015)
Mr Paul Cowan	Non-Executive Director (Appointed 12 November 2015)
Mr Tim Carroll	Non-Executive Director (Appointed 27 November 2015)

##### Executive Directors

Mr Simon Madder	Managing Director and CEO
Mr Peter Madder	Chairman (Appointed 27 November 2015) Chief Financial Officer (Appointed 6 March 2015) Company Secretary (Resigned 27 November 2015)

##### Other key management personnel

Mr Matthew Cohen	Chief Operating Officer (Resigned 31 October 2015)
Mr Campbell Kennedy	Chief Financial Officer and Company Secretary (Resigned 6 March 2015)

### (iii) Key management personnel loans

Mr S Madder and a nominee has a loan from the PFG Employee Share Plan (PFG ESP) to fund the allocation of 9,547,831 shares in Prime Financial Group Ltd. These shares were allocated, 6,600,000 in 2013 and 2,947,831 in December 2015 (representing part of the outstanding 2015 allocation of 4,800,000 shares). The loan agreements among other things makes provision for, interest to be charged at commercial rates, the loan to be repaid within 4 years, security in the form of a general security agreement over the nominee and the terms on which the trustee may be required to buy-back the plan shares. The balance of these loans at 30 June 2016 was \$1,958,988 (\$1,523,054 at 30 June 2015). During the 2016 financial year interest payable on the loan was \$96,348.

The PFG ESP made an advance of \$56,486 (\$53,484 at 30 June 2015) 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 2016 financial year is \$4,287.

Mr P Madder through a nominee has a loan from the PFG ESP to fund the allocation of 5,348,077 shares in Prime Financial Group Ltd. These shares were allocated 3,760,784 in 2013 and 1,587,293 in December 2015 (representing part of the outstanding 2013 and 2015 allocation of 2,564,216). The loan agreement among other things makes provision for, interest to be charged at commercial rates, the loan to be repaid within 4 years, security in the form of a general securities agreement over the nominee. The balance of this loan as at 30 June 2016 was \$1,104,386 (\$864,283 at 30 June 2015). During the 2016 financial year interest payable on the loan was \$57,019.

The PFG ESP made an advance of \$56,518 (\$53,514 at 30 June 2015) 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 2016 financial year is \$4,289.

Mr M Cohen at the time of his resignation as part of the PFG ESP had an allocation of 125,000 shares with a loan balance of \$47,798 (2015 \$47,260). This included 2016 interest of \$538. The rights and obligations on these shares and entitlement to a further 1,250,000 shares were cancelled.



#### (iv) Key management personnel compensation

2016										
	SHORT-TERM			POST EMPLOYMENT	LONG- TERM	SHARE- BASED PAY- MENTS	TOTAL	TOTAL PERFOR- MANCE RELATED		
	SALARY/ FEES \$	CASH BONUS \$	NON- MONE- TARY \$	SUPER \$	RETIRE- MENT BENEFITS \$	ANNUAL LEAVE/ LONG SERVICE LEAVE \$	OPTIONS \$	\$	%	
<b>Non-Executive Directors</b>										
Mr S James <sup>1</sup>	60,416	-	-	-	-	-	-	60,416	0	
Mr P Cowan <sup>2</sup>	38,138	-	-	-	-	-	-	38,138	0	
Mr T Carroll <sup>3</sup>	36,166	-	-	-	-	-	-	36,166	0	
Sub-total	134,720	-	-	-	-	-	-	134,720		
<b>Executive Directors</b>										
Mr S Madder	458,018	-	-	30,000	-	(3,523)	-	484,495	0	
Mr P Madder <sup>4</sup>	367,815	-	-	-	-	-	-	367,815	0	
<b>Other Key Management Personnel</b>										
Mr M Cohen <sup>5</sup>	85,833	-	-	-	-	16,522	-	102,355	0	
	1,046,386	-	-	30,000	-	12,999	-	1,089,385		

<sup>1</sup> Resigned 24 November 2015.

<sup>2</sup> Appointed 12 November 2015.

<sup>3</sup> Appointed 27 November 2015.

<sup>4</sup> Interests associated with Mr P Madder received \$167,815 (2015: \$127,976) for executive services provided to the Company plus an additional \$200,000 as a payment for the assignment of intellectual property, which forms the basis of the Company's client engagement model. The minimum annualised payment under this agreement is \$200,000 for a maximum of 5 years, expiring no later than 30 November 2016, 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 licences to joint venture partners of that intellectual property. The total payments for the year were \$367,815. (2015: \$327,976).

<sup>5</sup> Resigned 31 October 2015.

# Directors Report

continued

2015										
	SHORT-TERM			POST EMPLOYMENT	LONG- TERM	SHARE- BASED PAY- MENTS	TOTAL	TOTAL PERFOR- MANCE RELATED		
	SALARY/ FEES \$	CASH BONUS \$	NON- MONE- TARY \$	SUPER \$	RETIRE- MENT BENEFITS \$	ANNUAL LEAVE/ LONG SERVICE LEAVE \$	OPTIONS \$	\$	%	
<b>Non-Executive Directors</b>										
Mr S James	150,000	-	-	-	-	-	-	150,000	0	
Sub-total	150,000	-	-	-	-	-	-	150,000		
<b>Executive Directors</b>										
Mr S Madder	448,804	-	-	25,000	-	11,884	-	485,688	0	
Mr P Madder <sup>1</sup>	327,976	-	-	-	-	-	-	327,976	0	
<b>Other Key Management Personnel</b>										
Mr M Cohen	250,000	-	-	-	-	-	-	250,000	0	
Mr C Kennedy <sup>2</sup>	123,763	-	-	11,757	-	45,598	-	181,118	0	
	1,300,543	-	-	36,757	-	57,482	-	1,394,782		

<sup>1</sup> The above includes all payments to entities associated to Mr P Madder (refer to note 24 of the financial statements).

<sup>2</sup> Resigned 6 March 2015.

## Number of Shares held by key management personnel

KEY MANAGEMENT PERSONNEL 2016					
	BALANCE 01/7/15	RECEIVED AS REMU- NERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE 30/6/16
<b>Non-Executive Directors</b>					
Mr S James <sup>1</sup>	3,900,000	-	-	(3,900,000)	-
Mr P Cowan <sup>2</sup>	-	-	-	2,000,000	2,000,000
Mr T Carroll <sup>3</sup>	-	-	-	-	-
Sub-total	3,900,000	-	-	(1,900,000)	2,000,000
<b>Executive Directors</b>					
Mr S Madder	22,684,567	-	-	2,947,831	25,632,398
Mr P Madder	8,592,074	-	-	1,587,293	10,179,367
<b>Other key management personnel</b>					
Mr M Cohen <sup>4</sup>	3,195,000	-	-	(3,195,000)	-
<b>Total</b>	<b>38,371,641</b>	<b>-</b>	<b>-</b>	<b>(559,876)</b>	<b>37,811,765</b>

<sup>1</sup> Resigned 24 November 2015.

<sup>2</sup> Appointed 12 November 2015.

<sup>3</sup> Appointed 27 November 2015.

<sup>4</sup> Resigned 31 October 2015.

KEY MANAGEMENT PERSONNEL 2015					
	BALANCE 01/7/14	RECEIVED AS REMU- NERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE 30/6/15
<b>Non-Executive Directors</b>					
Mr S James	3,900,000	-	-	-	3,900,000
Sub-total	3,900,000	-	-	-	3,900,000
<b>Executive Directors</b>					
Mr S Madder	22,684,567	-	-	-	22,684,567
Mr P Madder	8,592,074	-	-	-	8,592,074
<b>Other key management personnel</b>					
Mr M Cohen	3,195,000	-	-	-	3,195,000
Mr C Kennedy <sup>1</sup>	750,000	-	-	(750,000)	-
<b>Total</b>	<b>39,121,641</b>	<b>-</b>	<b>-</b>	<b>(750,000)</b>	<b>38,371,641</b>

<sup>1</sup> Resigned 6 March 2015.

Signed in accordance with a resolution of the Directors.



**Mr P Madder**  
Chairman

29 September 2016

# Auditor's Independence Declaration



## 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 2016 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.*

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

**J. C. Luckins**  
Director

Dated this 29<sup>th</sup> day of September, 2016

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& ADVISORS**

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**Praxity**  
MEMBER  
GLOBAL ALLIANCE OF  
INDEPENDENT FIRMS

# Financial Statements

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# Consolidated Statement of Profit or Loss & Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2016

	NOTES	CONSOLIDATED ENTITY	
		30 JUNE 2016 \$	30 JUNE 2015 \$
Wealth revenue	3	9,791,048	10,148,902
Accounting revenue – share of net profit of associates and partnerships accounted for using the equity method		2,719,455	1,799,255
Other income	3	478,852	378,266
Net benefit from restructuring investments	4	463,339	-
		13,452,694	12,326,423
Employee benefits	5	(4,458,293)	(4,824,361)
Depreciation and amortisation	5	-	(44,739)
Finance costs	5	(235,267)	(428,268)
Information technology and communication		(1,109,859)	(908,466)
Insurance		(249,846)	(253,578)
Occupancy	5	(425,274)	(162,624)
Professional fees		(119,559)	(159,878)
Investment research costs		(149,356)	(104,317)
Other expenses		(760,198)	(575,343)
Impairment	5	-	(23,191,192)
		(7,507,652)	(30,652,766)
<b>Profit/(loss) before income tax</b>		5,945,042	(18,326,343)
Income tax expense	6	(1,352,221)	(1,390,563)
<b>Total comprehensive income/(loss) for the period</b>		4,592,821	(19,716,906)
<b>Total comprehensive income/(loss) attributable to:</b>			
- Members of the parent entity		3,231,516	(20,489,497)
- Non-controlling interest		1,361,305	772,591
		4,592,821	(19,716,906)
<b>Earnings/(loss) per share</b>			
Basic earnings/(loss) per share (cents)	22	2.22	(14.07)
Diluted earnings/(loss) per share (cents)	22	2.22	(14.07)

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

# Consolidated Statement of Financial Position

AS AT 30 JUNE 2016



	NOTES	CONSOLIDATED ENTITY	
		30 JUNE 2016 \$	30 JUNE 2015 \$
<b>Current assets</b>			
Cash and cash equivalents	8	1,262,750	595,288
Trade and other receivables	9	1,605,321	1,617,590
Other current assets		1,411,758	758,267
<b>Total current assets</b>		<b>4,279,829</b>	<b>2,971,145</b>
<b>Non-current assets</b>			
Receivables	9	-	500,000
Investments accounted for using the equity method	12	11,362,738	12,073,184
Intangible assets	13	35,332,500	35,332,500
Deferred tax assets	6	145,554	111,731
<b>Total non current assets</b>		<b>46,840,792</b>	<b>48,017,415</b>
<b>Total assets</b>		<b>51,120,621</b>	<b>50,988,560</b>
<b>Current liabilities</b>			
Payables	14	771,874	929,233
Current tax payable	6	1,322,742	1,204,077
Employee Benefits	15	267,015	299,987
Balance outstanding on acquisition of investment		466,153	-
<b>Total current liabilities</b>		<b>2,827,784</b>	<b>2,433,297</b>
<b>Non-current liabilities</b>			
Borrowings	16	3,584,583	7,965,150
<b>Total non-current liabilities</b>		<b>3,584,583</b>	<b>7,965,150</b>
<b>Total liabilities</b>		<b>6,412,367</b>	<b>10,398,447</b>
<b>Net assets</b>		<b>44,708,254</b>	<b>40,590,113</b>
<b>Equity</b>			
Contributed equity	17	68,429,403	68,429,403
Treasury shares held	17	(8,312,001)	(7,633,205)
Non-controlling interest		6,606,924	3,079,349
Accumulated profits	18	(22,016,072)	(23,285,434)
<b>Total equity</b>		<b>44,708,254</b>	<b>40,590,113</b>

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 2016

ATTRIBUTABLE TO OWNERS OF PRIME FINANCIAL GROUP LTD				
	CONTRIBUTED EQUITY \$	RETAINED EARNINGS \$	NON-CONTROL-LING INTEREST \$	TOTAL \$
<b>Balance at 1 July 2014</b>	61,551,329	(725,907)	933,734	61,759,156
Total comprehensive income for the period	-	(20,489,497)	772,591	(19,716,906)
<b>Transactions with equity holders in their capacity as equity holders:</b>				
Dividends paid	-	(1,419,666)	(650,777)	(2,070,443)
Purchase of shares made by Prime for Employee share plan	(755,131)	-	-	(755,131)
Capital raising via share placement	-	-	-	-
Capital raising costs	-	-	-	-
Transactions with non-controlling interests	-	(650,364)	2,023,801	1,373,437
<b>Total transactions with equity holders in their capacity as equity holders</b>	(755,131)	(2,070,030)	1,373,024	(1,452,137)
<b>Balance at 30 June 2015</b>	60,796,198	(23,285,434)	3,079,349	40,590,113
<b>Balance at 1 July 2015</b>	60,796,198	(23,285,434)	3,079,349	40,590,113
Total comprehensive income for the period	-	3,231,516	1,361,304	4,592,820
<b>Transactions with equity holders in their capacity as equity holders:</b>				
Dividends paid	-	(1,419,666)	(507,692)	(1,927,358)
Purchase of shares made by Prime for Employee share plan	(678,796)	-	-	(678,796)
Capital raising costs	-	-	-	-
Transactions with non-controlling interests	-	(542,488)	2,673,963	2,131,475
<b>Total transactions with equity holders in their capacity as equity holders</b>	(678,796)	(1,962,154)	2,166,271	(474,679)
<b>Balance at 30 June 2016</b>	60,117,402	(22,016,072)	6,606,924	44,708,254

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



# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2016



	CONSOLIDATED ENTITY	
	2016	2015
NOTES	\$	\$
<b>Cash flow from operating activities</b>		
Receipts from customers	10,489,719	11,361,350
Receipts from associates	1,328,329	1,310,441
Payments to employees and suppliers	(7,655,818)	(8,804,771)
Interest received	8,000	16,000
Interest paid	(215,166)	(421,497)
Income tax paid	(1,233,556)	(534,273)
<b>Net cash provided by operating activities</b>	19(a) 2,721,508	2,927,250
<b>Cash flow from investing activities</b>		
Dividends paid to non-controlling interests	(507,692)	(650,777)
Receipts from Sale of investments	7,288,657	-
Repayment of loans	500,000	-
Payments for business acquisitions	(5,020,102)	(2,116,412)
Transactions with non-controlling interests	(652,169)	1,373,437
Expenses relating to the restructure of investments	(1,214,134)	-
Payments for plant and equipment	-	(44,739)
<b>Net cash provided by/(used in) investing activities</b>	394,560	(1,438,491)
<b>Cash flow from financing activities</b>		
Purchase of shares for the PFG Employee Share Plan	(283,108)	(142,627)
Dividends paid	(1,422,186)	(1,419,667)
Capital raising by subsidiary company	3,637,255	-
Repayment of borrowings	(4,380,567)	-
Receipt of borrowings	-	474,735
<b>Net cash used in financing activities</b>	(2,448,606)	(1,087,559)
<b>Net increase/(decrease) in cash and cash equivalents</b>	667,462	401,200
Cash and cash equivalents at beginning of the year	595,288	194,088
<b>Cash and cash equivalents at end of the year</b>	19(b) 1,262,750	595,288

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

# Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

## Note 1: Basis of preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian 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 (Prime) and controlled entities as a consolidated entity. Prime 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.

### New Accounting Standards and Interpretations

There are no material impacts to the financial statements as a result of amendments to Australian accounting standards.

### 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.

#### (a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Prime Financial Group Ltd ('Prime') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Prime and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Control is demonstrated when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributable to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control of a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**(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.

Licence fees earned from the client engagement model is recognised upon signing the contract and receipt of the revenue.

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 profit and loss and other comprehensive income.

*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.

The assets' residual 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 or loss.

The useful lives for each class of asset have been reviewed and updated as follows:

2016	
Office equipment	1 month to 1 year
Software	1 month to 1 year
Plant and equipment	1 month to 1 year
Leasehold improvements	1 month to 1 year

**(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.

## Note 1: Basis of preparation continued

### *Research and development*

Expenditure during the research phase is expensed and expenditure incurred in development is recognised as a capital sum and amortised over the lifetime of the asset.

### **(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**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

### *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.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under the tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

**(i) Employee benefits**

*Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be wholly settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

*Other long term employee benefits*

The liability for annual leave and long service leave, not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**(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. 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.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

**(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.

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2016

## **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 parties.

### *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.

### *Impairment of financial assets*

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

### *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.

### **(I) 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 statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows 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**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquirer identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill.

If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquiree.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

**(o) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

**(p) Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to owners of Prime, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year (refer note 22).

## **Note 2: Critical accounting estimates and judgement**

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) Consolidation of wealth management entities in which the group holds 50%**

Prime has determined it controls the wealth management entities. The determination was made due to the following factors, the Company holds the required AFS licence, controls the cash flow, provides the business development and marketing initiatives, provides the staffing and prepares the financial statements of the entity.

#### **(b) Equity accounted investments**

The consolidated entity has typically 50% shareholding in the accounting firm and SMSF entities and treats these entities as investments in associates, accounted for under the equity method. The consolidated entity determined that it had significant influence and did not control the accounting firm and SMSF entities. The determination was made due to the following factors, the Company does not control the cash flow, does not provide the business development and marketing initiatives, does not provide the staffing or prepare the financials.



### Note 3: Revenue

CONSOLIDATED ENTITY		
	2016	2015
	\$	\$
<b>Revenues from operating activities</b>		
<b>Wealth management new business</b>		
Investment brokerage	1,657,232	1,719,346
New issues and IPO's	269,200	123,250
Asset protection and life insurance	309,925	369,945
Other	389,753	109,168
<b>Wealth management recurring revenue</b>		
Funds under management	5,965,211	6,584,847
Asset protection and life insurance	580,201	555,561
Other	302,839	336,785
Client engagement model licence fee	316,687	350,000
<b>Total revenue from operating activities</b>	<b>9,791,048</b>	<b>10,148,902</b>
<b>Revenues from non-operating activities</b>		
Interest Received – associates	8,000	16,000
Interest received – key management personnel	144,893	150,884
Interest received – other	263,520	211,382
Other	62,439	-
Total revenue from non-operating activities	478,852	378,266
<b>Total revenues</b>	<b>10,269,900</b>	<b>10,527,168</b>

### Note 4: Net Benefit from Restructuring Investments

2016	WYNN & BENNETT PTY LTD	HUGHES O'DEA CORREDIG PTY LTD	RUNDLES PRIME PTY LTD	PACIFICA PTY LTD	TOTAL
Consideration received from restructuring investments	2,551,413	1,200,000	3,005,650	2,447,490	9,204,553
Less Carrying Value of Investments	(2,050,000)	(2,408,971)	(1,336,817)	(1,744,717)	(7,540,505)
Total	501,413	(1,208,971)	1,668,833	702,773	1,664,048
Less costs associated with restructuring					(1,200,709)
Net Benefit from Restructuring Investments					463,339

Prime undertook a review of all of its accounting firm investments as part of a restructuring process, reflecting the need to address the substantial operational changes occurring through accountants licensing, technology and Prime's global labour resourcing platform. This resulted in the transfer of 2 accounting firm investments and their associated wealth management entities to Prime Accounting & Wealth Management Pty Ltd. Where an investee did not fully embrace the Prime operating model, it was decided to dispose of the equity back to the accounting firm partners. This resulted in the sale of equity in 2 accounting firms. The net benefit from the restructuring of investments was \$463,339.

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2016

## Note 5: Expenses

	CONSOLIDATED ENTITY	
	2016 \$	2015 \$
Profit/(Loss) from ordinary activities before income tax has been determined after:		
<b>Depreciation of non-current assets</b>		
Software	-	44,739
Office equipment	-	-
Plant and equipment	-	-
Leasehold improvements	-	-
Total depreciation of non-current assets	-	44,739
<b>Finance costs</b>		
Interest expense	215,166	421,497
Other bank charges	20,101	6,771
Total finance costs	235,267	428,268
<b>Employee benefits expense</b>		
Salary and wages	4,078,323	4,482,647
Superannuation	379,970	341,714
Total employee benefits expense	4,458,293	4,824,361
<b>Occupancy cost</b>		
Lease payments	398,886	146,998
Utilities	26,388	15,626
Total occupancy cost	425,274	162,624
<b>Impairment</b>		
Goodwill	-	13,845,213
Client engagement model debtors	-	3,627,147
Plant and equipment	-	1,127,627
Development costs	-	881,494
Other	-	3,709,711
Total	-	23,191,192

## Note 6: Income tax

	CONSOLIDATED ENTITY	
	2016	2015
	\$	\$
<b>(a) The components of tax expense</b>		
Current tax	1,352,221	1,390,563
Total Income tax	1,352,221	1,390,563
<b>(b) The prima facie tax on profit differs from the income tax provided in the Financial Statements as follows:</b>		
Total profit/(loss) before income tax	5,945,042	(18,326,343)
Adjusted profit after impairment	5,945,042	4,864,849
At the statutory income tax rate of 30% (2015: 30%)	1,783,512	1,459,455
Add: Tax effect of:		
- Other non-allowable items	112,577	126,726
Less: Tax effect of:		
- Other allowable deductions	(116,076)	(195,618)
- Carried forward capital losses	(427,792)	-
Income tax expense attributable to ordinary activities	1,352,221	1,390,563
<b>(c) Tax asset and liabilities</b>		
Current tax payable		
- Opening balance	1,204,077	1,471,322
- Tax paid	(1,233,556)	(534,273)
- Current tax payable	1,352,221	1,390,563
- Over provision in prior years	-	(1,123,535)
Closing balance	1,322,742	1,204,077
Deferred tax assets		
- Provision for employee entitlements	124,055	89,966
- Provision for audit fees	18,000	15,000
- Capital raising costs	3,499	6,765
	145,554	111,731
Deferred tax liabilities		
- Deferred revenue	-	-
Net Deferred tax assets/(liabilities)	145,554	111,731

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2016

## Note 7: Dividends on ordinary shares

	CONSOLIDATED ENTITY	
	2016 \$	2015 \$
<b>(a) Dividends paid during the year</b>		
(i) Current year interim Fully franked dividend of 0.40 cents per share (2015: 0.40 cents per share)	709,833	709,833
(ii) Previous year final Fully franked dividend of 0.40 cents per share (2015: 0.40 cents per share)	709,833	709,833
	1,419,666	1,419,666
<b>(b) Proposed dividend</b>		
Proposed dividend as at the date of this report at 0.40 cents per share (2015: 0.40 cents per share) not recognised as a liability		
Proposed dividend payment	763,833	709,833
<b>(c) Franking credit balance</b>		
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and after deducting franking credits	5,489,773	4,370,014
Impact on the franking account of dividends recommended by the Directors since the year end but not recognised as a liability at year end	(327,357)	(304,214)
	5,162,416	4,065,800

## Note 8: Cash and cash equivalents

<b>Current</b>		
Cash at bank	1,262,750	595,288
	1,262,750	595,288

## Note 9: Receivables

	NOTES	2016 \$	2015 \$
<b>Current</b>			
Trade receivables		1,605,321	1,617,590
		1,605,321	1,617,590
<b>Non-current</b>			
Amounts receivable from associates		-	500,000
		-	500,000

## Note 10: Plant and equipment

CONSOLIDATED ENTITY			
	NOTES	2016 \$	2015 \$
<b>Software</b>			
At cost		2,003,219	2,003,219
Accumulated depreciation		(2,003,219)	(2,003,219)
	10(a)	-	-
<b>Office equipment</b>			
At cost		351,693	351,693
Accumulated depreciation		(351,693)	(351,693)
	10(a)	-	-
<b>Plant and equipment</b>			
At cost		528,004	528,004
Accumulated depreciation		(528,004)	(528,004)
	10(a)	-	-
<b>Leasehold improvements</b>			
At cost		259,574	259,574
Accumulated depreciation		(259,574)	(259,574)
	10(a)	-	-
<b>Total plant and equipment</b>			
At cost		3,142,490	3,142,490
Accumulated depreciation		(3,142,490)	(3,142,490)
Total written down amount		-	-

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2016

## Note 10: Plant and equipment continued

### (a) Reconciliations

	CONSOLIDATED ENTITY	
	2016 \$	2015 \$
Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current financial year.		
<b>Software</b>		
Carrying amount at beginning	-	920,384
Additions	-	44,739
Depreciation expense	-	(44,739)
Impairment	-	(920,384)
	-	-
<b>Office equipment</b>		
Carrying amount at beginning	-	58,359
Additions	-	-
Depreciation expense	-	-
Impairment	-	(58,359)
	-	-
<b>Plant and equipment</b>		
Carrying amount at beginning	-	67,804
Additions	-	-
Depreciation expense	-	-
Impairment	-	(67,804)
	-	-
<b>Leasehold improvements</b>		
Carrying amount at beginning	-	81,080
Additions	-	-
Depreciation expense	-	-
Impairment	-	(81,080)
	-	-

## Note 11: Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

PERCENTAGE OWNED	COUNTRY OF INCORPORATION	2016 %	2015 %
<b>Parent Entity:</b>			
Prime Financial Group Ltd	Australia		

PERCENTAGE OWNED	COUNTRY OF INCORPORATION	2016 %	2015 %
<b>Subsidiaries of Prime Financial Group Ltd:</b>			
Beksan Pty Ltd	Australia	100	100
Prime Development Fund Pty Ltd (PDF)	Australia	100	100
Aintree Group Financial Services Pty Ltd	Australia	50	50
Bishop Collins Wealth Management Pty Ltd	Australia	50	-
Brentnalls NSW Financial Services Pty Ltd	Australia	50	50
Nexia Perth Financial Planning Pty Ltd	Australia	50	50
Bstar Financial Services Pty Ltd	Australia	50	50
Butler Settineri Financial Services Pty Ltd	Australia	70	70
CP Financial Planners Pty Ltd	Australia	50	50
Crispin & Jeffery Financial Services Pty Ltd	Australia	50	50
David Hicks and Co Financial Services 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	100	100
Madder & Co Financial Services Pty Ltd	Australia	50	50
MCB Financial Services Pty Ltd	Australia	100	100
McHenry Financial Services Pty Ltd	Australia	50	50
MPR 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
PFG (NTH QLD) Pty Ltd	Australia	65	65
PRM Financial Services Pty Ltd	Australia	100	100
Green Taylor Financial Services Pty Ltd	Australia	50	50
Prime Accounting & Wealth Management Pty Ltd	Australia	33	33
Prior & Co Financial Services Pty Ltd	Australia	100	100
RMM Financial Services Pty Ltd	Australia	50	50
RJS Financial Solutions Pty Ltd	Australia	50	50
Rothsay Financial Services 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
Stanwycks Financial Services Pty Ltd	Australia	50	50
Wong and Mayes Financial Services Pty Ltd	Australia	50	50
Wynn & Bennett Financial Services Pty Ltd	Australia	-	50

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2016

## Note 11: Controlled entities continued

The following table summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests, before any intra-group eliminations.

2016 CONTROLLED ENTITIES NAME	PRIME ACCOUNTING & WEALTH MANAGEMENT PTY LTD	RUNDLES FINANCIAL PLANNING PTY LTD	GREEN TAYLOR FINANCIAL SERVICES PTY LTD	PFG (NTH QLD) PTY LTD	OTHER INDIVIDUAL IMMATERIAL SUBSIDIARIES	TOTAL
Country of incorporation	Australia	Australia	Australia	Australia		
Percentage owned by non-controlling interest	67%	50%	50%	35%		
Current assets	841,902	24,661	301,952	375,494	608,276	2,152,285
Non-current assets	7,571,192	308,145	382,042	1,985,130	2,228,888	12,475,398
Current liabilities	(384,524)	(57,680)	(170,213)	(155,778)	(757,292)	(1,525,487)
Non-current liabilities	-	-	-	-	-	-
<b>Net assets</b>	<b>8,028,570</b>	<b>275,126</b>	<b>513,781</b>	<b>2,204,847</b>	<b>2,079,873</b>	<b>13,102,196</b>
<b>Revenue</b>	<b>1,348,150</b>	<b>626,320</b>	<b>605,752</b>	<b>882,330</b>	<b>3,286,721</b>	<b>6,749,273</b>
<b>Profit/(loss) before tax</b>	<b>849,049</b>	<b>181,245</b>	<b>189,067</b>	<b>295,075</b>	<b>933,837</b>	<b>2,448,271</b>

2015 CONTROLLED ENTITIES NAME	BUTLER SETTINERI FINANCIAL SERVICES PTY LTD	RUNDLES FINANCIAL PLANNING PTY LTD	GREEN TAYLOR FINANCIAL SERVICES PTY LTD	PFG (NTH QLD) PTY LTD	OTHER INDIVIDUAL IMMATERIAL SUBSIDIARIES	TOTAL
Country of incorporation	Australia	Australia	Australia	Australia		
Percentage owned by non-controlling interest	30%	50%	50%	49%		
Current assets	154,914	22,000	275,942	36,583	3,086,937	3,576,376
Non-current assets	342,978	247,745	383,950	2,130,696	674,196	3,779,565
Current liabilities	(118,993)	(20,397)	(103,924)	(33,401)	(1,121,692)	(1,398,407)
Non-current liabilities	-	-	-	-	-	-
<b>Net assets</b>	<b>378,899</b>	<b>249,348</b>	<b>555,968</b>	<b>2,133,878</b>	<b>2,639,491</b>	<b>5,957,534</b>
<b>Revenue</b>	<b>234,200</b>	<b>556,983</b>	<b>584,402</b>	<b>771,639</b>	<b>3,570,935</b>	<b>5,718,159</b>
<b>Profit/(loss) before tax</b>	<b>52,799</b>	<b>227,520</b>	<b>240,589</b>	<b>284,505</b>	<b>1,337,057</b>	<b>2,142,470</b>

## Note 12: Investments accounted for using the equity method

	CONSOLIDATED ENTITY	
	2016 \$	2015 \$
Associated companies	11,362,738	12,073,184



Interests are held in the following associated companies:

NAME	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST HELD BY CONSOLIDATED ENTITY	
		2016 %	2015 %
Bstar Pty Ltd	Australia	15	15
Hughes O'Dea Corredig Pty Ltd	Australia	-	50
Pacifica Pty Ltd	Australia	35	35
Rundles Prime Pty Ltd	Australia	50	50
Wynn & Bennett Pty Ltd	Australia	-	50
MPR Group Pty Ltd	Australia	40	10
Rothsay Accounting Services Pty Ltd	Australia	30	30

The principal activity of all the associates listed above is providing wealth management or accounting/SMSF 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 2016.

The following table summarises the information of each of the Group's material associates, adjusted for any differences in accounting policies and reconciles the carrying amount of the Group's interest in associates and the share of profit and other comprehensive income of equity accounted investees.

2016	MPR PTY LTD	RUNDLES PRIME PTY LTD	PACIFICA PTY LTD	OTHER INDIVID- UALLY IMMAT- ERIAL ASSOC- IATES	TOTAL
(i) Associate's net profit before income tax	1,288,326	958,359	573,589	1,845,626	4,665,900
(ii) Associate's revenue	5,778,567	3,857,560	3,275,323	9,093,696	22,005,146
Balance at the beginning of the financial year	458,179	1,415,013	1,765,402	8,454,590	12,073,184
Additions/(Disposals)	1,474,000	989,507	192,590	(3,900,971)	(1,244,874)
Contributions to existing investments	283,910	(6,735)	70,647	186,606	534,428
<b>Carrying amount of investment in associate at the end of the financial year</b>	<b>2,216,089</b>	<b>2,397,785</b>	<b>2,028,639</b>	<b>4,720,225</b>	<b>11,362,738</b>
(iii) Associate's assets and liabilities					
Current assets	1,651,500	5,422,098	1,018,173	5,598,775	13,690,546
Non-current assets	2,028,845	-	2,838,520	3,670,982	8,538,347
Current liabilities	(592,218)	(1,722,400)	(12,632)	(4,187,964)	(6,515,214)
Non-current liabilities	(1,258,876)	-	(895,746)	(1,226,859)	(3,381,481)
<b>Net assets</b>	<b>1,829,251</b>	<b>3,699,698</b>	<b>2,948,315</b>	<b>3,854,934</b>	<b>12,332,198</b>

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2016

## Note 12: Investments accounted for using the equity method continued

2015	WYNN & BENNETT PTY LTD	HUGHES O'DEA CORREDIG PTY LTD	RUNDLES PRIME PTY LTD	PACIFICA PTY LTD	OTHER INDIVIDUALLY IMMATERIAL ASSOCIATES	TOTAL
(i) Associate's net profit before income tax	543,060	308,396	794,105	609,293	2,274,370	<b>4,529,224</b>
(ii) Associate's revenue	3,668,552	3,220,570	3,408,353	3,090,624	14,946,643	<b>28,334,742</b>
Balance at the beginning of the financial year	2,920,057	3,417,261	1,558,946	1,744,717	2,596,071	<b>12,237,052</b>
Additions					2,117,412	<b>2,117,412</b>
Contributions to existing investments	70,000	(6,347)	(143,933)	20,685	278,315	<b>218,720</b>
Provision for impairment	(1,140,057)	(1,359,943)	-	-	-	<b>(2,500,000)</b>
<b>Carrying amount of investment in associate at the end of the financial year</b>	<b>1,850,000</b>	<b>2,050,971</b>	<b>1,415,013</b>	<b>1,765,402</b>	<b>4,991,798</b>	<b>12,073,184</b>
(iii) Associate's assets and liabilities	-	-	-	-	-	-
Current assets	1,433,973	1,403,781	4,362,112	1,006,790	5,699,827	<b>13,906,483</b>
Non-current assets	182,748	5,727,907	-	2,868,886	1,945,809	<b>10,725,350</b>
Current liabilities	(964,869)	(415,675)	(125,787)	(218,214)	(3,595,746)	<b>(5,320,291)</b>
Non-current liabilities	(261,639)	-	-	(869,311)	(1,189,921)	<b>(2,320,871)</b>
<b>Net assets</b>	<b>390,213</b>	<b>6,716,013</b>	<b>4,236,325</b>	<b>2,788,151</b>	<b>2,859,969</b>	<b>16,990,671</b>

	CONSOLIDATED ENTITY	
	2016 \$	2015 \$
Share of profit from accounting and advisory firms	2,719,455	1,799,255
	2,719,455	1,799,255

## Note 13: Intangible assets

	CONSOLIDATED ENTITY	
	2016 \$	2015 \$
<b>Goodwill</b>		
Cost	49,177,713	49,177,713
Impairment	(13,845,213)	(13,845,213)
	35,332,500	35,332,500

CONSOLIDATED ENTITY		
	2016	2015
	\$	\$
<b>Development costs</b>		
Cost	1,966,435	1,966,435
Accumulated amortisation	(1,966,435)	(1,966,435)
Total intangibles	35,332,500	35,332,500

**(a) Movement of intangible assets**

CONSOLIDATED ENTITY		
	2016	2015
	\$	\$
<b>Goodwill</b>		
Carrying amount at beginning	35,332,500	49,177,713
Impairment	-	(13,845,213)
Closing carrying value at end	35,332,500	35,332,500
<b>Development costs</b>		
Carrying amount at beginning	-	881,494
Impairment	-	(881,494)
Closing carrying value at end	-	-

Intangible assets represent goodwill on acquisitions of subsidiary companies in the wealth management industry and their goodwill on acquisition of businesses in the wealth management industry. Goodwill has been accounted for at historical cost and carried forward on the basis that the underlying investment to which the goodwill relates has an indefinite life.

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. Goodwill is monitored at the cash generating unit and operating segment level. Due to the nature of acquisitions the resultant goodwill cannot always be allocated to one of the CGU's on a non-arbitrary basis and as such is allocated to and tested for impairment at the operating segment level. Where goodwill can be allocated to a particular cash generating unit, this is undertaken and accordingly goodwill is tested for impairment at this level.

Management determine the values to each key assumption based on the historical performance of assets that make up the CGUs.

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 pre tax discount rate of 15% (15%:2015) to determine value-in-use for both CGU's. The wealth management CGU uses an average revenue growth rate of 5% (5%:2015) and an increase in expenses of 3% (3%:2015), and the accounting CGU uses 5% revenue growth (5%:2015) and increase of 3% in expenses (3%:2015).

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2016

## Note 13: Intangible assets continued

The consolidated entity performed its annual impairment test in June 2016 and 2015. The consolidated entity considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. While at 30 June 2016, the market capitalisation was below the book value of its equity, indicating a potential impairment of goodwill, the consolidated entity has performed a detailed impairment assessment and concluded that no impairment is required in the current year (2015: impairment loss of \$23,191,192). As noted, the consolidated entity have considered many factors in determining that no impairment is required, including an up to 48% increase in market capitalisation since 30 June 2016 and other industry valuation considerations.

The same value in use inputs are applied in considering whether any additional impairment loss is required with respect to the groups net investments 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.

## Note 14: Payables

	CONSOLIDATED ENTITY	
	2016 \$	2015 \$
Trade creditors	478,299	718,373
Other creditors and accruals	8,546	11,065
GST payable	285,029	199,795
	<b>771,874</b>	<b>929,233</b>

## Note 15: Employee benefits

	CONSOLIDATED ENTITY	
	2016 \$	2015 \$
<b>Current</b>		
Employee entitlements	267,015	299,987

## Note 16: Borrowings

	NOTES	CONSOLIDATED ENTITY	
		2016 \$	2015 \$
<b>Non-current</b>			
Term overdraft	(a)	3,584,586	-
Commercial bills		-	6,974,734
Bank loans		-	990,416
		<b>3,584,586</b>	<b>7,965,150</b>

(a) The term overdraft is secured by a general securities agreement, over all assets and uncalled capital of the Group.

## Note 17: Contributed equity

### (a) issued and paid up capital

	NOTES	CONSOLIDATED ENTITY	
		2016	2015
Ordinary shares fully paid	(a)	68,410,543	68,410,543
Ordinary shares partly paid	(b)	18,860	18,860
		<u>68,429,403</u>	<u>68,429,403</u>

- (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 issued.
- (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 2016		CONSOLIDATED ENTITY 2015	
	NO OF SHARES	\$	NO OF SHARES	\$
Beginning of the financial year	179,532,874	68,429,403	179,532,874	68,429,403
Issued during the year				
- Shares issued	-	-	-	-
- Capital raising costs	-	-	-	-
End of the financial year	179,532,874	68,429,403	179,532,874	68,429,403

### (c) Treasury shares held

During the year PFG Employee Share Plan Pty Ltd (PFG ESP) purchased 3,460,125 (2015: 1,200,000) Prime shares.

The total shares held by the PFG ESP are held in trust on behalf of employees or for future allocation to employees as part of the terms of the Employee Share Plan. Each share held by the PFG ESP retains the same voting rights, rights to dividends and capital distributions as those of other ordinary shareholders.

	CONSOLIDATED ENTITY	
	2016 \$	2015 \$
Opening balance	7,633,205	6,878,074
Purchase of shares for the employee share trust	678,796	755,131
Closing balance	<u>8,312,001</u>	<u>7,633,205</u>

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2016

## Note 17: Contributed equity continued

### (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 2016, the Board paid dividends of \$1,419,666 (2015: 1,419,666). The Board's policy for dividend payments is typically a payout ratio of 50% - 60% which is subject to potential acquisitions and debt reduction. The FY2016 dividend payout ratio is 44%.

As at 30 June 2016, 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 2015 and 2016 were as follows:

	CONSOLIDATED ENTITY	
	2016 \$	2015 \$
Total borrowings	3,584,583	7,965,150
Less cash and cash equivalents	(1,262,750)	(595,288)
Net debt	2,321,833	7,369,862
Total equity	44,708,254	40,590,113
Total capital	68,429,403	68,429,403
Gearing ratio:	3.4%	10.8%

## Note 18: Accumulated profits/(losses)

	NOTES	CONSOLIDATED ENTITY	
		2016	2015
Accumulated Losses	(a)	(22,016,072)	(23,285,434)
<b>(a) Accumulated losses</b>			
Balance at the beginning of year		(23,285,434)	(725,907)
Total comprehensive income for the year		3,231,516	(20,489,497)
Total available for appropriation		(20,053,918)	(21,215,404)
Dividends paid		(1,419,666)	(1,419,666)
Transactions with non-controlling interests		(542,488)	(650,364)
Balance at end of year		(22,016,072)	(23,285,434)

## Note 19: Cash Flow Information

	CONSOLIDATED ENTITY	
	2016 \$	2015 \$
<b>(a) Reconciliation of the net profit after tax to the net cash flows from operations:</b>		
Net profit	3,231,516	(20,489,497)
<b>Non-cash items</b>		
Depreciation/amortisation	-	44,739
Impairment	-	23,191,192
Net benefit of restructure	(463,339)	-
Equity accounted profit after tax net of dividends and distributions received	556,709	366,491
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in current receivables	12,269	(264,392)
(Increase)/decrease in other assets and receivables	(653,491)	154,166
Increase/(decrease) in payables	157,360	(161,126)
(Decrease)/increase in provisions	32,972	20,797
(Decrease)/increase in deferred tax	(33,823)	(60,513)
(Decrease)/increase in tax payable	(118,665)	125,393
Net cash flow from operating activities	2,721,508	2,927,250
<b>(b) Reconciliation of cash and cash equivalents</b>		
Cash balance comprises:		
Cash at bank	1,262,750	595,288
Closing cash balance	1,262,750	595,288

### (c) Financing facilities available

Westpac Bank has in place an agreement with the Group to provide facilities amounting to \$5,000,000. At the end of the reporting period those facilities have been utilised to the amount of \$3,584,583. The facility is a Term Overdraft to assist with future investments and for general corporate purposes. At 30 June 2016 the effective interest rate was 3.45% per annum. There is an additional 1.3% line fee for the total facility.

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2016

## Note 20: Expenditure commitments

### Operating lease commitments

PDF has entered into a commercial rental lease for Level 17, 644 Chapel Street, South Yarra, Victoria on 1 July 2014. The commercial rental lease has a life of four years from 1 July 2014. Future minimum rental payable under the operating lease is as follows:

	CONSOLIDATED ENTITY	
	2016 \$	2015 \$
<b>Operating lease commitments</b>		
- within one year	298,864	288,062
- after one year but not more than 5 years	631,771	930,635
<b>Total</b>	<b>930,635</b>	<b>1,218,697</b>

## Note 21: Commitments and contingencies

PDF provides cross guarantees to Pacifica Pty Ltd for \$444,500 (2015: \$444,500) and Rundles Prime Pty Ltd for \$480,000 (2015: \$480,000).

## Note 22: Earnings/(loss) per share

	2016 \$	2015 \$
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit after tax	3,231,516	(20,489,497)
Earnings used in calculating basic and diluted earnings per share	3,231,516	(20,489,497)

	2016 NO. OF SHARES	2015 NO. OF SHARES
Weighted average number of ordinary shares used in calculating basic earnings per share	145,579,488	145,641,988
<b>Effect of dilutive securities:</b>		
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	145,579,488	145,641,988
<b>Basic earnings/(loss) per share (cents)</b>	<b>2.22</b>	<b>(14.07)</b>
<b>Diluted earnings/(loss) per share (cents)</b>	<b>2.22</b>	<b>(14.07)</b>



**Note 23: Auditor’s remuneration**

	CONSOLIDATED ENTITY	
	2016 \$	2015 \$
Amounts received or due and receivable by the auditor for:		
Auditing or reviewing the financial report	109,000	109,000
	<b>109,000</b>	<b>109,000</b>

**Note 24: Related party disclosures**

- (a) The consolidated financial statements include the financial statements of Prime Financial Group Ltd and its controlled entities listed in Note 10.
- (b) The total amount of transactions that were entered into with related parties for the relevant financial year is provided below:

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

Interests associated with Mr P Madder received \$167,815 (2015: \$127,976) for executive services provided to the Company plus an additional \$200,000 as a payment for the assignment of intellectual property, which forms the basis of the Company’s client engagement model. The minimum annualised payment under this agreement is \$200,000 for a maximum of 5 years, expiring no later than 30 November 2016, 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 licences to joint venture partners of that intellectual property. The total payments for the year were \$367,815. (2015: \$327,976).

Mr S Madder and a nominee has a loan from the PFG Employee Share Plan (PFG ESP) to fund the allocation of 9,547,831 shares in Prime Financial Group Ltd. These shares were allocated, 6,600,000 in 2013 and 2,947,831 in December 2015 (representing part of the outstanding 2015 allocation of 4,800,000 shares). The loan agreements among other things makes provision for, interest to be charged at commercial rates, the loan to be repaid within 4 years, security in the form of a general security agreement over the nominee and the terms on which the trustee may be required to buy-back the plan shares. The balance of these loans at 30 June 2016 was \$1,958,988 (\$1,523,054 at 30 June 2015). During the 2016 financial year interest payable on the loan was \$96,348.

The PFG ESP made an advance of \$56,486 (\$53,484 at 30 June 2015) 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 2016 financial year is \$4,287.

Mr P Madder through a nominee has a loan from the PFG ESP to fund the allocation of 5,348,077 shares in Prime Financial Group Ltd. These shares were allocated 3,760,784 in 2013 and 1,587,293 in December 2015 (representing part of the outstanding 2013 and 2015 allocation of 2,564,216). The loan agreement among other things makes provision for, interest to be charged at commercial rates, the loan to be repaid within 4 years, security in the form of a general securities agreement over the nominee. The balance of this loan as at 30 June 2016 was \$1,104,386 (\$864,783 at 30 June 2015). During the 2016 financial year interest payable on the loan was \$57,019.

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2016

## Note 24: Related party disclosures continued

The PFG ESP made an advance of \$56,518 (\$53,514 at 30 June 2015) 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 2016 financial year is \$4,289.

Mr M Cohen at the time of his resignation as part of the PFG ESP had an allocation of 125,000 shares with a loan balance of \$47,798 (2015 \$47,260). This included 2016 interest of \$538. The rights and obligations on these shares and entitlement to a further 1,250,000 shares were cancelled.

### Transactions with investments in associates

The entities listed in Note 12 are all associated investments of PDF or Prime. PDF derives consulting fees from its equity investments in accounting, SMSF and advisory firms.

As at 30 June 2016, PDF has an outstanding loan receivable from the accounting firms of \$897,125 (loan receivable of \$935,125 at 30 June 2015). PDF also has an outstanding loan payable to its associated wealth management entities of \$1,416,913 relating to unpaid dividends (loan payable of \$1,397,903 at 30 June 2015).

As at 30 June 2016, CPP Prime Pty Ltd (CPP) has an outstanding loan receivable from the employees of CPP of \$1,432,956 (\$1,323,039 at 30 June 2015).

### Compensation for key management personnel

	CONSOLIDATED ENTITY	
	2016 \$	2015 \$
Short-term employment benefit	1,046,386	1,300,543
Post employment benefits	30,000	36,757
Other long-term benefits	12,999	11,884
Termination benefits	-	45,598
	1,089,385	1,394,782

## Note 25: Segment information

The Group operates in one business segment, being investing in and providing wealth management services, solely in Australia.

## Note 26: 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. 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 2016 total group debt is floating. The Group has no material exposure to changes in interest rates.

The consolidated entity's bank loans outstanding, totalling \$3,584,583 (2015: \$7,964,792), are interest payment loans. Monthly cash outlays of approximately \$11,201 per month are required to service the interest payments. An official increase/decrease in interest rates of 100 (2015: 100) basis points would have an adverse/favourable effect on profit before tax of \$35,846 (2015: 79,667) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

#### (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 counter party will fail to discharge an obligation or commitment that it has entered into with the Group. At 30 June 2016, 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.

# Notes to the Financial Statements continued

FOR THE YEAR ENDED 30 JUNE 2016

## Note 26: Financial risk management continued

### (b) Financial instruments

#### 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 Group did not directly hold any listed shares and equities at 30 June 2016 (2015: 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		FLOATING INTEREST RATE MATURING IN 1 TO 5 YEARS	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
(i) Financial assets								
Cash	1,262,750	595,288	-	-	-	-	-	-
Receivables	-	-	-	500,000	-	-	-	-
<b>Total financial assets</b>	<b>1,262,750</b>	<b>595,288</b>	<b>-</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
(ii) Financial liabilities								
Bank overdraft	-	-	-	-	-	-	-	-
Commercial bills	-	-	-	-	-	-	-	6,974,734
Term overdraft	-	-	-	-	-	-	3,584,583	-
Bank loans	-	-	-	990,416	-	-	-	-
Payables	-	-	-	-	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>990,416</b>	<b>-</b>	<b>-</b>	<b>3,584,583</b>	<b>6,974,734</b>

FINANCIAL INSTRUMENTS	NON-INTEREST BEARING MATURING 1 YEAR OR LESS		TOTAL CARRYING AMOUNT AS STATEMENT OF FINANCIAL POSITION		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 %	2015 %
(i) Financial assets						
Cash	-	-	1,262,750	595,288	0.7%	0.7%
Receivables	1,605,321	1,617,590	1,605,321	2,117,590	7.8%	7.8%
<b>Total financial assets</b>	<b>1,605,321</b>	<b>1,617,590</b>	<b>2,868,071</b>	<b>2,712,878</b>		
(ii) Financial liabilities						
Bank overdraft	-	-	-	-	8.3%	8.3%
Commercial bills	-	-	-	6,974,734	3.4%	3.4%
Term overdraft	-	-	3,584,583	-	3.4%	-
Bank loans	-	-	-	990,416	6.8%	6.8%
Payables	771,874	729,223	771,874	835,031		
<b>Total financial liabilities</b>	<b>771,874</b>	<b>729,223</b>	<b>4,356,457</b>	<b>8,800,181</b>		

## Note 27: Parent entity disclosures

	PARENT ENTITY	
	2016 \$	2015 \$
<b>(a) Consolidated statement of financial position</b>		
<b>Assets</b>		
Current assets	13,424,622	16,009,167
Non-current assets	44,778,182	44,196,597
Total assets	58,202,804	60,205,764
<b>Liabilities</b>		
Current liabilities	4,956,169	4,937,664
Non-current liabilities	-	-
Total liabilities	4,956,169	4,937,664
Net assets	53,246,635	55,268,100
<b>Equity</b>		
Contributed equity	68,429,403	68,429,403
Accumulated losses	(15,182,768)	(13,161,303)
Total equity	53,246,635	55,268,100
<b>(b) Consolidated statement of profit or loss and other comprehensive income</b>		
Profit/(loss) for the year	(367,352)	(664,050)
Other comprehensive income	-	-
Total comprehensive income	(367,352)	(664,050)

### Parent entity financial information - investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Prime Financial Group Ltd. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

## Note 28: Subsequent events

### After Balance Date events

On 5 August 2016 Prime announced it had increased its stake in leading Melbourne accounting & advisory firm MPR Group Pty Ltd (MPR) from 40% to approximately 93%.

Prime has increased its holding through the issue of new shares by MPR and the acquisition of existing shares from MPR Managing Director Matthew Murphy.

As part of the transaction Mr Murphy has received \$1,350,000 cash, payable over 12 months plus 13,500,000 Prime shares. This has made Mr Murphy a significant shareholder in Prime with those shares being escrowed, one third for 1 year, one third for two years and one third for three years.

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

## Note 29: New accounting standards for application in future periods

### a. New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Consolidated Group has decided not to early adopt. A discussion of those future requirements and their impact on the Consolidated Group is as follows:

- *AASB Financial Instruments (December 2014) and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (applicable for annual reporting periods commencing on or after 1 January 2018)*

AASB 9 includes requirements for the classification and measurement of financial assets, the accounting requirements for financial liabilities, impairment testing requirements and hedge accounting requirements.

The changes made to accounting requirements by these standards include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value and an allowance for debt instruments to be carried at fair value through other comprehensive income in certain circumstances
- simplifying the requirements for embedded derivatives
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument

- financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows
- amending the rules for financial liabilities that the entity elects to measure at fair value, requiring changes in fair value attributed to the entity's won credit risk to be presented in other comprehensive income
- introducing new general hedge accounting requirements intended to more closely align hedge accounting with risk management activities as well as the addition of new disclosure requirements
- requirements for impairment of financial assets

The standard will not have a material impact on the consolidated groups financial statement.

- *AASB15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Effective Date of AASB 15 and AASB 2016-3 Clarifications to AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2018)*

AASB 15 establishes a single, comprehensive framework for revenue recognition, and replaces the previous revenue Standards AASB 118 Revenue and AASB 111 Construction Contracts, and the related Interpretations on revenue recognition Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers and Interpretation 131 Revenue—Barter Transactions Involving Advertising Services.

AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The standard will not have a material impact on the consolidated groups financial statement.

- *AASB16 Leases (applicable for annual reporting periods commencing on or after 1 January 2019)*

AASB 16 introduces a single lessee accounting model that requires all leases to be accounted for on balance sheet. A lessee will be required to recognise an asset representing the right to use the underlying asset during the lease term (ie right-of-use asset) and a liability to make lease payments (ie lease liability). Two exemptions are available for leases with a term less than 12 months or if the underlying asset is of low value.

The lessor accounting requirements are substantially the same as in AASB 117. Lessors will therefore continue to classify leases as either operating or finance leases.

AASB 16 will replace AASB 117 Leases, Interpretation 4 Determining Whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and interpretation 127 Evaluating the substance of Transactions Involving the Legal Form of a Lease.

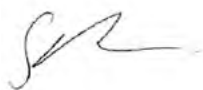
The standard will not have a material impact on the consolidated groups financial statement.

# Prime Financial Group Limited Directors' Declaration

The Directors of the company declare that

1. the financial statements and notes, as set out on pages 19 to 53, 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 2016 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.



**Mr Simon Madder**  
Managing Director  
& CEO



**Mr Peter Madder**  
Chairman  
& CFO

29 September 2016





## 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 it 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 2016, the consolidated statement of profit of loss and other 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.

#### CHARTERED ACCOUNTANTS & ADVISORS

**Melbourne Office**  
Level 20, 181 William Street  
Melbourne VIC 3000

**Hawthorn Office**  
Level 1, 465 Auburn Road  
Hawthorn East VIC 3123

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# Independent Auditors Report

continued



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRIME FINANCIAL GROUP 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 2016 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 2016. 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 Prime Financial Group Limited for the year ended 30 June 2016, 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 2016 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 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.*

**William Buck Audit (Vic) Pty Ltd**  
ABN 59116 151 136

A handwritten signature in blue ink, appearing to read "J.C. Luckins".

**J.C. Luckins**  
Director

Dated this 29<sup>th</sup> day of September, 2016

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows: The information is current as at 26 September 2016.

### (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	53	25,636
1,001 – 5,000	149	477,090
5,001 – 10,000	162	1,320,430
10,001 – 100,000	362	14,090,456
100,001 and over	208	175,023,702
	935	190,937,314

### (B) Twenty largest shareholders

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

NAME	LISTED ORDINARY SHARES	
	NO. OF SHARES	PERCENTAGE OF ORDINARY SHARES %
1 DOMAIN INVESTMENT (MELBOURNE) PTY LTD	20,805,975	10.90
2 PFG EMPLOYEE SHARE PLAN PTY LTD	17,241,666	9.03
3 ASCENSION BUSINESS INVESTMENTS PTY LTD	13,500,000	7.07
4 SONNING ROAD PTY LTD <PSB SUPERANNUATION FUND A/C>	7,546,324	3.95
5 MS SHANNON OLIVIA TODD	6,233,325	3.26
6 COMMON SENSE INVESTMENTS PTY LTD	4,500,000	2.36
7 CULVERWOOD SUPERANNUATION PTY LTD	4,342,198	2.27
8 MAY ROAD PTY LTD <MAY ROAD A/C>	3,850,000	2.02
9 MR VAUGHAN WEBBER <C PIKE & PIERCY EMP A/C>	3,395,730	1.78
10 DRAKEVALE PTY LTD <THE PRK SUPER FUND A/C>	3,337,296	1.75
11 MR SIMON MADDER	3,048,823	1.60
12 SOMACO PTY LTD <THE S & M COHEN FAMILY A/C>	3,000,000	1.57
13 IHOP PTY LTD <KEPPEL INVESTMENTS UNIT A/C>	2,828,892	1.48
14 FENNING COURT PTY LTD <SCOBLE FAMILY A/C>	2,775,000	1.45
15 MR JAMES GORDON MAXWELL MOFFATT	2,646,546	1.39
16 LYNDOC HOLDINGS PTY LTD <LYNDOC SUPER FUND A/C>	2,382,993	1.25
17 29TH MARSUPIAL PTY LTD <THE BLUE CHIP UNIT A/C>	2,130,408	1.12

## ASX Additional Information

continued

LISTED ORDINARY SHARES			
NAME		NO. OF SHARES	PERCENTAGE OF ORDINARY SHARES %
18	MR BRETT ANDREW GORMAN <THE GOGORM SUPER FUND A/C>	2,024,663	1.06
19	MR PAUL SAMUEL COWAN & MRS BELINDA CAROLINE COWAN	2,000,000	1.05
20	MRS KERRY ELIZABETH DRAFFIN	1,969,143	1.03

### (c) voting rights

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

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**Prime Financial Group Ltd ABN 70 009 487 674**

Level 17, Como Office Tower  
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South Yarra VIC 3141

Phone (03) 9827 6999  
Facsimile (03) 9827 9100  
www.primefinancial.com.au

**Directors**

S. Madder  
P. Madder  
P. Cowan  
T. Carroll

**Company Secretary**

D. Gaskell

**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 Audit (VIC) PTY LTD  
Level 20  
181 William Street  
Melbourne VIC 3000

