Prime

PRIME FINANCIAL GROUP LTD

Half Year Financial Report

For the six months ended 31 December 2019

Contents

Managing Director/CEO's Message	3–4
Directors' Report	5–11
Auditor's Independence Declaration	12
Consolidated Statement of Profit or Loss and Other Comprehensive Income	13
Consolidated Statement of Financial Position	14
Consolidated Statement of Changes in Equity	15
Consolidated Statement of Cash Flows	16
Notes to the Half Year Financial Report	17–31
Directors' Declaration	32
Independent Auditor's Report	33–34

Managing Director/CEO's Message

Dear Shareholders,

Overview

Prime Financial Group Ltd (Prime) are pleased to report continuing momentum, organic growth and a positive outlook as 'One Connected' professional services firm, operating across four key areas in Accounting & Business Advisory, Wealth Management, SMSF and Capital in its three core locations of Melbourne, Sydney and Brisbane.

Earnings & Organic Growth

	Members/Shareholders			Group		
H1 FY20 Financial Highlights	**H1 FY20**	**H1 FY19**	**Change**	**H1 FY20**	**H1 FY19**	**Change**
Underlying						
Revenue - Contracts with customers	**$11.1m**	**$10.4m**	**↑ 6%**			
Revenue - Other	**$0.0m**	**$0.7m**	**N/A**			
Revenue - Total	$11.1m	$11.1m	-			
EBITDA	**$2.4m**	**$2.1m**	**↑ 15%**	$2.9m	$2.9m	-
EBITDA* (excluding impact of new lease standard)	**$1.9m**	**$2.1m**	**↓ (10%)**	$2.3m	$2.9m	↓ (18%)
Margin	22%	19%	↑ 3%	26%	26%	-
NPAT	**$1.2m**	**$1.3m**	**↓ (13%)**	$1.5m	$1.9m	↓ (21%)
Diluted EPS (cents per share)	**0.67**	**0.79**	**↓ (15%)**			
Reported						
NPAT	**$0.6m**	**$0.7m**	**↓ (16%)**	$0.9m	$1.3m	↓ (27%)
Diluted EPS (cents per share)	**0.35**	**0.43**	**↓ (19%)**			
Dividends paid (cents per share)	0.20	0.20	-			

* EBITDA excluding the impact of the new IFRS leasing standard (AASB 16) provides a more comparable basis for analysis.

Underlying EBITDA for members/shareholders (Prime's key profitability measure) has increased by 15% from $2.1 million (H1 FY19) to $2.4 million (H1 FY20). Excluding the impact of AASB 16 Leases, underlying EBITDA decreased by 10%.

Organic revenue growth from contracts with customers and continuing operations increased by 6%. 'Wealth Management & SMSF' revenue was down 3%, whilst 'Accounting & Business Advisory plus Capital' revenue was up 14%. This is the third successive period of organic growth from "contracts with customers" which sees total revenue match the previous corresponding period. Importantly, revenue from "other revenue" has been reduced to almost nil, this compares with a $700k (approximately) benefit to revenue in H1 FY19. This is a reflection of the simplification and focus of Prime.

As a further reflection of the improvement in the shape of Prime's earnings, operating expenses were flat and non-recurring expenses were 62% lower than H1 FY19.

Prime has clear parameters around our "ideal clients" and will continue to concentrate on delivering more predictable recurring revenue and therefore earnings.

Prime's organic growth is being driven by a combination of additional group services for existing clients and new client growth, as 'One Connected' professional services firm, whilst also continuing to support our 30+ Accounting Firm relationships across Wealth Management, SMSF and Capital. This will be complimented by disciplined cost control to improve reported earnings.

Balance Sheet, Cash Flow & Net Debt

During the period group cashflow improved by $700k but group net debt peaked at ($10.1m) vs ($9.4m) in H1 FY19 and ($9.7m) at FY19. Debt is expected to reduce back to FY19 levels as operating cashflow improves in H2 FY20.

Prime refinanced its debt facility for a 5.5 year period on favourable terms, and with anticipated improvement in cashflow, Prime expects dividends to increase in H2 FY20.

H2 FY20 & The Future

In H2 FY20, Prime will focus on:

- integrating our service capability for our clients benefit
- continuing to build organic growth and reported earnings
- closely aligning underlying and reported EBITDA for members/shareholders
- improving cashflow
- managing debt lower
- increasing dividends on the basis that underlying EBITDA for members/shareholders is in a maintainable range of 2 - 2.5 times debt (currently 2.1 times)
- review the existing board structure, and
- prioritise people, client service and compliance.

Prime have commenced FY20 with positive momentum with the 'One Connected' strategy at its core. We would like to thank our clients for their ongoing custom and recent positive feedback, through the Net Promoter Score (NPS) client survey, our team for their dedication to delivering client value and our Accounting Firm relationships for their support.

Simon Madder
Managing Director & CEO

Directors' Report

The directors submit their report for the period ended 31 December 2019 together with the consolidated financial statements of Prime Financial Group Ltd ('PFG' 'Prime' or 'the Company') and the entities it controlled ('the Group') at the end of, or during, the period ended 31 December 2019, and independent audit report thereon.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Mr Tim Carroll

Independent Non-Executive Director and Interim Chairman

(Appointed as Non-Executive Director 27 November 2015 and appointed Interim Chairman on 1 March 2019)

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 the Interim Chairman 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 Prime Development Fund Ltd (PDF) (since 1998). Mr Madder has 22 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 Peter Madder FCA, FCPA

Executive Director

(Appointed as Director on 2 January 2007)

Mr Madder was the co-founder of 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.

Company Secretary

Mr Dale Gaskell-Kharsas B.Bus, CA

Company Secretary

(Appointed 16 December 2018)

Mr Gaskell-Kharsas is a Chartered Accountant who has over 10 years' experience in a variety of accounting roles within public practice, large corporates and ASX listed companies.

Interests in the shares and options of the Company and related bodies corporate

	Ordinary Shares	Options over shares
Mr S Madder*	28,536,281	-
Mr P Madder**	9,912,702	-
Mr T Carroll	132,594	-

* Includes shares issued in relation to share based payments.

** Includes partly paid shares.

Dividends

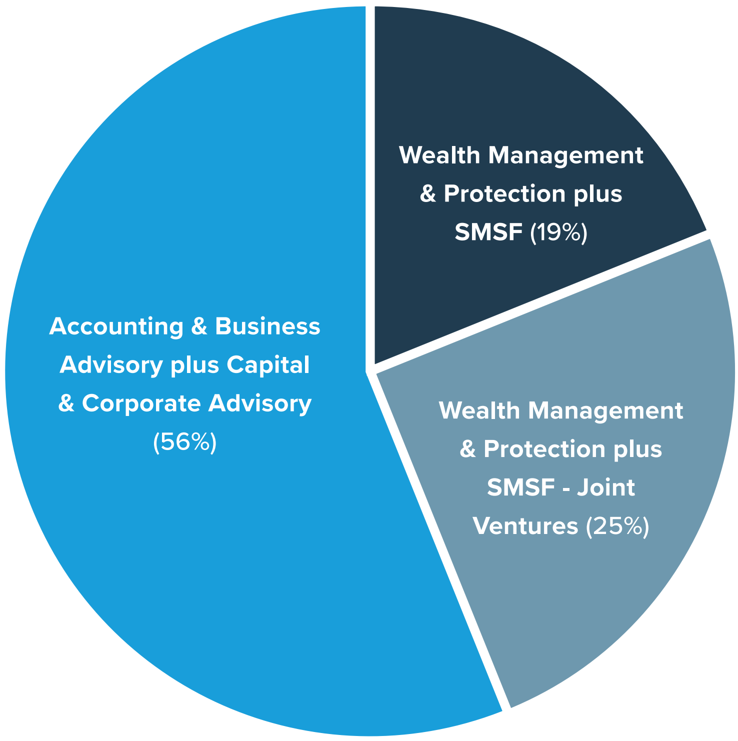
The Board has resolved to declare a fully franked interim dividend of 0.20 cents per ordinary share. This compares to an interim dividend declared in respect of the previous corresponding period of 0.20 cents per ordinary share. The Board is also continuing the Dividend Re-investment Plan (DRP) for the interim dividend. Future dividend payout ratios are targeted at 40-60% of the reported and maintainable earnings. The dividend payout ratio for H1 FY20 is 61%.

Principal Activities

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

- Wealth Management and SMSF; and
- Accounting & Business Advisory plus Capital Advisory services.

Principal Activities – continued



Operating & Financial Review

What We Do - Revenue by Service

Prime operates a direct client advice model under the Prime brand and a Joint Venture model with accounting firms (co-branded).

Eighty percent (80%) of total revenue is generated from existing customers.

Accounting & Business Advisory plus Capital & Corporate Advisory (56%)

Accounting

- Accounting and Tax Compliance
- Business Growth Advisory & Strategy
- Outsourced CFO & Accounting Services
- Grants & R&D Tax Incentives
- Innovation & Commercialisation Advice

Capital & Corporate Advisory

- M&A Advisory
- Capital Raising
- Other Capital & Corporate Development Services

Wealth Management & Protection plus SMSF (44%)

- Financial Planning & Strategic Advice
- Retirement Planning
- Superannuation Advice
- Investment Advice
- Life Insurance
- SMSF Establishment, Advice, Administration & Compliance

→ **Wealth Management & Protection plus SMSF – Direct** (19%)

Prime liaises directly with clients under the Prime brand

→ **Wealth Management & Protection plus SMSF - Joint Ventures** (25%)

- 30+ joint ventures with small and mid-sized accounting firms
- Most joint ventures are 50% owned by Prime and all are included in Prime's consolidated financial results
- Joint ventures are operated and staffed by Prime but co-branded with accounting firms

Our Strategy

The following presents a summary of Prime's Strategic Plan:

"One Connected" professional services firm

Purpose

Empowering you to achieve your aspirations

Goal

To be the leading integrated advice firm of the future

How

Helping our clients and business partners access advice, services, grants, networks, education, expertise and capital

AREAS & OBJECTIVES

Customer

Provide clients with advice, growth opportunities and wealth management services

People

Build a team that adds value to clients through proactive, goal oriented advice

Financial

Align and grow reported and underlying EBITDA for members/shareholders, improve cashflow and reduce debt whilst improving dividends

Technology

Utilise business operations data and technology to improve the client experience and deliver Prime's business strategy

FY20 KEY PRIORITIES

Organic Growth

- Integrate Prime's Accounting & Business Advisory and Wealth Management client bases
- Deliver additional business and corporate advisory services for Business Owners and Businesses
- Promote Prime's Wealth Management & SMSF capability
- Improve and grow Prime's Accounting relationships

People & Culture

- Further develop and empower our people to confidently advise our clients and engage - client service is a priority.

Systems & Efficiency

- Enhance controls, efficiency, compliance procedures and cashflow through business intelligence and enablement software and systems in one connected environment.

Reported & Underlying Earnings

In this report, certain non-IFRS information, such as EBITDA (Earnings before interest, tax, depreciation and amortisation) is used. This non-IFRS information is not audited.

Underlying EBITDA for members/shareholders is the key measure used by management and the board to assess and review business performance. Underlying EBITDA for members/shareholders is adjusted to exclude the following items:

- One-off non-recurring items (including business acquisition and restructuring costs, non-recurring professional fees, employee termination costs, impairment losses, fair value adjustments on contingent consideration, prior period adjustments and gains/losses on sale of investments); and
- Share based payment expenses/benefits.

Underlying EBITDA for members/shareholders (Prime's key profitability measure) has increased from $2.1 million (H1 FY19) to $2.4 million (H1 FY20) (15%). Excluding the impact of AASB 16 Leases, underlying EBITDA decreased by 10%.

Organic revenue growth from contracts with customers and continuing operations increased by 6%. 'Wealth Management & SMSF' revenue was down 3%, whilst 'Accounting & Business Advisory plus Capital' revenue was up 14%. This is the third successive period of organic growth from "contracts with customers" which sees total revenue match the previous corresponding period.

	Period Ended 31 December 2019 $	Period Ended 30 December 2018 $
Reported net profit after tax operations (Group)	942,766	1,285,622
Add: Tax expense	325,429	324,639
Add: Interest expense/(income)	279,767	280,951
EBIT (Group) *	1,547,962	1,891,212
Add: Depreciation	567,764	128,633
Add: Amortisation	469,492	434,914
Reported EBITDA (Group) **	2,585,218	2,454,759
Adjustments		
Restructure & Repositioning non-recurring expenses	250,956	653,291
Share based payment expenses/(benefit)	12,777	(266,952)
Fair value movements/adjustments on Financial assets/ contingent consideration	16,469	10,085
Underlying EBITDA (Group) **	**2,865,420**	**2,851,183**
Underlying EBITDA (Members/Shareholders)	**2,411,421**	**2,089,758**
Reported EBITDA (Members/Shareholders)	**2,131,219**	**1,693,335**

*EBIT is defined as earnings before interest and tax
**EBITDA is defined as earnings before interest, tax, depreciation and amortisation

Review of Financial Condition

In H1 FY20, the Group generated net cash outflow of $0.1 million consisting of cash outflows from investing activities of $1.3 million and from financing activities of $0.2 million, this was offset by cash inflows from operating activities of $1.4 million.

At 31 December 2019, the Group's net debt, calculated as borrowings less cash and cash equivalents, was $10.1 million (30 June 2019: $9.4 million).

Significant Changes In The State Of Affairs

Divestments and Acquisitions

Prime has not undertaken any new acquisitions or divestments during the period. Prime's focus is on building continuing momentum and positive growth as 'One Connected' and integrated professional services firm operating across four key areas in Accounting & Business Advisory, Wealth Management, SMSF and Capital.

Significant Events After The Balance Date

There are no matters or circumstances which have arisen since the end of the financial period, that have significantly affected, or may significantly affect the operations of the Group, or the state of affairs of the Group in future periods.

Likely Developments And Expected Results Of Operations

Prime's strategy, focus and likely developments are included in the Managing Director/CEO's Report.

Environmental Regulation

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

Share Options

Unissued shares

At the date of this report there were no unissued shares under options.

Shares Issued As A Result Of The Exercise Of Options

During the financial year, no options were exercised to acquire any shares in PFG.

Indemnification And Insurance Of Directors And Officers

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 judgment 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 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 Of Behalf Of The Consolidated Entity

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

Corporate Governance Statement

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

Diversity Policy

The measurable objectives established for achieving gender diversity is to increase the number of females in the whole organisation and at senior management positions to 50%. The proportion of female employees in the whole organisation at present is 39% (30 June 2019: 39%), the proportion of females in senior management positions at present is 39% (30 June 2019: 35%) and there are no females on the board. A full copy of Prime's Diversity Policy can be found on Prime's website (https:// www.primefinancial.com.au/shareholders/corporate-governance).

Auditor Independence

A copy of the auditor's independence declaration under section 307C of the Corporations Act 2001 in relation to the audit of the financial year is provided with this report.

Non-Audit Services

In H1 FY20, Ernst & Young (EY) did not provide any non-audit services to Prime.

Auditor's Independence Declaration

Ernst & Young
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Auditor's Independence Declaration to the Directors of Prime Financial Group Limited

As lead auditor for the review of Prime Financial Group Limited for the half-year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b. no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Prime Financial Group Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

T M Dring
Partner
Melbourne
14 February 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2019

	Notes	Six months ended 31 December 2019 $	Six months ended 31 December 2018 $
Revenue			
Wealth Management & SMSF		4,840,276	5,013,122
Accounting & Business Advisory plus Capital		6,192,345	5,434,743
Total Revenue from contracts with customers		**11,032,621**	**10,447,865**
Share of profit from associates		-	383,711
Other Income		-	239,676
Interest Income		30,512	32,943
Total Revenue		**11,063,133**	**11,104,195**
Expenses			
Employee benefits		(6,514,407)	(6,264,398)
Depreciation		(567,764)	(128,633)
Amortisation		(469,492)	(434,914)
Finance costs		(309,795)	(309,260)
IT and communication expenses		(628,215)	(554,845)
Insurance		(197,491)	(236,460)
Occupancy		(122,980)	(506,504)
Professional fees		(125,392)	(209,179)
Other expenses		(827,501)	(1,106,607)
Total operating expenses		**(9,763,037)**	**(9,750,800)**
Share based payment (expense)/benefit	10b	(12,777)	266,952
Fair value movement on financial assets		(8,116)	-
Fair value movement on contingent consideration		(8,353)	(10,085)
Credit Loss Expense		(2,655)	-
Total expenses		**(9,794,938)**	**(9,493,933)**
Profit before tax from continuing operations		**1,268,195**	**1,610,262**
Attributable to:			
- Members/shareholders of the parent entity		814,196	848,836
- Non-controlling interests		453,999	761,425
Income tax expense		(325,429)	(324,639)
Profit after tax from continuing operations		942,766	1,285,622
Attributable to:			
- Members/shareholders of the parent entity		617,025	733,589
- Non-controlling interests		325,741	552,033
Total comprehensive income		**942,766**	**1,285,622**
Earnings per share attributable to ordinary members/shareholders of the parent			
Basic earnings/(loss) per share (cents)		0.35	0.43
Diluted earnings/(loss) per share (cents)		0.35	0.43

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	31 December 2019 $	30 June 2019 $
Current assets			
Cash and cash equivalents		60,892	208,792
Trade and other receivables	5	2,632,972	2,490,001
Contract assets and other current assets	6	2,774,780	2,803,862
Total current assets		**5,468,644**	**5,502,655**
Non-current assets			
Property, plant and equipment		142,325	237,392
Right-of-use asset	8	3,978,051	-
Financial assets	12a	2,268,856	2,246,784
Intangible assets		47,237,802	47,530,793
Total non-current assets		**53,627,034**	**50,014,969**
Total assets		**59,095,678**	**55,517,624**
Current liabilities			
Lease liabilities	9	870,719	-
Payables		2,140,526	3,125,603
Current tax payable		445,033	380,884
Employee benefits		840,940	900,348
Borrowings – other		390,729	243,501
Balance outstanding on acquisition of investments		1,266,605	1,162,296
Total current liabilities		**5,954,552**	**5,812,632**
Non-current liabilities			
Borrowings – bank facility		9,767,175	9,325,228
Borrowings – other		-	73,424
Lease liabilities	9	3,214,731	-
Deferred tax liabilities		154,215	87,340
Financial liability – share based payments	10	153,510	140,733
Balance outstanding on acquisition of investments		427,369	595,143
Total non-current liabilities		**13,717,000**	**10,221,868**
Total liabilities		**19,671,552**	**16,034,500**
Net assets		**39,424,126**	**39,483,124**
Equity			
Contributed equity		67,427,301	67,394,341
Treasury shares		(2,435,000)	(2,435,000)
Accumulated losses		(26,493,298)	(26,698,637)
Equity attributable to equity holders of the parent		**38,499,003**	**38,260,704**
Non-controlling interests		925,123	1,222,420
Total equity		**39,424,126**	**39,483,124**

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019

	Put Option reserve $	Contributed equity $	Retained earnings $	Non-controlling interest $	Total $
Balance at 1 July 2018	**(4,546,569)**	**64,466,965**	**(26,208,707)**	**6,124,365**	**39,836,054**
Total comprehensive income for the period	-	-	733,589	552,033	1,285,622
Transactions with equity holders in their capacity as equity holders:					
Sale of treasury shares from PFG ESP	-	586,422	-	-	586,422
Share Capital	-	(271,396)	-	-	(271,396)
Dividends paid	-	-	(833,914)	(2,411,815)	(3,245,729)
Transfer from put option reserve	1,363,971	-	-	-	1,363,971
Transactions with non-controlling interests	-	-	-	(1,091,177)	(1,091,177)
Total transactions with equity holders in their capacity as equity holders	**1,363,971**	**315,026**	**(833,914)**	**(3,502,992)**	**(2,657,909)**
Balance at 31 December 2018	**(3,182,598)**	**64,781,991**	**(26,309,032)**	**3,173,406**	**38,463,767**
Balance at 1 July 2019	**-**	**64,959,341**	**(26,698,637)**	**1,222,420**	**39,438,124**
Total comprehensive income for the period	-	-	617,025	325,741	942,766
Transactions with equity holders in their capacity as equity holders:					
Adjustment for change in accounting policy (Note 2)	-	-	(41,518)	-	(41,518)
Share Capital	-	32,960	-	-	32,960
Dividends paid	-	-	(370,168)	(623,038)	(993,206)
Total transactions with equity holders in their capacity as equity holders	**-**	**32,960**	**(411,686)**	**(623,038)**	**(1,001,764)**
Balance at 31 December 2019	**-**	**64,992,301**	**(26,493,298)**	**925,123**	**39,424,126**

Consolidated Statement of Cash Flows

For the six months ended 31 December 2019

	Six months ended 31 December 2019 $	Six months ended 31 December 2018 $
Cash flows from operating activities		
Receipts from customers	11,869,669	11,866,391
Receipts from associates	-	222,624
Payments to employees and suppliers	(9,961,196)	(9,994,661)
Interest paid	(309,794)	(309,260)
Income tax paid	(194,406)	(198,918)
Net cash provided by operating activities	**1,404,273**	**1,586,176**
Cash flows from investing activities		
Payments for business acquisitions	(71,818)	(606,066)
Dividends advanced to non-controlling interests	(529,504)	(1,318,541)
Other transactions with non-controlling interests	(546,078)	(1,091,177)
Development expenditure	(176,500)	(107,731)
Payments for plant and equipment	(15,914)	(57,761)
Net cash provided by/(used in) investing activities	**(1,339,814)**	**(3,181,276)**
Cash flows from financing activities		
Sale of treasury shares	-	315,027
Dividends paid	(337,208)	(833,914)
Repayment of lease liabilities	(390,902)	-
Repayment of borrowings	(319,821)	(382,886)
Drawdown of borrowings	835,572	1,714,511
Net cash provided by/(used in) financing activities	**(212,359)**	**812,738**
Net increase/(decrease) in cash and cash equivalents	(147,900)	(782,362)
Cash and cash equivalents at beginning of the half-year	**208,792**	**878,831**
Cash and cash equivalents at end of the half-year	**60,892**	**96,469**

Notes to the Half Year Financial Report

1. Corporate information

The half-year consolidated financial statements of Prime Financial Group Ltd ('Prime' or 'the Company') and its controlled entities ('the Group') for the six months ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 14 February 2020.

Prime is a for profit company limited by shares and incorporated and domiciled in Australia. The Company's shares are publicly traded on the Australian Securities Exchange ('ASX').

2. Basis of preparation of the half year financial report

2.1 Basis of preparation

The half-year consolidated financial statements for the half year ended 31 December 2019 have been prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year consolidated financial statements are presented in Australian dollars and have been prepared on a historical cost basis. It complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The half-year consolidated financial statements do not include all the information and disclosures required in the annual financial statements. It is recommended that the half-year consolidated financial statements be read in conjunction with the consolidated financial statements for the year ended 30 June 2019 and any public announcements made by Prime during the half-year in accordance with any continuous disclosure obligations arising under the ASX listing rules.

2.2 New standards, interpretations and amendments

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those adopted in the Group's annual financial report for the year ended 30 June 2019, except for the adoption of new standards and interpretations as of 1 July 2019 and disclosed below:

i. AASB 16, 'Leases'

The Group applies, for the first time, AASB 16 Leases. The nature and effect of this new standard is disclosed below.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

The Group has elected to transition to AASB 16 on 1 July 2019 using the modified retrospective approach. At inception, the Group assesses whether a contract is or contains a lease. The Group recognises a right-of-use (ROU) asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based

2. Basis of preparation of the half year financial report – continued

on the present value of lease payments, plus initial direct costs and the cost of obligations to refurbish the asset, less incentives received.

The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator for impairment.

Lease payments include fixed payments, adjusted for specified annual rate increases as detailed in the lease agreements. The lease term determined by the Group comprises non-cancellable period of leases but does not include periods covered by options to extend the lease, as the Group is not reasonably certain to exercise that option.

ROU assets are included in property, plant and equipment, and the lease liability is included in the lease liabilities headings in the Statement of Financial Position. The payments for such leases are recognised in the Statement of Profit and Loss on a straight-line basis over the lease term.

The Group adopted AASB 16 using the modified retrospective method. The effect of adopting AASB 16 is as follows:

Impact of adoption on the Statement of Financial Position (increase /(decrease)) as at 1 July 2019:

	1 July 2019 $
Assets	
Right of Use Asset	4,166,082
Equity	
Accumulated Losses	41,518
Liabilities	
Lease Liability	(4,207,600)

Significant accounting policies:

Right-of-use assets:

A ROU asset is recognised at the commencement date of a lease. The ROU asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

ROU assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. ROU assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease Liabilities:

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

2. Basis of preparation of the half year financial report – continued

2.3 Share-based payments accounting policy

Prime's accounting policy for share-based payments is below.

Employees and directors of the Group receive remuneration in the form of share-based payments whereby they can acquire shares pursuant to a loan scheme. On the basis that the employees and directors have the option to require the Company to buy back the shares, the awards are being accounted for as share options under cash settled share-based payment awards.

A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in profit and loss. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The fair value is determined using a Black-Scholes model, further details of which are given in Note 10.

2.4 Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgment. It is based on the lifetime expected credit loss, grouped based on shared credit risk characteristic and on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include past default experience of the debtor profile and an assessment of the historical loss rates.

3. Dividends paid and proposed

	Six months ended 31 December 2019 $	Six months ended 31 December 2018 $
Cash dividends to the equity holders of the parent:		
Dividends on ordinary shares declared and paid:		
Final fully franked dividend for the year ended 30 June 2019: 0.20 cents per share (2018: 0.45 cents per share)	**372,208**	**833,914**
Proposed dividends on ordinary shares (not recognised at the end of the half year):		
Interim fully franked dividend for the year ended 30 June 2020: 0.20 cents per share (2019: 0.20 cents per share)	375,987	370,308

The proposed interim dividend for the six-month period ended 31 December 2019 was approved on 14 February 2020 and is not recognised as a liability at 31 December 2019.

The figures above exclude dividends on shares purchased by employees through the Employee Share Plan where the dividend entitlements are deducted from the employee loan balances. Please see Note 10a for details of awards to employees.

4. Segment information

To better report on the progress of the company strategy, Prime has classified its financial accounts into two reporting segments, the two segments are, 'Wealth Management & SMSF' and 'Accounting & Business Advisory plus Capital.' Prime operates within these two reporting segments comprising of providing integrated advice solely in Australia. This reporting structure provides current and prospective shareholders with a more detailed understanding of the drivers of performance of those segments and the cost of operating centralised services and the corporate office. These segments are consistent with the way the Managing Director/CEO (who is the chief operating decision-maker) monitors and assesses the business with regard to resource allocation and performance assessment. These reportable segments are as follows;

- **Wealth Management & SMSF Division** – Providing Wealth Management, Financial Planning, plus Self-Managed Superannuation Fund services and advice.
- **Accounting & Business Advisory (ABA) plus Capital Advisory Division –** Providing Accounting, Tax and Advisory services, plus Capital advice.

Segment performance is evaluated based on segment profit before tax. The Group's financing, taxes, depreciation and amortisation are managed on a Group basis and are not allocated to operating segments.

	Wealth & SMSF $	ABA & Capital $	Corporate $	Consolidated $
Six months ended 31 December 2019				
Segment Revenue	4,840,276	6,192,345	-	11,032,621
Interest Income	-	-	30,512	30,512
Total Segment Revenue	**4,840,276**	**6,192,345**	**30,512**	**11,063,133**
Deduct				
Segment Expenses	(3,682,515)	(4,408,549)	(324,922)	(8,415,986)
Segment Profit/(Loss)	1,157,761	1,783,796	(294,410)	2,647,147
Depreciation	-	-	(110,981)	(110,981)
Right of Use Asset - Depreciation	(153,868)	(231,428)	(71,487)	(456,783)
Amortisation	-	-	(469,492)	(469,492)
Interest Expense	-	-	(309,795)	(309,795)
Share Based Payment Expense/(Benefit)	-	-	(12,777)	(12,777)
Fair value movement on Financial Assets	-	-	(8,116)	(8,116)
Fair value movement on Contingent Consideration	-	-	(8,353)	(8,353)
Expected Credit Losses	-	(2,655)	-	(2,655)
Reported Profit Before Tax	**1,003,893**	**1,549,713**	**(1,285,411)**	**1,268,195**
Attributable to:				
Members/Shareholders of the parent entity	549,894	1,549,713	(1,285,411)	814,196
Non-controlling Interests	453,999	-	-	453,999
Reported Profit Before Tax	**1,003,893**	**1,549,713**	**(1,285,411)**	**1,268,195**
Tax	-	-	(325,429)	(325,429)
Reported Profit After Tax	**1,003,893**	**1,549,713**	**(1,610,840)**	**942,766**
Attributable to:				

4. Segment information – continued

	Wealth & SMSF $	ABA & Capital $	Corporate $	Consolidated $
Members/Shareholders of the parent entity	678,152	1,549,713	(1,610,840)	617,025
Non-controlling Interests	325,741	-	-	325,741
Reported Profit After Tax	**1,003,893**	**1,549,713**	**(1,610,840)**	**942,766**
Segment Assets	27,372,466	26,925,785	3,771,950	58,070,201
Non-Segment Assets				1,025,477
Total Assets				**59,095,678**
Segment Liabilities	(557,764)	(3,403,799)	(4,953,543)	(8,915,106)
Non-Segment Liabilities				(10,756,446)
Total Liabilities				**(19,671,552)**
Segment Net Assets	26,814,702	23,521,986	(1,181,593)	
Total Net Assets				**39,424,126**

	Wealth & SMSF $	ABA & Capital $	Corporate $	Consolidated $
Six months ended 31 December 2018				
Segment Revenue	5,013,122	5,434,743	-	10,447,865
Other Income	239,676	383,711	-	623,387
Interest Income	-	-	32,943	32,943
Total Segment Revenue	**5,252,798**	**5,818,454**	**32,943**	**11,104,195**
Deduct				
Segment Expenses	(4,089,427)	(4,076,479)	(712,087)	(8,877,993)
Segment Profit/(Loss)	1,163,371	1,741,975	(679,144)	2,226,202
Depreciation	-	-	(128,633)	(128,633)
Amortisation	-	-	(434,914)	(434,914)
Interest Expense	-	-	(309,260)	(309,260)
Share Based Payment (Expense)/Benefit	-	-	266,952	266,952
Fair value movement on Financial Assets	-	-	-	-
Fair value movement on Contingent Consideration	-	-	(10,085)	(10,085)
Expected Credit Losses	-	-	-	-
Reported Profit Before Tax	**1,163,371**	**1,741,975**	**(1,295,084)**	**1,610,262**
Attributable to:				
Members/Shareholders of the parent entity	633,771	1,741,975	(1,526,910)	848,836
Non-controlling Interests	529,600	-	231,825	761,425

4. Segment information – continued

	Wealth & SMSF $	ABA & Capital $	Corporate $	Consolidated $
Reported Profit Before Tax	**1,163,371**	**1,741,975**	**(1,295,085)**	**1,610,261**
Tax	-	-	(324,639)	(324,639)
Reported Profit After Tax	**1,163,371**	**1,741,975**	**(1,619,724)**	**1,285,622**
Attributable to:				
Members/Shareholders of the parent entity	633,771	1,741,975	(1,642,157)	733,589
Non-controlling Interests	529,600	-	22,433	552,033
Reported Profit After Tax	**1,163,371**	**1,741,975**	**(1,619,724)**	**1,285,622**
Segment Assets	26,720,350	27,020,516	781,469	54,522,335
Non-Segment Assets				995,289
Total Assets				**55,517,624**
Segment Liabilities	(1,056,728)	(3,308,621)	(1,505,381)	(5,870,730)
Non-Segment Liabilities				(10,163,770)
Total Liabilities				**(16,034,500)**
Segment Net Assets	25,663,622	23,711,895	(723,912)	
Total Net Assets				**39,483,124**

5. Trade and other receivables

	31 December 2019 $	30 June 2019 $
Current		
Trade Receivables	2,708,658	2,572,857
Provision for expected credit losses	(75,686)	(82,856)
Total current trade and other receivables	2,632,972	2,490,001
Provision for expected credit losses		
Reconciliation of changes in the provision for expected credit loss		
Balance at beginning of the year	(82,856)	(88,453)
Additional expected credit loss provision recognised	(2,655)	(278,828)
Provision used	9,825	284,425
Reversal of impairment	-	-
Balance at end of the year	(75,686)	(82,856)
Aged Analysis		
The ageing analysis of receivables is as follows:		
0 - 30 days	1,622,790	1,717,072
31 - 60 days	420,437	307,478
61 - 90 days (past due not impaired)	276,418	213,389

5. Trade and other receivables – continued

	31 December 2019 $	30 June 2019 $
91+ days (past due not impaired)	313,327	252,062
Aged receivables (considered impaired)	75,686	82,856
Total	**2,708,658**	**2,572,857**

Provision for Expected Credit Losses (ECLs)

Prime applies the simplified approach and records lifetime expected losses on all trade receivables. As a result, Prime does not monitor change in credit risk but recognises a provision based on lifetime expected credit losses at each reporting date.

Current trade receivables are generally on 30 days credit terms.

The Group used a provision matrix to calculate its ECL and provision for its trade receivables balance at 31 December 2019. The provision rates are based both upon the Group's service line and various customer segment groupings with similar loss patterns. This included geography (notably Melbourne and Brisbane for the Accounting & Business Advisory service line), product type and customer profile. This generated a historical credit loss experience which was adjusted for in the ECL for the Group. At every reporting date the historical rates used within the Group's provision matrix to calculate the ECL are updated for trade and other receivables. The trade receivable balance represents the Group's unconditional right to receive the cash.

The Group have written-off the uncollectable trade receivables which Prime do not expect to obtain from the relevant customers and continue to take this approach at every reporting date. This includes confirmation of non-payment, financial difficulties, credit ratings and / or delinquency of payments. A credit is applied against the profit & loss if an amount is written off.

Please refer to note 6 for commentary on contract assets.

6. Contract assets and other current assets

	31 December 2019 $	30 June 2019 $
Current		
Contract assets	1,943,563	1,785,287
Distributions advanced to non-controlling interests	409,085	696,517
Prepayments	239,886	60,810
Other assets	182,246	261,248
Total contract assets and other current assets	**2,774,780**	**2,803,862**

Contract assets

Consistent with the approach for trade and other receivables, the Group applies a simplified approach to recognising expected credit losses for contract assets as the Group do not contain a significant financing component for its trade receivables or contract assets. Contract assets are initially recognised for revenue earned through work in progress, predominantly for accounting and business advisory services as well as the capital advisory service line and monitored on both a monthly and ongoing basis. Upon completion of sale and acceptance by the customer and the provider, invoices are issued to the provider for the amount receivable

6. Contract assets and other current assets – continued

and reclassified from contract assets to trade receivables. The trade receivable balance represents the Group's unconditional right to receive the cash.

7. Leases

Recognition, measurement and classification:

The Group has applied AASB 16 using the modified retrospective approach. The impact of changes are disclosed in Note 2.2i.

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset; throughout the period of use, and;
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:
    - The Group has the right to operate the asset;
    - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group recognises a ROU asset and a lease liability at the lease commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The determination of the incremental borrowing rate requires the use of judgement.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee, and;
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

7. Leases – continued

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

The Group has elected not to recognise ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for leases of low value IT equipment. The payments for such leases are recognised in the Statement of Profit and Loss on a straight-line basis over the lease term.

The Group has entered into leases on office premises with terms between 3 and 5 years.

	31 December 2019 $
Maturity analysis – contractual undiscounted cash flows	
Not later than 1 year	994,626
Later than 1 year and not later than 5 years	3,316,633
Later than 5 years	-
Balance at 31 December 2019	**4,311,259**

8. Right-of-use Asset

Non-Current Assets

	31 December 2019 $
Leasehold Premises - right-of-use Asset	4,397,928
Applied to Retained Earnings	(231,846)
Balance at 1 July 2019	**4,166,082**
Additions during the period	268,752
Less: Accumulated depreciation	(456,783)
Balance at 31 December 2019	**3,978,051**

The consolidated entity leases land and buildings for its offices under agreements of between three to five years with, in some cases, options to extend. As these options are not reasonably certain to be taken up, they have not been included. On renewal, the terms of the leases are renegotiated. The determination of the lease term requires the use of judgement.

For the Group's accounting policy on leases, refer to Note 7.

9. Lease Liabilities

	31 December 2019 $
Current Liability	
Office Premises – Lease liability	870,719
Non-Current Liability	
Office Premises – Lease liability	3,214,731

For the Group's accounting policy on leases, refer to Note 7.

10. Share-based payments

In 2008, Prime established the PFG Employee share plan ("ESP"). The purpose of the PFG ESP is to provide eligible employees with the ability to acquire shares in Prime pursuant to a loan scheme. The PFG Employee Share Plan Trust ('ESP Trust') was established to effect the awards of shares under the ESP. PFG Employee Share Plan Pty Ltd is the trustee of the Trust ('the Trustee'). Prime made the first offers of shares from the ESP to employees and directors in FY13 and made further offers in FY15, FY16, FY17, and FY18.

At 31 December 2019, the financial liability in relation to these share-based payments was $153,510 (30 June 2019: $140,733).

10a. Types of share-based payment plans

i Awards to Mr S. Madder

Mr S. Madder was awarded shares under the PFG ESP in May 2013, December 2015 and December 2016 at an allocation price of 19.3 cents, 10.6 cents and 10.5 cents respectively. The acquisition of shares was funded by loans from the Trustee who administers the plan. The loans, which have four-year terms, are full recourse and are supported by a personal guarantee from Mr S. Madder plus a General Security Agreement over his related entity.

While Mr S. Madder's PFG ESP loans are full recourse in nature, the arrangements provide that at any time prior to the expiry of the loans, Mr S. Madder may require the Trustee to buy back the shares that are the subject of his loans at a price per share that is equal to the greater of:

- 50% of the allocation price;
- the volume weighted average price of a share during the 30 days immediately preceding the date Mr S. Madder issues a buy-back notice; and
- an amount determined by an independent expert appointed at the request of Mr S. Madder (the identity of whom must be agreed to in writing by the Company) as being the reasonable value of the shares as at the date Mr S. Madder issues a buy-back notice.

ii Awards to Employee

The PFG ESP allows participating staff members to acquire shares pursuant to a loan scheme. Under the PFG ESP, participants are allocated shares on the basis that the acquisition cost of the Shares is funded via a non-recourse loan provided by the Trustee who administers the plan.

The loans have a fixed term and shares are allocated on the basis that they are held by the Trustee. In these circumstances, participants may not deal with the shares that have been allocated to them until the loan amount that is attributable to the shares has been repaid. The loan may be repaid at any time during the loan term.

At the end of the loan term, participants are required to repay an amount equal to the loan balance that is outstanding in respect of the plan shares unless alternative arrangements are entered into with the Trustee. At that time participants may:

- Pay the Trustee an amount equal to the amount of the loan that is then outstanding in respect of the plan shares. Upon making this payment the vested plan shares will be transferred to the participant; or
- If a participant elects not to take a transfer of the plan shares or fails to make any election on or before the repayment date, then the participant shall be deemed to have agreed to transfer its plan shares back to the Trustee and the Trustee shall either:
  - Sell the plan shares; or
  - Purchase the vested plan shares for a price equal to the then current market value of the vested plan shares and hold them pending their future allocation under the plan.

10. Share-based payments – continued

The Trustee will accept the transfer of the vested plan shares in full satisfaction of the amount of the loan that remains outstanding. If the net proceeds of the sale or purchase exceed the amount of the loan that is then outstanding in respect of the vested plan shares, then the surplus will be remitted to the participant. If the net proceeds of the sale or purchase do not exceed the amount of the loan that is still outstanding in respect of the vested plan shares, then no amount will be paid to the participant.

On the basis that the employees have the option to require the Company to buy back the shares at the end of the term of the loan for the difference between the share price at the time and the outstanding loan balance, the awards are being accounted for as share options under cash settled share-based payment awards.

In July 2017, employees were allocated 9,920,000 shares funded by non-recourse loans provided on the basis described above. The allocation price of the shares was 12 cents. 33% of the shares granted vest after one year, 33% after two years with the remaining 34% of shares vesting after three years.

10b. Recognised share-based payment expenses/benefits

The (expense)/benefit recognised during the six-month period is shown in the following table:

	Six months ended 31 December 2019 $	Six months ended 31 December 2018 $
(Expense)/benefit arising from cash-settled share-based payment transactions	12,777	266,952
Total expense arising from share-based payment transactions	**12,777**	**266,952**

10c. Movements during the year

The following table illustrates the number and weighted average exercise price ('WAEP') of, and movements in, share options during the six-month period ended 31 December 2019:

	Number	WAEP (cents)	Number	WAEP (cents)
	Six months ended 31 December 2019	Six months ended 31 December 2019	Six months ended 31 December 2018	Six months ended 31 December 2018
Outstanding at 1 July	**17,053,833**	**16.1**	**21,128,833**	**14.7**
Granted during period	-	-	-	-
Forfeited during period	-	-	(4,075,000)	14.8
Exercised during period	-	-	-	-
Expired during period	-	-	-	-
Outstanding at 31 December 2019	**17,053,833**	**13.7**	**17,053,833**	**15.0**
Exercisable at 31 December 2019	17,053,833	13.7	17,053,833	15.0

The WAEP in the above table is based on the expected exercise price at the vesting / loan repayment date.

11. Significant events after balance date

On 14 February 2020, the Board proposed to declare a fully franked interim dividend of 0.20 cents per share.

There are no other matters or circumstances which have arisen since the end of the financial period, that have significantly affected, or may significantly affect the operations of the Group, or the state of affairs of the Group in future periods.

12. Financial assets and financial liabilities

12a. Financial assets

The financial assets at the period end are as follows:

	31 December 2019 $	30 June 2019 $
Loan receivable	1,025,477	995,289
Investment in BStar Pty Ltd	330,014	330,014
Investment in Crispin & Jeffery – SMSF	607,289	615,405
Other unquoted equity instruments	306,076	306,076
	2,268,856	**2,246,784**

The loan receivable relates to a loan to Madder Corporate Pty Ltd, a nominee company of Mr P. Madder. The loan was provided by the PFG ESP to fund the allocation of 6,224,156 Shares (30 June 2019: 6,224,156 Shares) in Prime. During the six-month period ended 31 December 2019 the interest payable on the loan was $30,028.

The fair valuation of Crispin & Jeffery – SMSF at 31 December 2019 resulted in a loss through the profit and loss of $8,116.

	31 December 2019 $	30 June 2019 $
Financial assets at fair value through profit and loss		
Unquoted equity instruments	1,243,379	1,251,495
Financial assets at amortised costs		
Cash and cash equivalents	60,892	208,792
Trade and other receivables	2,632,972	2,490,001
Loan receivable	1,025,477	995,289
Total financial assets	**4,962,720**	**4,945,577**
Total current	2,693,864	2,698,793
Total non-current	2,268,856	2,246,784
Total financial assets	**4,962,720**	**4,945,577**

12b. Financial liabilities

	Interest rate %	Maturity	31 December 2019 $	30 June 2019 $
Current interest-bearing loans and borrowings				
Lease Liabilities	3.1% - 3.3%	31-12-20	870,719	-
Borrowings - other	4.4%	02-08-20	390,729	243,501
Total current interest-bearing loans and borrowings			1,261,448	243,501
Non-Current interest-bearing loans and borrowings				
Lease Liabilities	3.1% - 3.3%	2021-2024	3,214,731	-
Bank facility	3.9%	09-07-25	9,767,175	9,325,228

12. Financial assets and financial liabilities – continued

	Interest rate %	Maturity	31 December 2019 $	30 June 2019 $
Borrowings - other			-	73,424
Total non-current interest-bearing loans and borrowings			**12,981,906**	**9,398,652**
Other financial liabilities				
Payables			2,140,526	3,125,603
Financial liabilities – share based payments			153,510	140,733
Balance outstanding on acquisitions			1,693,974	1,757,439
Total other financial liabilities			3,988,010	5,023,775
Total financial liabilities			**18,231,364**	**14,665,928**
Total current financial liabilities			4,668,579	4,531,400
Total non-current financial liabilities			13,562,785	10,134,528
Total financial liabilities			18,231,364	**14,665,928**

Westpac Bank has in place an agreement with the Group to provide facilities amounting to $12,630,000. The agreement expires on 9 July 2025. At the end of the reporting period those facilities have been utilised to the amount of $9,767,175. The unused amount is $2,862,825. The facility is to assist with future investments and for general purposes. At 31 December 2019 the effective interest rate was 2.89% per annum. There is an additional 1.00% line fee for the total facility.

12c. Fair values

Set out below is a comparison by class, of the carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	31 December 2019		30 June 2019	
	Carrying amount $	Fair Value $	Carrying amount $	Fair Value $
Financial assets				
Unquoted equity instruments	1,243,379	1,243,379	1,251,495	1,251,495
Loans to directors	1,025,477	1,025,477	995,289	995,289
Total	2,268,856	2,268,856	2,246,784	2,246,784
Financial liabilities				
Interest-bearing loans and borrowings				
- Bank facility	9,767,175	9,767,175	9,325,228	9,325,228
- Other	390,729	390,729	316,925	316,925
Financial liabilities - share based payments	153,510	153,510	140,733	140,733
Balance outstanding on acquisitions	1,693,974	1,693,974	1,757,439	1,757,439
Total	**12,005,388**	**12,005,388**	**11,540,325**	**11,540,325**

It has been assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, other borrowings and other contracts and the balance outstanding on acquisition of investments approximate their carrying amounts largely due to the short-term maturities of these instruments.

12. Financial assets and financial liabilities – continued

The fair value of financial liabilities relating to share-based payments have been calculated using a Black-Scholes model. Please see note 10 for further details.

Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

			Fair value measurement using		
			Quoted prices in active markets	Significant observable inputs	Significant observable inputs
	Date of valuation	Total	(Level 1)	(Level 2)	(Level 3)
Assets measured at fair value:					
Unquoted equity securities	31 December 2019	1,243,379	-	-	1,243,379
Liabilities measured at fair value:					
Balance outstanding on acquisitions	31 December 2019	1,693,974	-	-	1,693,974
Assets measured at fair value:					
Unquoted equity securities	30 June 2019	1,251,495	-	-	1,251,495
Liabilities measured at fair value:					
Balance outstanding on acquisitions	30 June 2019	1,757,439	-	-	1,757,439

Movement on balance outstanding on acquisitions	$
Balance at the beginning of the year	**1,757,439**
Additions	-
Settlements	(71,818)
Movement in Fair value	8,353
Balance at the end of the half-year	**1,693,974**

Unquoted equity securities in BStar Pty Ltd

"Bstar Pty Ltd" is classified as a Level 3 financial asset and is measured at fair value through profit and loss. The fair value technique used to value this asset is a capitalisation of earnings approach. The key inputs in this valuation were the underlying earnings and the earnings multiple. The earnings multiple used in the valuation at 31 December 2019 was 4.5 times. A 10% increase (decrease) in the earnings multiple or underlying earnings would result in an increase (decrease) in fair value of $33,750.

Investment in Crispin & Jeffery – SMSF

"Crispin & Jeffery" – SMSF is classified as a Level 3 financial asset and is measured at fair value through profit and loss. The fair value technique used to value this asset is a capitalisation of earnings approach. The key inputs in this valuation were the underlying earnings and the earnings multiple. The earnings multiple used in the valuation at 31 December 2019 was 5.5 times. A 10% increase (decrease) in the earnings multiple or underlying earnings would result in an increase (decrease) in fair value of $60,729. The fair valuation of Crispin & Jeffery – SMSF at 31 December 2019 resulted in a loss through the profit and loss of $8,116.

12. Financial assets and financial liabilities – continued

Unquoted equity securities – financial services sector

The fair value of unquoted equity securities – financial services sector consists of an investment purchased in FY18. The asset is measured based on the Board's assessment of the latest valuation information prepared by the company for the purposes of capital raising. Unquoted equity securities – financial services sector are classified as Level 3 financial assets and are measured at fair value through profit and loss. A 10% increase (decrease) in the valuation of these securities would result in an increase (decrease) in fair value of $30,607.

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 13 to 31 are in accordance with the Corporations Act 2001, including:

(a) Complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001, and

(b) Giving a true and fair view of the financial position of the consolidated entity as at 31 December 2019 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Prime Financial Group Ltd 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 directors.

Simon Madder	**Peter Madder**
Managing Director & CEO	Executive Director

Melbourne

Date: 14 February 2020

Independent Auditor's Report

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Building a better working world

Independent Auditor's Review Report to the Members of Prime Financial Group Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Prime Financial Group Ltd (the Company), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Company's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Independent Auditor's Report

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Ernst & Young

Ernst & Young

Tim Dring
Partner
Melbourne
14 February 2020

Corporate Information
Prime Financial Group Ltd

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Directors

T. Carroll, Interim Chairman
S. Madder, Managing Director & CEO
P. Madder, Executive Director

Company Secretary

D. Gaskell-Kharsas

Registered Office & Principal Place of Business

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Solicitors

Holman Fenwick Willan

Bankers

Westpac Banking Corporation

Share Register

Computershare Investor Services
Yarra Falls
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Abbotsford VIC 3067

Auditors

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