



Financial Group

2010 ANNUAL REPORT

DKN Financial Group Limited



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REVIEW OF OPERATIONS AND ACTIVITIES

1. Chairman's perspective

I have pleasure in presenting the 2010 Annual Report to shareholders. The Report includes all information required to be disclosed under the Corporations Act 2001 and by the Australian Securities Exchange. In addition to our statutory obligations, DKN has included additional information to further assist you in understanding the activities of DKN Financial Group Ltd (DKN) and its controlled entities (the Group). The Board is committed to transparent reporting to its shareholders. This means providing consistent reporting and communicating good and bad news in a timely manner.

2. Financial results for the year

The focus for the year has been to bring the Company through the downturn unscathed and maintain its successful business model intact. We are very pleased with our profit growth over the last year and that net flows to our platforms have remained positive throughout the downturn, despite the loss of confidence by the investing public. This is testament to the quality and efforts of DKN's employees and of the network of wealth management practices through which we distribute our platforms and services.

Underlying profit before impairment is \$7.64m compared with \$6.19m last year – an increase of 23.4%. The operating profit from continuing operations of the Group for the year is \$7.20m compared with a loss of \$11.54m for the prior year. These figures include an impairment charge of \$0.44m in the current year and \$17.74m in the prior year.

The Board considers the performance of the Group has been most satisfactory under headwinds on two fronts:

- market volatility and ongoing lack of investor confidence in the markets in general impacting on new business; and
- a changing regulatory environment.

Platform inflows have continued to be positive at \$525m for the year to June 2010 (2009: \$300m). The network of associated wealth management practices and key management that underpin the operations of the Group have been retained in full.

Funds Under Administration (FUA) stands at \$7.43bn at 30 June 2010 compared with \$6.8bn at the same time in 2009 (up 9%), with net FUA inflows of \$500m since 1 July 2009.

The Group's investments in Equity Partners (accounted for under the equity accounting method) have been affected by adverse market conditions however the majority have increased profitability and have contributed \$0.80m after tax compared with \$0.66m in the prior year (up 21.2%) excluding impairment.

The net result of these factors is that reported earnings per share amounted to 5.1 cents compared with negative (8.28) cents for 2009. In summary, Directors believe that the Company has demonstrated a solid recovery from the downturn while its underlying business model maintained excellent relationships with staff and wealth management networks. In addition the Group has a net cash position of \$7.44m compared with negative (\$1.93m) last year.

3. Significant matters affecting the results for the year under review

• *Investment markets*

Inflows of FUA have improved but remain subdued compared with 2007 levels as a result of lower confidence among investors. Nonetheless net inflows have remained positive throughout.

• *Cash position*

The Company has no net debt having accumulated the cash necessary to repay all debt when due in November 2010. This is a very strong position to be in, given the tightness of credit.

• *Expense control*

Expenses have been controlled as a matter of good management in challenging times. Operating expenses have been reduced from 63% of revenue to 59%.

• *Minority Equity Investments*

The Company has minority investments in seven wealth management practices. These have suffered like all other participants in the industry and impairment provisions have been made or reversed as appropriate to bring the carrying values into line with current conditions. This has resulted in a net impairment charge of \$0.44m this year. Directors believe this core business is critical to the Group going forward as it supports both the profitability and the retention of funds.

• *Income Tax*

DKN is claiming an income tax deduction over 5 years for expenditure incurred on the acquisition of Wrap and Lonsdale's non-contractual customer relationships. Whilst DKN is claiming these deductions, the legislation is complex and there is uncertainty surrounding the application of the law. A deferred tax liability in the balance sheet arises as the income tax deductions are claimed, and will only become payable upon divestment of the current holdings in Wrap and Lonsdale. A further result is that the company expects that dividends paid until further notice will be continue to be unfranked.

4. Outlook

The results for the year show a recovery of 23.4% compared with the 2009 year (excluding Impairment Charges), however the continued uncertainty in financial markets continues to hold profits below 2007 levels. Further recovery in financial markets will have a substantial effect on the upside, given the leverage to those markets inherent in the business model. (Growth in markets drives disproportionately greater profitability for the Group)

The challenges for the Group are to maintain the strong relationships it already has with the wealth management networks and to build further on the existing base. The financial services industry is undergoing fundamental regulatory change, however the Group

believes its current practices meet best practice standards and only marginal changes will be required. No significant negative impact is expected arising from proposed regulatory changes that have been foreshadowed to-date. In fact, there may well be opportunities arising from these new environmental factors which must be considered and acted upon as appropriate.

5. Dividends

The Directors propose to declare an unfranked dividend of 2.5 cents per fully paid ordinary share payable in September 2010. This compares with a franked dividend of 2.0 cents declared in October 2009.

6. DKN Business

DKN is a service provider to wealth management practices and acts as a buying group, using its scale to negotiate a range of quality products and services that financial advisers need to run a successful and profitable wealth management practice. These include:

- Platform and product
- Practice management
- Acquisition and succession.

DKN is an ASX listed entity with an underlying core of financial advisers as shareholders and a solid understanding of their needs from both a client and shareholder perspective.

DKN operates with co-operative principles, engaging and facilitating a successful community feel with regular interaction and forums. This fosters an open network generating feedback that provides DKN with the opportunity to grow with our wealth management practices and meets their needs.

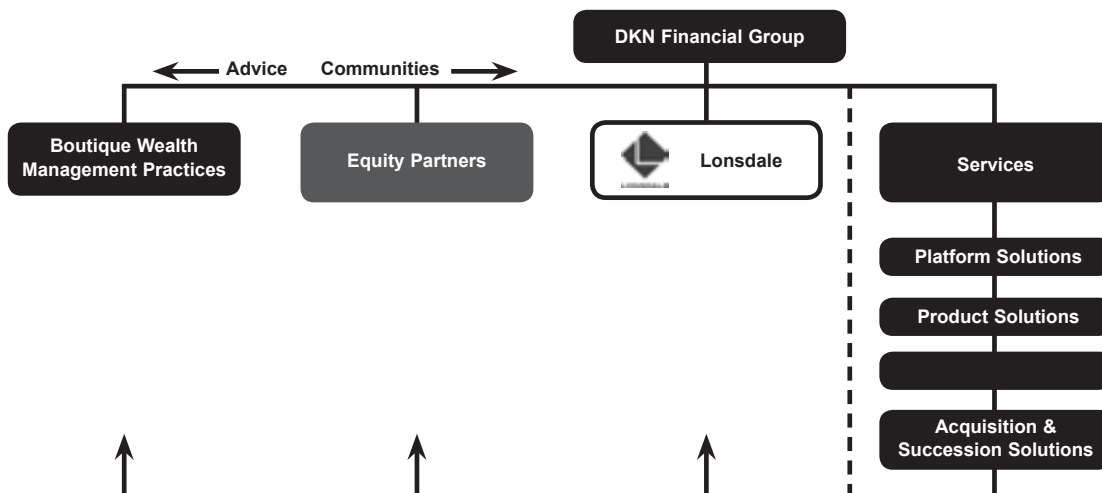
DKN has a client base of over 300 quality wealth management practices that choose to remain non-aligned to the major financial institutions. These wealth management practices leverage off the scale of DKN while retaining choice, flexibility and autonomy.

DKN has added proven value to shareholders and wealth management practices, and is positioned to further enhance and create value in its market sector.

DKN is an industry respected service provider to wealth management practices with the following characteristics:

- Proven innovative business model
- Well positioned to leverage opportunities that arise from the proposed financial industry reforms
- Approximately 300 associated practices accessing DKN services
- 100% ownership of Lonsdale Financial Group Limited – highly respected and quality dealer group
- Scale in FUA at \$7.43 bn
- Diversified business model:
 - Dealer offering through Lonsdale
 - Platform solutions
 - Minority ownership in wealth management practices
 - Practice management solutions for wealth management practices (including accountants)
 - Licence solutions for self licensed wealth management practices
- Highly scalable with fixed costs expected to be relatively stable over the next 3 years.

7. DKN Service Offer



DKN is absolute in its belief that wealth management advice is of value and that the provider of the advice should be recompensed by way of fee for service. In addition DKN is of the belief that wealth management practices have the ability to be sustainable profitable businesses, particularly when they team with the right solution provider.

The DKN team is committed to living its values and being accountable for developing and evolving the services it offers to its community of wealth management practices. The underlying objective being to partner with these practices to assist them operate efficiently and successfully thus allowing them to deliver superior service to their clients.

DKN strives to continue to position itself as:

1. the service provider of choice to our target market;
2. investment of choice for investors wanting to access an exposure to the wealth management sector; and
3. the employer of choice.

8. Sustainable strategies

The Group employs the following sustainable strategies:

- Be the service provider of choice for quality boutique wealth management practices
- Drive strategic transactions to increase scale and diversify offer, while protecting and enhancing the current business model, the Lonsdale Community and any acquired quality brands
- To facilitate solutions for the acquisition and succession issues of quality practices
- To leverage our position of scale with selected core suppliers
- Deliver quality services to drive efficiency through our community of practices
- Respond positively to legislative changes.

DKN's Scale a competitive advantage:

- 300 quality practices supporting the group services
- Scale in Platform offering – DKN has \$6.43b
- Quality service offering – DKN through Lonsdale have been evolving over 20 years
- Ability to attract a quality team – DKN talent pool is highly regarded.

Industry growth dynamics:

- Australia has the 4th largest private pension market
- Our superannuation market is one of the world's fastest growing underpinned by government mandate
- Australia has a strong culture of savings
- Proposed reforms will position the wealth management sector as a 'true and sustainable profession.'

9. Operating divisions

Distribution

This Division is responsible for sourcing and managing the distribution of platforms to the network of wealth management practices. These platforms are also known as Master Funds and Wrap Accounts. DKN is a wholesaler of these products and earns a margin on the FUA. DKN distribute these services through the aligned DKN wealth management practices which can offer these solutions to their clients at very competitive rates.

For DKN, this is the core profit driver of the Group, as continued growth in FUA drives revenue for DKN. Therefore, DKN must remain focused on supporting key practices using DKN platforms. It is also important that DKN maintain close working relationships with key platform providers to ensure the platforms remain marketable, cost effective and support the practices' needs.

Equity Partners

DKN shares equity partnerships with a number of successful wealth management practices nationally. For practices wishing to undertake a partial sale of their business or implement an internal succession arrangement, DKN may participate as a minority equity partner, principals within the practice are still able to retain the flexibility to run their own business model whilst accessing equity through the relationship.

DKN aims to secure minority equity positions (hubs) in practices that are profitable and have resources underpinning strong organic growth and that are in the position to acquire other financial services firms. These hubs, through organic and acquisition growth strategies, will become significant and highly profitable wealth management practices. This strategy provides an acquisition or succession solution to wealth management practices of all sizes, while keeping the control and core equity in the hands of advisors.

Lonsdale Financial Group

As one of Australia's first full service dealer groups, Lonsdale has extensive experience in working with accounting and aligned wealth management practices nationally.

Lonsdale, an Australian Financial Services Licensee, provides the tools and structure for its 100 associated practices to run their businesses efficiently and successfully, with access to:

- Proven business improvement strategies
- An accessible and proactive compliance team
- Both financial planning and insurance software
- Dedicated insurance and lending specialists
- Comprehensive planning and insurance research
- Experienced business managers
- Strategic technical training and ongoing education
- Technical support and more.

This Division is responsible for the recruitment of new wealth management practices to the group and the retention, growth and compliance of existing Associates. Lonsdale works to foster an open, community network that is enjoyed and valued by its associated practices.

DKN offers access to these dealer practice solutions to the greater DKN wealth management community. These practices have the flexibility to select what product or service their business requires, when it is required, or as a bundled offer.

10. Core values and culture

Fundamental to the success of the DKN Group are our core values. Our business culture is a reflection of these values and they are displayed in the way we think, act and work together and with all stakeholders.

At DKN, we deliver quality solutions and service to our community of like minded wealth management businesses, partnering with them to operate efficiently and successfully to deliver superior service to their clients.

The DKN core values are set out below:

- **Quality:** Strive to achieve excellence through attention to consistency and detail
- **Respect:** Act professionally and responsively, with openness and accountability in all our relationship: with our clients, colleagues and other business partners
- **Success:** Strive for excellence in reputation and financial results
- **Passion:** Pursuit of best business outcomes through energy, drive and creativity
- **Integrity:** Build trust in all relationships by acting ethically and honestly, demonstrating openness and transparency.

Our culture is an enthusiastic pursuit of our business strategy and objectives, tempered by patience and aptitude. We embrace competition and are keen to undertake new ventures after careful scrutiny of the opportunities. We welcome the support of our community of wealth management advisers and we enjoy our cooperative relationships with them. We seek to build the business by attracting others who believe in our core values and are attracted by our culture.

11. Rewards

DKN's reward system is based on recognising short term and long term performance. Staff incentives are a mix of bonuses that recognise short term success and options which recognise long term success. These incentives are assessed on delivery of particular key performance indicators. All reward structures are reviewed annually.

12. Shareholder returns

	2010	2009	2008	2007
Earnings per share (Consolidated) – continuing operations				
– Basic (cents)	5.10	(8.28)	7.27	7.23
– Diluted (cents)	4.90	(8.28)	6.70	6.76
Dividend per share (cents)	2.00	2.00	4.50	5.50
Dividend per share (cents) (to be declared)	2.50			

The Parent Entity expects be in a position to pay an unfranked final dividend of 2.5 cents per ordinary share in September 2010.

Fully Paid Ordinary Shares on Issue 30 June 2009	138,137,454
Conversion of Practice Shares	3,844,167
Fully Paid Ordinary Shares on Issue 30 June 2010	141,981,621

13. Primary financial performance and condition measures going forward**Financial performance objectives 2011***Economic and regulatory environment*

Our performance will be influenced by our economic environment. The key conditions upon which we have based our forecasts are:

- The share market will not deteriorate significantly beyond the conditions seen in recent months and will return to long term average growth rates of 5% or more within the coming year.
- The legal framework surrounding the operation of the Group and superannuation legislation remains essentially unchanged, beyond matters already in the public domain.
- Political and social issues to remain stable and supportive of investment and savings.

Government policy continues to support this industry strongly, it is not anticipated that this aspect of the environment will change.

Subject to these factors it is expected that the business will continue to perform at a rate commensurate with the year ended 30 June 2010. As has been demonstrated in the year under review, the Group is resilient and profitable in difficult times. We believe our business model has been validated by recent events and in the current conditions the Group will perform as well as might be expected in the environment of the day.

14. Legal

There are no significant legal issues outstanding. DKN is well supported by legal advice from Baker and McKenzie.

15. Insurance

The Group carries significant insurance cover against professional indemnity claims. Cover at present has been purchased until 15 December 2010.

16. Corporate governance

Corporate governance information is included on pages 8 to 12 of this Annual Report.



**CORPORATE
GOVERNANCE
STATEMENT**

DKN Financial Group Limited (Company) is committed to implementing a high standard of corporate governance. The Company complies with the recommendations of the Australian Securities Exchange Corporate Governance Council as contained in the Corporate Governance Principles and Recommendations 2nd Edition issued in August 2007, to the extent the Board believes they are practical and applicable to the Company.

The Company is pleased to report that its practices are largely consistent with the principles and recommendations, and any departures are set out below.

This Corporate Governance Statement has been structured with reference to the Council's eight corporate governance principles.

Principle 1 – Lay Solid Foundation for Management and Oversight

Recommendation 1.1 - Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions

Recommendation 1.2 - Companies should disclose the process for evaluating the performance of senior executives

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to set the policies in order to drive the performance of the Company. The Board seeks to ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

The Board has delegated to the Chief Executive Officer and through the Chief Executive Officer to other senior executives, responsibility for the everyday management of the business.

The Board has also delegated a number of responsibilities to its Committees, being:

- Audit Committee
- Remuneration Committee.

Further details on the division of the responsibilities of the Board and Management are set out in the Board Charter (which is available on the Company's website).

The Board, in conjunction with its Remuneration Committee, is responsible for establishing and updating the performance objectives and measures for the Chief Executive Officer from time to time and providing input into the evaluation of performance against these objectives. Evaluation of the Chief Executive Officer's performance is undertaken following completion of the annual financial statements.

Principle 2 – Structure the Board to add Value

Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Recommendation 2.1 – A majority of the Board should be independent directors

Recommendation 2.2 – The Chair should be an independent director

Recommendation 2.3 – The roles of the Chair and Chief Executive Officer should not be exercised by the same individual

Recommendation 2.4 – The Board should establish a Nomination Committee

Recommendation 2.5 – Companies should disclose the process for evaluating the performance of its Board, its committees and individual directors

The Directors of the Company and a summary of their skills, qualifications, attendances at meetings and the period of office held are included in the Directors' Report.

The Company has seven Directors, of whom three are independent. P Dunn and K Wright are independent directors taking into account the ASX Corporate Governance Council's recommended criteria for independence. The Company also considers R. Hunwick (the Company's Chairman) to be an independent director as it has been some 34 months since the date of this Report that he held the executive position of acting Chief Financial Officer. Three of the non-executive Directors (namely C. Kelaher, G. Johnstone and C. Rutherford) are associated with substantial shareholders of the Company) whose input and support of the Company is considered valuable and P. Butterworth is the Chief Executive Officer. As a result the Company's current Board structure does not comply with Recommendation 2.1. Given the relatively small size of the Company, the Board does not consider it appropriate to appoint further independent directors for the foreseeable future.

The roles of Chairman and Chief Executive Officer are exercised by different individuals.

The Board Charter provides for the Directors to seek independent professional advice at the expense of the Company. The Director must first inform the Chairman about the nature of the opinion or information sought, the reason for the advice, the terms of reference for the advice and the estimated cost of the advice and obtains the approval of the Chairman. If the Chairman is seeking the advice he will need to obtain the approval of the Board.

Given the relatively small size of the Company, the Company has not established a separate Nomination Committee; rather these duties are carried out by the full Board.

The Board does not undertake a formal ongoing assessment of its performance and the performance of its individual directors from time to time based on the objectives of the Company.

Principle 3 – Promote Ethical and Responsible Decision Making

Recommendation 3.1 – Companies should establish a Code of Conduct and disclose the Code or a summary of the Code

Recommendation 3.2 – Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy

The Company seeks to maintain high ethical standards at all times. The Company's Code of Conduct requires all Directors, Senior Executives and employees to conduct themselves with integrity in their business dealings, comply with their legal obligations and have regard to the reasonable expectations of all its stakeholders. A copy of the Code of Conduct is available at the Company's website.

The Company's policy in relation to trading in its own securities is summarised as follows (and full details are on the Company's website):

Directors and employees of DKN should not buy or sell securities in DKN when they are in possession of price sensitive information which is not generally available to the market.

In addition, to avoid any adverse inference being drawn of unfair trading, Directors and employees should not, if at all possible, engage in short term (i.e. less than 12 months) trading in the Company's securities or deal in its securities during the two week period immediately preceding and one day following:

- release of the half-yearly results;
- release of the yearly results; or
- the Annual General Meeting

when it is customary for price sensitive information to be released.

Prior to a Director or an employee buying, selling or exercising options over the Company's securities the Director or employee must advise the Chairman (or Company Secretary in the case of employees) of their intentions and not proceed until approval to the transaction has been granted.

Staff and Directors must notify the Chairman or Company Secretary in writing within 24 hours of:

- pledging their shares or options in the Company as security for a loan, borrowing, or other obligation or potential obligation;
- entering into any contract involving derivatives or other financial instruments which are in any way related to the Company's shares or securities (such as equity swaps, contracts for difference or loans of shares)
- of the nature, amount, terms and duration of that encumbrance or contractual arrangement and they are encouraged to provide notice before such arrangements are entered into.

Principle 4 – Safeguard Integrity in Financial Reporting

Recommendation 4.1 – The Board should establish an Audit Committee

Recommendation 4.2 – The Audit Committee should be structured so that it; consists only of Non-Executive Directors, consists of a majority of independent directors, is chaired by an independent chair who is not chair of the Board and has at least three members

The Company's Audit Committee was established in 2001, its current members are as follows:

- K. Wright – Chairman
- R. Hunwick
- P. Dunn
- G. Johnstone

The Committee which comprises only Non-Executive Directors is chaired by an individual who is not the chair of the Board and comprises more than three members. The Committee comprises three independent directors and one non-independent director and as such complies with Recommendation 4.2.

All of the Audit Committee members have appropriate financial experience and an understanding of the wealth management industry as set out in the Annual Report. Details of their attendance are set out in the Annual Report.

The External Auditors are invited to attend meetings of the Committee when it is deemed beneficial for them to do so. The Audit Committee Charter is available on the Company's website.

Principle 5 – Make Timely and Balanced Disclosure

Recommendation 5.1 – Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies

The Company has a written policy titled "Continuous Disclosure Policy", a copy of which is available on the Company's website. The objective of the Continuous Disclosure Policy is to ensure that price sensitive information which is required to be disclosed is identified and disclosed to the ASX in a timely manner and that all ASX announcements are posted on the Company's website as soon as practical after its release by the ASX.

The Company Secretary in consultation with the Chief Executive Officer and Chairman is responsible for the Company's compliance with its continuous disclosure obligations and is responsible for communications with the ASX.

From time to time the Company also releases to the ASX presentations made to various stakeholders to ensure that this information is available to the whole market.

Principle 6 – Respect the Rights of Shareholders

Recommendation 6.1 – Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy

The Company seeks to provide to all shareholders comprehensive, timely and equal access to balanced information about its activities so that they are in a position to make informed investment decisions and be actively involved and interested in the business.

Shareholders are kept informed by way of the following:

- Annual Report
- Half Yearly Report
- Annual General Meeting and any other shareholder meeting(s)
- DKN website, which includes copies of all announcements made to ASX for the last few years.

The Company welcomes questions and endeavours to answer any questions within the confines of information that is not market sensitive or that is already in the public domain.

The external auditor attends the Annual General Meeting of Shareholders and is available to answer questions in relation to the conduct of the audit and the audit report.

The above represents the Company's shareholder communication policy.

The Company has a specific corporate governance section on its website which sets out details of its corporate governance policies as well as a copy of this Corporate Governance compliance statement.

Principle 7 – Recognise and Managing Risk

Recommendation 7.1 – Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies

Recommendation 7.2 – The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report on it whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Recommendation 7.3 – The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board is responsible for reviewing and approving the Company's overall risk management strategy, including determining the Company's appetite for risk.

Management has in place a Risk Management Committee which has responsibility for reviewing the operations of the DKN Group's activities to seek to ensure that material business risks are identified, understood, accepted or rejected, mitigated where it is practical to do so and are subject to ongoing review and management.

In addition the Board has established a Risk Management Committee Charter designed to identify and manage significant business risks of the Company, a copy of which is on the website.

The Risk Management Committee generally meets on a quarterly basis and the results of these meetings are then provided to the Audit Committee of the Board.

The Board requires the Chief Executive Officer and the Chief Financial Officer to certify on a half-yearly basis that the financial statements of the Company and the DKN Group are founded on a sound system of risk management and internal control which implements the policies adopted by the Board and that these systems operate effectively in all material aspects in relation to the financial reporting risks.

The above represents the Group's overriding Risk Management Policy.

Principle 8 – Remunerate Fairly and Responsibly

Recommendation 8.1 – The Board should establish a Remuneration Committee

Recommendation 8.2 – Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives

The Board has in place a Remuneration Committee comprised of R. Hunwick, C. Kelaher and C. Rutherford and details of their attendance at meetings is set out in the Remuneration Report section of the Annual Report. The Committee's role is to assist the Board by reviewing and recommending remuneration, remuneration policies and practices.

The Board is responsible for determining and reviewing compensation arrangements for non-executive directors. As set out in the Remuneration Report, the Company distinguishes between the structure of remuneration for non-executive directors and the sole executive director. DKN does not have any schemes for retirement benefits other than superannuation for non-executive directors.

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve, the Company has turned to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The Company is pleased to advise that its practices are largely consistent with those of the ASX guidelines.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance.



DIRECTORS' REPORT

Directors' Report

The directors of DKN Financial Group Limited submit the annual financial report of the consolidated entity for the year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

R E Hunwick, C F Kelaher, P J Dunn and K Wright have been directors of DKN Financial Group Limited during the whole of the financial year and up to the date of this report.

P Butterworth has been Director and Chief Executive Officer during the whole of the financial year and remains in this position as at the date of this report.

G Johnstone and C Rutherford were appointed directors of DKN Financial Group Limited on 26 March 2010 and remain directors as at the date of this report.

R Uy was appointed director of DKN Financial Group Limited on 25 November 2009.

C Powell resigned as a director on 25 November 2009.

G Della and R Uy resigned as directors on 26 March 2010.

Principal Activities

During the year the principal continuing activities of the consolidated entity consisted of the distribution of investment products and solutions to financial intermediaries.

Dividends – DKN Financial Group Limited

Dividends paid to members during the financial year were as follows:

	2010 \$000's	2009 \$000's
Ordinary dividend for the year ended 30 June 2009 of \$0.02 (2008 – \$0.035) per fully paid ordinary share paid, fully franked.	2,839	4,855
Interim dividend for the year ended 30 June 2010 of \$0.02 (2009 – nil) per fully paid ordinary share, fully franked.	2,839	–
Ordinary dividend proposed for the year ended 30 June 2010 of \$3,549,540 unfranked, to be paid in September 2010.		

Review of Operations

A detailed review of operations and activities precedes this Directors' Report.

Changes in the State of Affairs

There were no significant changes to the state of affairs of the consolidated entity.

Subsequent Events

No matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

- the consolidated entity's operations in future years; or
- the results of those operations in future financial years; or
- the consolidated entity's state of affairs in future financial years.

Future Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental Regulation

The consolidated entity has assessed whether there are any particular or significant environmental requirements which apply to it, and has determined that there are none.

Information on Directors

R E Hunwick – B.Ec, FCA, FAICD – Independent Chairman – Non-executive. Age 64

Experience and Expertise

Appointed director of the Company on 14 March 2001, currently non-executive director and Chairman. Extensive experience in wealth management and accounting.

Special Responsibilities

Chairman of the Board
Member of Audit Committee
Chairman of Remuneration Committee

Interest in Shares and Options

1,255,849 ordinary shares in DKN Financial Group Limited

Former Audit Partner

R E Hunwick was a partner of auditors, Deloitte Touche Tohmatsu, from 1972 to 1988.

C F Kelaher – B.Ec, LL.B, ASIA – Non-executive director. Age 55

Experience and Expertise

Appointed director of the Company on 8 January 2004. Currently Managing Director of substantial shareholder IOOF Holdings Limited. Extensive experience in the wealth management industry.

Other Current Directorships of Listed Companies

Managing Director – IOOF Holdings Limited

Special Responsibilities

Member of Remuneration Committee

Interest in Shares and Options

400,000 ordinary shares in DKN Financial Group Limited

P J Dunn – CFP, FPPA – Independent non-executive director. Age 62

Experience and Expertise

Appointed director of the Company on 8 January 2004, currently independent non-executive director. Extensive experience in operating wealth management businesses.

Special Responsibilities

Member of Audit Committee

Interest in Shares and Options

1,840,514 ordinary shares in DKN Financial Group Limited

K J Wright – B.Com, M.Com, FCPA – Independent Non-executive director. Age 54

Experience and Expertise

Appointed a director of the Company on 14 November 2007. Currently Managing Partner, Meagher, Howard & Wright. Extensive experience in the financial services industry and accounting.

Special Responsibilities

Chairman of the Audit Committee

Interest in Shares and Options

12,655 ordinary shares in DKN Financial Group Limited

G P Johnstone – B.Bus, M. Com, CPA – Non-executive director. Age 56

Experience and Expertise

Appointed a director of the Company on 26 March 2010. Currently Group Financial Controller of Zurich Financial Services Australia Limited. Extensive experience in the insurance industry and accounting.

Special Responsibilities

Member of Audit Committee

Interest in Shares and Options

Nil

C W Rutherford – ANZIIF (Assoc), CIP –Non - executive director. Age 55

Experience and Expertise

Appointed director of the company on 26 March 2010. Currently Chief Operating Officer, Life Risk at Zurich Financial Services Australia Limited. Extensive experience in the insurance and wealth management industry.

Special Responsibilities

Member of Remuneration Committee

Interest in Shares and Options

Nil

P Butterworth – B. Com - Chief Executive Officer. Age 43

Experience and Expertise

Appointed Chief Executive Officer of the Company on 2 September 2006, he was previously the Chief Operating Officer. Extensive experience in wealth management specifically in strategy, product and distribution.

Interest in Shares and Options

723,220 ordinary shares in DKN Financial Group Limited
1,710,000 unlisted DKN Financial Group Limited options

Company Secretary

The Company Secretary is Derek Russell.

Meetings of Directors

The number of meetings of the Parent Entity's Board of Directors held during the year ended 30 June 2010, and the numbers of meetings attended by each director were:

Directors	Board of Directors		Remuneration Committee		Audit Committee	
	Held while appointed	Attended while appointed	Held while appointed	Attended while appointed	Held while appointed	Attended while appointed
R E Hunwick	10	10	2	2	4	4
C F Kelaher	10	10	2	2	*	*
P J Dunn	10	9	*	*	4	4
K J Wright	10	10	*	*	4	4
G Della	7	7	*	*	2	2
C L Powell	4	4	1	1	2	2
G Johnstone	3	3	*	*	*	*
C Rutherford	3	2	1	1	*	*
P Butterworth	10	10	*	*	*	*
R Uy	3	3	*	*	*	*

(* not a member of the committee)

Retirement, Election and Continuance of Office of Directors

Directors C Kelaher and P Dunn are retiring by rotation in terms of the Constitution, being eligible, they offer themselves for re-election. In addition, G Johnstone and C Rutherford who were appointed to fill casual vacancies during the year will stand for election.

Remuneration Report

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward policy is to ensure the reward for performance is competitive and appropriate for the results achieved. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market practice. The Board ensures that executive reward satisfies the following key criteria:

- competitiveness and reasonableness;
- acceptability to shareholders; and
- linked to the financial performance of the Group, measures include EBIT and growth in FUA.

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives. The overall level of executive reward takes into account the performance of the consolidated entity over a number of years with greater emphasis given to the current and prior year.

The following grants of share-based payment compensation to directors and senior management relate to the current financial year:

Name	Option Series	No. Granted	No. Vested	During the financial year	
				% of grant vested	% of grant forfeited
P Butterworth	6	1,000,000	355,000	50%	–
M Modica	6	600,000	–	–	–
A Rutter	6	500,000	175,000	50%	–
J Dinan	6	500,000	–	–	–
R Dunne	6	155,000	25,000	50%	–
D Russell	6	155,000	137,500	50%	–

During the year, no directors or senior management exercised options that were granted to them as part of their compensation.

Non- Executive Directors

Fees and payments to non-executive directors reflect the demands made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically approved by the shareholders. There are no retirement allowances payable to directors.

Executive Pay

The executive reward policy has the following components:

- base pay and benefits;
- short term performance incentives;
- longer term incentives through participation in the DKN Group Employee Share Option Plan; and
- superannuation.

The combination of these components comprises the executive's total remuneration.

Base Pay

Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market.

Short-Term Incentives

Should the consolidated entity out-perform its Board approved budget the Remuneration Committee will establish a short term incentive pool for allocation to executives and employees during the annual review process.

DKN Group Employee Share Option Plan

Information on the Employee Share Option Plan is set out in note 5.

The purpose of the Employee Share Option Plan is:

- to drive medium to long-term performance outcomes and shareholder returns;
- to align the interests of employees and shareholders;
- to attract and retain key talent; and,
- to reward employees for improvements in the Company's performance when measured against a range of factors, including internal and external measures.

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2010

	30-Jun-10 \$'000	30-Jun-09 \$'000	30-Jun-08 \$'000	30-Jun-07 \$'000	30-Jun-06 \$'000
Revenue	26,477	24,143	24,913	11,090	9,791
Net profit before tax	10,300	(8,919)	12,154	6,598	5,569
Net profit after tax	7,203	(11,544)	6,567	4,938	1,700

	30-Jun-10	30-Jun-09	30-Jun-08	30-Jun-07	30-Jun-06
Share price at start of year	\$0.40	\$0.78	\$1.88	\$1.12	\$0.70
Share price at end of year	\$0.56	\$0.40	\$0.78	\$1.88	\$1.12
Interim dividend ¹	\$0.02	–	\$0.01	\$0.03	\$0.02
Final dividend ^{1, 2}	\$0.025	\$0.02	\$0.035	\$0.035	\$0.03
Basic earnings per share ^{3 (cents)}	5.10	(8.28)	5.51	7.30	3.01
Diluted earnings per share ^{3 (cents)}	4.90	(8.28)	5.08	6.82	2.39

1 Prior to June 2010 fully franked at corporate income tax rate. Dividend for the year ended 30 June 2010 is unfranked.

2 Declared after the balance date and not reflected in the financial statements.

3 A rights issue occurred within 2008 and the basic and diluted earnings per share have not been amended for 30 June 2006 to reflect the rights issue effect in 2008

Details of Remuneration of Key Management Personnel

The key management personnel of the Company and the consolidated entity during the year ended 30 June 2010 are listed below. The key management personnel of the Parent Entity and the consolidated entity were the non-executive directors of the parent entity and the following executives:

Non Executive Directors

R E Hunwick Non-Executive Chairman
(appointed 14 March 2001)

C F Kelaher Non-Executive Director
(appointed 8 January 2004)

P J Dunn Non-Executive Director
(appointed 8 January 2004)

K Wright Non-Executive Director
(appointed 14 November 2007)

G Johnstone Non-Executive Director
(appointed 26 March 2010)

C Rutherford Non-Executive Director
(appointed 26 March 2010)

D Russell Company Secretary

G Della Non-Executive Director
(resigned 26 March 2010)

C Powell Non-Executive Director
(resigned 25 November 2009)

R Uy Non-Executive Director
(appointed 25 November 2009/resigned 26 March 2010)

Other Key Management Personnel

P Butterworth Chief Executive Officer

M Modica Chief Executive Officer Lonsdale Financial Group Limited

A Rutter Executive Director Distribution

J Dinan Chief Financial Officer

R Dunne Executive Director Equity Partners

Amounts of Remuneration

Details of the remuneration of the Directors and key management personnel of the Parent Entity and the consolidated entity are set out in the following tables.

Directors and Executives of DKN Financial Group Limited

	Short-Term Employee Benefits			Post-Employment		Equity/Settled	Total
	Cash Salary & Fees \$	Cash Bonus \$	Non- monetary benefits \$	Super- annuation \$	Retirement Benefits \$	Options \$	
2010							
R E Hunwick – Non-Executive Chairman	105,292	–	–	50,476	–	–	155,768
C F Kelaher – Non-Executive Director	57,163	–	–	5,145	–	–	62,308
P J Dunn – Non-Executive Director	16,625	–	–	45,683	–	–	62,308
K Wright – Non-Executive Director	75,000	–	–	–	–	–	75,000
G Johnstone – Non-Executive Director	16,000	–	–	–	–	–	16,000
C Rutherford – Non-Executive Director	16,000	–	–	–	–	–	16,000
C Powell – Non-Executive Director (resigned)	27,874	–	–	–	–	–	27,874
R Uy – Non-Executive Director (resigned)	16,126	–	–	–	–	–	16,126
G Della – Non-Executive Director (resigned)	44,000	–	–	–	–	–	44,000
P Butterworth	547,628	210,000	–	23,115	–	28,875	809,618
M Modica	347,884	130,000	–	23,439	–	17,325	518,648
A Rutter	319,160	124,000	–	28,724	–	14,438	486,322
J Dinan	259,240	46,000	–	14,960	–	14,438	334,638
R Dunne	106,429	25,000	–	10,817	–	9,802	152,048
D Russell	95,283	–	–	–	–	12,465	107,748
Total	2,049,704	535,000	–	202,359	–	97,343	2,884,406

	Short-Term Employee Benefits			Post-Employment		Equity/Settled	Total
	Cash Salary & Fees \$	Cash Bonus \$	Non- monetary benefits \$	Super- annuation \$	Retirement Benefits \$	Options \$	
2009							
R E Hunwick – Non-Executive Chairman	57,446	–	–	98,323	–	–	155,769
C F Kelaher – Non-Executive Director	57,163	–	–	5,145	–	–	62,308
P J Dunn – Non-Executive Director	15,626	–	–	46,681	–	–	62,307
K Wright – Non-Executive Director	75,000	–	–	–	–	–	75,000
C Powell – Non-Executive Director	60,000	–	–	–	–	–	60,000
D Smith – Non-Executive Director	27,500	–	–	–	–	–	27,500
G Della – Non-Executive Director	32,500	–	–	–	–	–	32,500
P Butterworth	516,003	65,000	–	50,000	–	269,447	900,450
M Modica	331,262	42,000	–	29,814	–	84,349	487,425
A Rutter	315,331	42,000	–	27,427	–	161,852	546,610
D Russell	41,404	–	–	–	–	39,509	80,913
J Dinan	168,942	30,000	–	10,932	–	–	209,874
R Dunne	91,134	15,000	–	9,523	–	7,902	123,559
Total	1,789,311	194,000	–	277,845	–	563,059	2,824,215

The 2009 remuneration amounts above include \$365,000 worth of options which key employees cancelled during the year.

Notwithstanding the fact that the employees have forgone the possible benefits flowing from the cancellation of these options, the expense incurred in the profit and loss account is charged to the employment cost of the employee in accordance with accounting standards. It should be noted that the employees voluntarily cancelled the options, given the exercise price of \$2.10. The impact of their action was to reduce future amortisation amounts being expensed in the Income Statement.

Cash Bonuses

Cash bonuses are recommended to the Board by the Remuneration Committee after reviewing the financial performance of the Group and key indicators such as EBIT and growth in FUA.

Amounts disclosed for remuneration of key management personnel exclude insurance premiums paid by the consolidated entity in respect of directors' and officers' liability insurance. The policy does not specify the premiums paid in respect of individual directors and officers. The premium for the reporting period being \$48,300 (2009: \$48,000).

Elements of Remuneration Related to Performance

The elements of remuneration paid to the executives listed above that were related to the performance of the individual are recorded under the heading of Cash Bonus and Options.

Value of Options issued to Directors and Executives

The following table discloses the value of options granted, exercised or lapsed during the year:

	Options Granted		Exercised		Lapsed		Options Remunerated for current year	
	Number	Grant Date Value \$	Exercise Date Value \$	Exercise Date Value \$	Lapse Date Value \$	Lapse Date Value \$	Value \$	Total Income %
2010								
Directors								
R Hunwick	–	–	–	–	–	–	–	–
C Kelaher	–	–	–	–	–	–	–	–
P Dunn	–	–	–	–	–	–	–	–
K Wright								
G Johnstone	–	–	–	–	–	–	–	–
C Rutherford	–	–	–	–	–	–	–	–
G Della	–	–	–	–	–	–	–	–
R Uy	–	–	–	–	–	–	–	–
C Powell	–	–	–	–	–	–	–	–
Executives								
P Butterworth	1,000,000	\$118,800	–	–	–	–	\$28,875	3.57%
M Modica	600,000	\$71,280	–	–	–	–	\$17,325	3.34%
A Rutter	500,000	\$59,400	–	–	–	–	\$14,438	2.97%
J Dinan	500,000	\$59,400	–	–	–	–	\$14,438	4.31%
R Dunne	155,000	\$18,414	–	–	–	–	\$9,802	6.45%
D Russell	155,000	\$18,414	–	–	–	–	\$12,465	11.57%

	Options Granted		Exercised		Lapsed		Options Remunerated for current year	
	Number	Grant Date Value \$	Exercise Date Value \$	Exercise Date Value \$	Lapse Date Value \$	Lapse Date Value \$	Value \$	Total Income %
2009								
Directors								
R Hunwick	–	–	–	–	–	–	–	–
C Kelaher	–	–	–	–	–	–	–	–
P Dunn	–	–	–	–	–	–	–	–
D Smith	–	–	–	–	–	–	–	–
C Powell	–	–	–	–	–	–	–	–
K Wright	–	–	–	–	–	–	–	–
G Della	–	–	–	–	–	–	–	–
Executives								
P Butterworth	–	–	–	–	\$155,607*	–	\$269,447	30%
M Modica	–	–	–	–	\$37,366*	–	\$84,349	17%
A Rutter	–	–	–	–	\$92,474*	–	\$161,852	30%
J Dinan	–	–	–	–	–	–	–	–
R Dunne	–	–	–	–	–	–	–	–
D Russell	–	–	–	–	–	–	–	–

*Options issued 14.11.2007 were cancelled by the holder on 13.02.2009.

Remuneration and other terms of employment for the senior executives are formalised in Letters of Employment. The major provisions of the letters relating to remuneration are set out below.

P Butterworth

- term of employment – no fixed term;
- base salary inclusive of superannuation for the year ended 30 June 2010 of \$550,000 to be reviewed annually by the Remuneration Committee;
- cash bonus is payable upon out-performance of targets at the discretion of the Board;
- both parties may terminate on six month's notice;
- participation in the DKN Group Employee Share Option Plan at the discretion of the Board and the approval of shareholders; and
- if termination is as a result of a change of control a minimum payment of two years base salary will be paid.

A Rutter

- term of employment – no fixed term;
- base salary inclusive of superannuation for the year ended 30 June 2010 of \$300,000 to be reviewed annually by the Remuneration Committee;
- cash bonus is payable upon out-performance of targets at the discretion of the Board;
- both parties may terminate on one month's notice; and
- participation in the DKN Group Employee Share Option Plan at the discretion of the Board.

M Modica

- term of employment – no fixed term;
- base salary inclusive of superannuation for the year ended 30 June 2010 of \$330,000 to be reviewed annually by the Remuneration Committee;
- cash bonus is payable upon out-performance of targets at the discretion of the Board;
- both parties may terminate on six month's notice; and
- participation in the DKN Group Employee Share Option Plan at the discretion of the Board.

J Dinan

- term of employment – no fixed term;
- base salary inclusive of superannuation for the year ended 30 June 2010 of \$270,000 to be reviewed annually by the Remuneration Committee;
- cash bonus is payable upon out-performance of targets at the discretion of the Board;
- both parties may terminate on three month's notice; and
- participation in the DKN Group Employee Share Option Plan at the discretion of the Board.

R Dunne

- term of employment – no fixed term;
- engaged on a part time basis
- full time equivalent salary inclusive of superannuation for the year ended 30 June 2010 of \$175,000 to be reviewed annually by the Remuneration Committee;
- cash bonus is payable upon out-performance of targets at the discretion of the Board;
- both parties may terminate on one months notice; and
- participation in the DKN Group Employee Share Option Plan at the discretion of the Board.

D Russell

- term of contract – no fixed term;
- engaged on an "as required basis", with payment on a retainer basis;
- cash bonus is payable upon out-performance of targets at the discretion of the Board;
- both parties may terminate on one month's notice; and
- participation in the DKN Group Employee Share Option Plan at the discretion of the Board.

Share Based Compensation

Options are granted under the DKN Group Employee Share Option Plan which was approved by the Directors at their meeting on 24 June 2005 and amended in May 2007 and September 2009. Subject to the discretion of the Board all employees are eligible to participate in the Plan.

Options are granted under the Plan for no consideration. Options are granted for a term of four years, with 50% vesting at the completion of year two and 50% vesting at the completion of year three. The exercise price is at a premium to the weighted average price of the Parent Entity's ordinary shares determined by the Board from time to time.

Options over unissued fully paid ordinary shares of DKN Financial Group Limited granted during or since the end of the financial year to any of the directors or the five most highly remunerated officers of the Company and the consolidated entity as part of their remuneration.

Share Options granted to Directors and the Most Highly Remunerated Officers

There were no share options granted to directors during the reporting period.

Options granted to the Most Highly Remunerated Officers during the reporting period were as follows:-

P Butterworth	1,000,000
M Modica	600,000
A Rutter	500,000
J Dinan	500,000
R Dunne	155,000
D Russell	155,000

Shares under Option

There are unissued ordinary shares of DKN Financial Group Limited under unlisted options at the date of this report, details of which are set out in the following table.

Grant Date	Number on Issue	Expiry Date	Exercise Price \$	Grant Date Option Value \$	Options Vested	Exercisable Date
25/07/2006	265,000*	30/06/2010	1.20	0.274	265,000	50% 01/07/2008 to 30/06/2010 50% 01/07/2009 to 30/06/2010
17/11/2006	1,260,000	10/11/2010	1.40	0.224	1,260,000	50% 10/11/2008 to 10/11/2010 50% 10/11/2009 to 10/11/2010
06/02/2007	15,000	05/02/2011	1.40	0.120	15,000	50% 06/02/2009 to 05/02/2011 50% 06/02/2010 to 05/02/2011
26/03/2007	300,000	26/03/2011	1.50	0.290	150,000	50% 26/03/2009 to 26/03/2011 50% 26/03/2010 to 26/03/2011
8/10/2007	150,000	30/09/2011	2.03	0.340	150,000	08/10/2007 to 30/09/2011
14/11/2007	556,000	14/11/2011	2.10	0.205	278,000	50% 14/11/2009 to 14/11/2011 50% 14/11/2010 to 14/11/2011
24/11/2009	4,915,000	24/11/2013	0.75	0.1188	–	50% 24/11/2011 to 24/11/2013 50% 24/11/2012 to 24/11/2013
24/11/2009	1,997,500#	30/09/2013	0.75	0.1188	–	30/09/2012 to 30/09/2013

*since lapsed

#2009 Practice Options

Insurance of Officers

During the financial year, DKN Financial Group Limited put in place a policy to insure the directors, secretary and officers of the Parent Entity and the consolidated entities. The liabilities insured are legal costs that may be incurred in defending proceedings that may be brought against them in their capacity as officers in the consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving wilful breach of duty by the officers or improper use by the officers of their position or of information to gain advantage for themselves or to cause detriment to the Parent Entity.

DKN Financial Group Limited has in place Deeds of Access, Indemnity and Insurance for all its directors.

The Group has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

Non-Audit Services

The directors are satisfied that the provision of non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Details of non-audit services may be found in note 5 of these financial statements.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 25.

Auditor

At the 2004 Annual General Meeting the shareholders approved a resolution which resulted in the appointment of Deloitte Touche Tohmatsu as auditors. They remain in office in accordance with Section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of the directors made pursuant to section s.298(2) of the Corporations Act 2001.



R E Hunwick
Chairman

17 August 2010
Melbourne



P Butterworth
Director

Auditor's Independence Declaration to the Directors

Deloitte.

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17 August 2010

The Board of Directors
 DKN Financial Group Limited
 Level 41, 120 Collins Street
 MELBOURNE VIC 3000

Dear Board Members

DKN Financial Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of DKN Financial Group Limited.

As lead audit partner for the audit of the financial statements of DKN Financial Group Limited for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Peter A. Caldwell
 Partner
 Chartered Accountants



FINANCIAL REPORT

30 JUNE 2010

Consolidated statement of comprehensive income for the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue	2 (a)	25,676,613	23,481,795
Share of profits of associates and jointly controlled entities accounted for using the equity method	2,10	799,896	661,478
Partner plan expense		(1,032,260)	(976,873)
Depreciation and amortisation expense		(526,648)	(513,345)
Professional services		(1,033,054)	(1,205,548)
Compliance costs		(116,121)	(106,410)
Employment expense		(7,386,083)	(6,836,951)
Travel & entertainment expense		(434,827)	(428,878)
Product development costs		–	(900)
Occupancy costs		(659,652)	(614,398)
Insurance expense		(607,951)	(648,981)
Write down of investments		(1,308,836)	(17,740,839)
Write back of prior year impairment		865,428	–
Consultancy fees		(152,084)	(301,214)
Services to associates		(1,384,528)	(922,147)
Finance costs expense		(863,202)	(1,231,544)
Marketing expense		(464,421)	(478,056)
Other expenses		(1,072,496)	(1,055,996)
Profit before income tax expense		10,299,774	(8,918,807)
Income tax (expense)/benefit	3	(3,096,786)	(2,624,735)
PROFIT FOR THE YEAR		7,202,988	(11,543,542)
Other comprehensive income			
Gain/(loss) on cash flow hedges taken to equity		233,396	(371,714)
Income tax relating to components of other comprehensive equity		(70,046)	111,541
Total other comprehensive income for the year, net of tax		163,350	(260,173)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,366,338	(11,803,715)
Earnings per share:			
Basic (cents per share)	21	5.1	(8.28)
Diluted (cents per share)	21	4.9	(8.28)

Notes to the financial statements are included on pages 31 to 63.

Consolidated statement of financial position as at 30 June 2010

	Note	2010 \$	2009 \$
Current assets			
Cash and bank balances	29a	17,638,154	11,472,495
Trade and other receivables	7	2,778,186	6,379,869
Other financial assets	8	304,509	337,863
Total current assets		20,720,849	18,190,227
Non-current assets			
Other financial assets	9	154,171	2,106,570
Investments accounted for using the equity method	10	10,290,117	10,406,880
Property, plant and equipment	11	1,300,160	1,108,457
Goodwill	12	42,958,737	42,958,737
Other intangible assets	13	91,956,085	92,117,146
Total non-current assets		146,659,270	148,697,790
Total assets		167,380,119	166,888,017
Current liabilities			
Trade and other payables	14	1,644,354	4,064,615
Borrowings	16	10,200,000	3,200,000
Provisions	15	1,429,796	1,105,162
Total current liabilities		13,274,150	8,369,777
Non-current liabilities			
Borrowings	16	-	10,200,000
Deferred tax liability	3	7,578,140	3,665,603
Leasehold liabilities incentives	17	115,454	212,575
Provisions	18	255,859	187,079
Total non-current liabilities		7,949,453	14,265,257
Total liabilities		21,223,603	22,635,034
Net assets		146,156,516	144,252,983
Equity			
Issued capital	19	168,421,546	168,421,546
Options	19	2,562,969	2,346,510
Hedging reserve	22	(42,598)	(205,948)
Accumulated losses	20	(24,785,401)	(26,309,125)
Total equity		146,156,516	144,252,983

Notes to the financial statements are included on pages 31 to 63.

Statement of Changes in Equity for the year ended 30 June 2010

	Share Capital \$	Options \$	Cash Flow Hedge Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2008	173,693,410	2,103,067	54,225	(9,910,367)	165,940,335
(Loss)/profit for the period	–	–	–	(11,543,542)	(11,543,542)
Gain/(Loss) on cash flow hedge	–	–	(260,173)	–	(260,173)
Total Comprehensive Income for the Year	–	–	(260,173)	(11,543,542)	(11,803,715)
Issue of Options	–	243,443	–	–	243,443
Share Buyback	(5,266,869)	–	–	–	(5,266,869)
Conversion of Practice Shares	(4,995)	–	–	–	(4,995)
Payment of dividends	–	–	–	(4,855,216)	(4,855,216)
Balance at 30 June 2009	168,421,546	2,346,510	(205,948)	(26,309,125)	144,252,983
Balance at 1 July 2009	168,421,546	2,346,510	(205,948)	(26,309,125)	144,252,983
Profit/(Loss) for period	–	–	–	7,202,988	7,202,988
Gain/(Loss) on cash flow hedge	–	–	163,350	–	163,350
Total Comprehensive Income for the Year	–	–	163,350	7,202,988	7,366,338
Issue of Options	–	216,459	–	–	216,459
Payment of dividends	–	–	–	(5,679,264)	(5,679,264)
Balance at 30 June 2010	168,421,546	2,562,969	(42,598)	(24,785,401)	146,156,516

Notes to the financial statements are included on pages 31 to 63.

Consolidated statement of cash flows for the year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Management fees		24,829,507	23,569,537
Payments to suppliers, advisers and employees		(15,216,872)	(12,953,990)
Interest and other costs of finance paid		(830,666)	(1,143,735)
Income tax received (paid)		3,559,028	(2,153,565)
Net cash provided by/(used in) operating activities		12,340,997	7,318,247
Cash flows from investing activities			
Interest received		835,568	687,818
Dividends received		681,870	739,105
Proceeds from repayment of other loans		1,952,400	811,504
Payment for property, plant and equipment		(492,844)	(136,251)
Payment for investment in associates		(208,621)	(1,479,602)
Payment for intangible asset		(64,447)	(508,965)
Net cash provided by/(used in) investing activities		2,703,926	113,609
Cash flows from financing activities			
Payment for share buyback		–	(5,266,870)
Repayment of borrowings		(3,200,000)	(2,600,000)
Dividends Paid - members of the parent entity		(5,679,264)	(4,855,214)
Net cash provided by/(used in) financing activities		(8,879,264)	(12,722,084)
Net increase/(decrease) in cash and cash equivalents		6,165,659	(5,290,228)
Cash and cash equivalents at the beginning of the financial year		11,472,495	16,762,723
Cash and cash equivalents at the end of the financial year	29a	17,638,154	11,472,495

Notes to the financial statements are included on pages 31 to 63.

Notes to the Financial Statements

1. General Information

DKN Financial Group Limited (the company) is a listed public company listed on the Australian Securities Exchange (trading under the symbol 'DKN'), incorporated in Australia and operating in Australia. The entity's principal activity is provision of financial services solutions to wealth management practices.

Significant Accounting Policies

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 17th August 2010.

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period

Standards and Interpretations issued but not yet effective

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective. Below is a list of those that are relevant to DKN's financial report.

Initial application of the following Standards are not expected to have a material effect on the financial report, but will change the disclosures presently made in relation to the Group and the Company's financial report:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2010	30 June 2011
AASB 124 Related Party Disclosures (revised December 2009), AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB9	1 January 2013	30 June 2014
AASB 2010-1 Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters - Amendment to AASB 1	1 July 2010	30 June 2011
AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2010	30 June 2011
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2011	30 June 2012

Initial application of the following Standards/Interpretations is not expected to have any material impact on the financial report of the Group and the Company.

Notes to the Financial Statements (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described throughout this note, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

There are no critical judgements (apart from those involving estimations, which are dealt with below) that management has made in the process of applying the Group's accounting policies.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of Goodwill and Intangible Assets – Determining whether goodwill and/or intangibles are impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amounts at the balance sheet date were:

Goodwill	\$42,958,737 (2009: \$42,958,737)
Intangibles	\$91,956,085 (2009 \$92,117,146)

For year ended 30 June 2010, the impairment testing of the cash generating units was performed, using the following inputs:

Discount rate (after tax)	12% (2009 12%)
Long term growth rate	5% (2009 5%)

The testing performed at June 30, 2010 supported the carrying value of goodwill and intangibles.

Carrying Value sensitivity analysis – Goodwill and Intangibles

Key inputs to the intangible carrying value assessment model include the discount rate and the long term growth rate. As stated, the rates used in the model for the calculation carried out at June 30, 2010 are 12% and 5% respectively. Testing the model's sensitivity to changes to these inputs give the following results:

Maintaining the growth rate at 5%, and moving the discount rate to:

Rate	Impact on carrying value of CGUs
12.5%	Nil
13.0%	Nil

Maintaining the discount rate at 12%, and moving the long term growth rate to:

Rate	Impact on carrying value of CGUs
4.5%	Nil
4.0%	Nil

Acquisitions in the Prior Year

ANZAN Professionals Pty Ltd

On 1 September 2008, Lonsdale Financial Group purchased an accounting practice management and consulting business from ANZAN Professionals Pty Ltd, specialising in practice improvement and development. The ANZAN network has been operational for over 10 years and comprises approximately 50 subscriber firms and many more users of material developed for the accounting market. The group paid \$508,965 for this business and has aspirations for cross selling opportunities for the Lonsdale network within the ANZAN network, as well as the ANZAN business promoting its services within the Lonsdale and DKN networks. The business adds value to accounting practices through seminars and process management. The ANZAN network is now referred to as Catalyst for Accountants.

Fair value of derivatives for Interest Rate Swap – As described in note 30, management use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(b) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Defined Contribution Plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

(c) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements. Further information regarding equity accounted investments is detailed in note 1(m).

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

(d) Financial Instruments issued by the Company

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded as the proceeds are received, net of direct issue costs.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Interest and Dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

Notes to the Financial Statements (continued)

(e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognized as part of the cost of acquisition of an asset or as part of an item of expense;
- (ii) or for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of cash-generating units) and then to the other assets of the cash-generating units pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or group of cash-generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period. On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(g) Impairment of Long-Lived Assets Excluding Goodwill

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(h) Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax Consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. DKN Financial Group Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(i) Intangible Assets*Intangible assets acquired separately*

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets with a finite useful life are amortised on a straight line basis over the estimated useful life of the asset.

Intangible assets estimated to have an indefinite useful life are not amortised. Each period, the useful life of such assets is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 1(g).

Notes to the Financial Statements (continued)

(j) Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(k) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. A list of subsidiaries appears in note 24 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intra-group balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or a distribution to equity participants by the transacting entities.

AASB 127 (2008) has been adopted for periods beginning on or after 1 July 2009 and has been applied retrospectively (subject to specified exceptions) in accordance with the relevant transitional provisions. The revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. In prior years, in the absence of specific requirements in A-IFRS, increases in interest in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or bargain purchase gain being recognised where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss. Under AASB 127 (2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

(l) Business Combinations

In accordance with the relevant transitional provisions, AASB 3 (2008) has been applied prospectively to business combinations for the acquisition date is on or after 1 July 2009. The impact of the adoption of AASB 3 (2008) Business Combinations has been:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as minority interests) either at fair value or at the non-controlling interest's share of the fair value of the identifiable net assets of the acquiree. In the current period, the Group has elected to measure the non-controlling interests at fair value at the date of acquisition. Consequently, the goodwill recognised in respect of that acquisition reflects the impact of the difference between the fair value of the non-controlling interests and their share of the fair value of the identifiable net assets to the acquiree;
- to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;
- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and
- to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously it was accounted for as part of the cost of the acquisition.
- Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's sharebased payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(m) Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of the acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in profit or loss. Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

The carrying value of the associate investments was tested as at 30 June 2010. DKN had the methodology used in testing the carrying value reviewed by an external party during the year, and some changes were made to the process.

Prior years testing used cash flow forecasts for a 30 year period, and applied a long term growth rate of 5% to the cash flows for years 6 to 30. We have changed the methodology in testing for intangibles by calculating a terminal value for flows post year 5, rather than a 30 year cash flow projection. For this type of investment, a terminal value approach is viewed as more appropriate. A 3% factor has been used to calculate the terminal value, which is in line with market practice. This rate can not really be compared with a 5% long term rate, as the terminal value calculation is performed over a longer term, hence the compound effect is larger.

The discount rate used for the June 30, 2010 test was increased from 12% to 15%. This increase was first applied to the test performed at December 31, 2009 in order to recognise that the risk involved with holding a minority investment in an unlisted entity carries a higher risk premium than does an investment in a listed entity. The 12% discount rate was the rate calculated for the DKN Financial Group Limited, and to recognise this increase risk premium, the rate was increased by a factor of 25%.

The result of the testing was that one Investment was further impaired by \$1,308,836 and two other investments previously impaired were written back by \$865,428 giving a net impairment of \$443,408. As the impact of this is of a capital nature and the company does not expect to make a capital gain in the foreseeable future, no deferred tax asset has been recognised.

The testing process involved estimating the full year cash flows and applied short term growth factors to those flows

June 30, 2010

Discount rate (after tax)	15% (2009 12%)
Terminal Value rate	3%

The impairment of \$1,308,836 recognises the further deterioration of this asset and DKN management do not have confidence in the ability of the senior management of the business to be effective in restoring value to the entity. This impairment has reduced the carrying value of this asset to zero.

The two assets that have been written back recognises a restoration of 100% of previously impairment for one asset, and 76% for another. Senior management at these organisations have worked through a number of issues and have been effective in restoring value, which is a pleasing result.

Carrying Value sensitivity analysis – Associate Investments

The key input to the Associate Investment carrying value assessment model is the discount rate. As stated, the rate used in the model for the calculation carried out at June 30, 2010 is 15%. Testing the model's sensitivity to changes to these inputs give the following results:

Maintaining the terminal rate at 3%, and moving the discount rate to:

Rate	Impact on carrying value of investments
15.5%	Nil
16.0%	Nil

Notes to the Financial Statements (continued)

(n) Property, Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

The following estimated useful lives are used in the calculation of depreciation:

Plant and equipment 3 – 40 years

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

(o) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Onerous Contracts

An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

(p) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

Platform Management Fees

Revenue is recognised on the basis of Funds Under Administration in respective Platforms.

Product Distribution Revenue

Revenue is recognised on the basis of Funds Under Management in respective Products.

Rendering of Services to Lonsdale Dealer Solutions

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Dividend and Interest Revenue

Dividend revenue is recognised when the Group's right to receive payment has been established. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(q) Share-Based Payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in note 4.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

(r) Derivative Financial Instruments

The Group entered into a derivative financial instrument to manage its exposure to interest rate risk using an interest rate swap. Further details of derivative financial instruments are disclosed in note 34 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

The fair value of a hedging derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting - At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Discontinued Operations

The Group did not have any discontinued operations, (2009: nil).

Notes to the Financial Statements (continued)

	2010	2009
	\$	\$
2. Profit from Operations		
(a) Revenue:		
Revenue consisted of the following items:		
Platform Management Fees	16,462,466	14,860,780
Product Distribution Fee	1,573,481	2,125,169
Lonsdale Dealer Solutions	6,802,390	5,796,826
Other	2,708	11,202
Interest revenue:		
Bank deposits	747,703	503,093
Other loans and receivables	87,865	184,725
Dividends:		
Subsidiaries	–	–
	25,676,613	23,481,795
Other Income:		
Share of profits from associates	799,896	661,478
Total Income:	26,476,509	24,143,273
(b) Profit before Income Tax		
Profit/(loss) before income tax has been arrived at after charging the following expenses.		
Finance costs – other entities	863,202	1,231,544
Partner Plan expenses	1,032,260	976,873
Depreciation of non-current assets	301,141	248,192
Amortisation of non-current assets	225,507	265,153
Professional services	1,033,054	1,205,548
Compliance costs	116,121	106,410
Travel & entertainment	434,827	428,878
Product development costs	–	900
Occupancy	659,652	614,398
Insurance	607,951	648,981
Marketing costs	464,421	478,056
Consultancy fees	152,084	301,214
Services to associates	1,384,528	922,147
Other expenses	1,072,496	1,055,996
Net write down of investments	443,408	17,740,839
Employee benefits expense:		
Share-based payments:		
Equity settled share-based payments	216,459	243,444
Other employee benefits	6,761,735	6,251,001
Post employment benefits	407,889	342,506
Total employee benefits	7,386,083	6,836,951
	16,176,735	33,062,080

	2010 \$	2009 \$
3 Income Taxes		
(a) Income Tax recognised in Profit or Loss		
Tax expense/(income) comprises:		
Current tax expense/(income)	–	–
Adjustments recognised in the current year in relation to the current tax of prior years	(745,705)	(1,927,613)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	3,842,491	4,552,348
Total tax expense/(income)	3,096,786	2,624,735

Income Taxes

The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

Profit from operations	10,299,774	(8,918,807)
Income tax expense calculated at 30%	3,089,932	(2,675,642)
Non- deductible expenses	35,937	5,365,486
	3,125,869	2,689,844
Under (over) provision of income tax in previous year	(29,083)	(65,109)
	3,096,786	2,624,735

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

(b) Current tax liabilities

Income tax payable attributable to:
Entities in the tax-consolidated group

–	–
–	–

(c) Deferred Tax Balances

Taxable and deductible temporary differences arise from the following:

	Opening Balance \$	Charged to Income \$	Charged to Equity \$	Closing Balance \$
2010				
Gross deferred tax liabilities:				
Non-contractual customer relationships	(8,607,417)	(4,303,708)	–	(12,911,125)
Interest Rate Swap	88,302	–	(70,046)	18,256
	(8,519,115)	(4,303,708)	(70,046)	(12,892,869)
Gross deferred tax assets:				
Provisions	256,665	176,457	–	433,122
Acquisition costs	365,565	–	–	365,565
Tax Loss carried Forward	4,089,091	284,355	–	4,373,446
Receivables	–	–	–	–
Accrued expenses	142,191	405	–	142,596
	4,853,512	461,217	–	5,314,729
Net Deferred Tax Asset/(Liability)	(3,665,603)	(3,842,491)	(70,046)	(7,578,140)

Notes to the Financial Statements (continued)

3. Income Taxes (continued)

	Opening Balance	Charged to Income	Charged to Equity	Closing Balance
2009	\$	\$	\$	\$
Gross deferred tax liabilities:				
Non-contractual customer relationships	–	(8,607,417)	–	(8,607,417)
Other	(23,239)	–	111,541	88,302
	(23,239)	(8,607,417)	111,541	(8,519,115)
Gross deferred tax assets:				
Provisions	148,605	108,060	–	256,665
Property, Plant & Equipment	24,625	(24,625)	–	–
Acquisition Costs	253,876	111,689	–	365,565
Income loss carried forward	–	4,089,091	–	4,089,091
Receivables	3,890	(3,890)	–	–
Accrued expenses	367,447	(225,256)	–	142,191
	798,443	4,055,069	–	4,853,512
Net Deferred Tax Asset/(Liability)	775,204	(4,552,348)	111,541	(3,665,603)

Tax consolidation

The Parent Entity and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is DKN Financial Group Ltd. The members of the tax-consolidated group are identified at note 24.

4. Parent Entity Disclosures

Financial Position

	2010 \$	2009 \$
Assets		
Current assets	(1,717,428)	1,770,000
Non-current assets	173,385,994	171,707,585
Total assets	171,668,566	173,477,585
Liabilities		
Current liabilities	(29,156)	6,241,423
Non-current liabilities	17,778,140	14,553,479
Total liabilities	17,748,984	20,794,902
Net assets	153,919,582	152,682,683
Equity		
Issued capital	170,984,515	170,768,056
Retained earnings	(17,022,335)	(17,879,425)
<i>Reserves</i>		
Hedging	(42,598)	(205,948)
Total equity	153,919,582	152,682,683
Financial Performance		
Profit for the year	6,536,360	5,009,168
Other comprehensive income	163,350	(260,173)
Total comprehensive income	6,699,710	4,748,995

There are no commitments or contingencies as at 30 June, 2010 (2009: Nil).

5. Employee Share Option Plan

On 24 June 2005 the Directors of the Parent Entity approved the establishment of the DKN Group Share Option Plan and the rules which govern the operation of the Plan. Minor amendments to the Rules have been approved since. Options are granted under the Plan for no consideration and carry no dividend or voting rights. When exercised each option converts into one fully paid ordinary share. During the financial year 4,915,000 options were issued under the Plan. 50% of options granted vest 2 years after the grant date, the remaining 50% vest 3 years under the plan, the overall term is 4 years.

The following share-based payment arrangements were in existence during the period:

Options series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
Series 2	265,000	25/07/2006	30/06/2010	1.20	77,380
Series 3	1,260,000	17/11/2006	10/11/2010	1.40	282,240
Series 4	15,000	06/02/2007	05/02/2011	1.40	5,840
Series 5	556,000	14/11/2007	14/11/2011	2.10	116,030
Series 6	4,915,000	24/11/2009	24/11/2013	0.75	583,902
	7,011,000				1,065,392

There were 4,915,000 options granted during the financial year. The weighted average value of the share options granted during the financial year was 11.88 cents. No options were granted during 2009. Options were priced using a binomial option pricing method.

The following reconciles the outstanding share options outstanding under the DKN Group Employee Share Option Plan at the beginning and end of the financial year:

	2010		2009	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance at beginning of the financial year	3,751,000	1.64	7,251,000	1.64
Granted during the financial year	4,915,000	0.75	–	–
Exercised during the financial year	–	–	–	–
Cancelled during the financial year	1,655,000	0.80	(3,500,000)	–
Balance at end of the financial year (a)	7,011,000		3,751,000	1.64

Non-Executive Director options are not included in the Employee Share Option Program and have been disclosed in note 27.

Inputs into the model	Option Series				
	Series 2	Series 3	Series 4	Series 5	Series 6
Grant date share price	1.15	1.15	1.50	1.57	0.60
Exercise price	1.20	1.40	1.40	2.10	0.75
Expected volatility	35%	35%	35%	30%	40%
Option life	4 years	4 years	4 years	4 years	4 years
Dividend yield	4.3%	4.1%	4.3%	3.7%	3.5%
Risk-free interest rate	5.76%	5.69%	5.76%	6.4%	4.82%

The share options outstanding at the end of the financial year had exercise prices ranging from \$0.75 – \$2.10 (2009: \$1.20 – \$2.10), and a weighted average remaining contractual life of 870 days (2009: 382 days).

Notes to the Financial Statements (continued)

	2010 \$	2009 \$
6. Remuneration of Auditors		
Auditor of the Parent Entity		
Audit or review of the financial report	307,220	298,000
Other non-audit services – taxation, accounting and advisory services	23,400	–
	330,620	298,000
The auditor of DKN Financial Group Limited for the financial year ended 30 June 2010 was Deloitte Touche Tohmatsu.		
7. Current Trade and Other Receivables		
Trade receivables	2,724,949	3,123,628
Allowance for doubtful debts	–	–
	2,724,949	3,123,628
Other receivables	–	2,814,640
GST Input Tax Credits	53,237	441,601
	2,778,186	6,379,869
Trade receivables mainly include management fees from a number of Fund Managers. Each entity concerned is assessed for its credit worthiness and DKN is of the opinion that there is no counterparty risk involved. DKN therefore are of the opinion that there is no requirement for any provision for doubtful debts.		
Movement in the allowance for doubtful debt		
Balance at the beginning of the year	–	–
Amounts written off as uncollectible	–	–
Balance at the end of the year	–	–
Ageing of past due but not impaired		
60 to 90 days	179,566	167,025
91 to 120 days	42,360	65,966
121 + days	125,387	155,079
Total	347,313	388,070
8. Other Current Financial Assets		
Prepayments	304,509	337,863
	304,509	337,863
9. Other Non-Current Financial Assets		
Loan to related entities (a)	–	1,709,735
Other loans (interest bearing)	114,005	356,669
Term deposit	20,000	20,000
Wrap investment	20,166	20,166
Less: Allowance for diminution in value	–	–
	154,171	2,106,570

- (a) Loans to related entities (some shareholders of the associates as referred to in note 10) are secured and interest bearing at commercial rates subject to fixed term with monthly principal and interest repayments. A credit assessment has been performed over non current loans with no provision required for doubtful debts
- (b) Derivatives that are designated and effective as hedged instruments carried at fair value.

10. Investments Accounted for using the Equity Method

	Ownership Interest		Consolidated Carrying Amount	
	2010	2009	2010	2009
	%	%	\$	\$
Name of Associates				
Principal Activity				
Quill Group Financial Planners Pty Ltd	20%	20%	862,893	862,686
Goldsborough Consultants Pty Ltd	49%	49%	3,222,948	3,154,527
Tulare Financial Planners Pty Ltd	30%	30%	1,091,943	1,090,955
Thornton Group (SA) Pty Ltd	32%	32%	2,817,429	2,574,446
MW Planning Pty Ltd	33%	25%	2,066,094	1,253,780
UPA Financial Solutions Pty Ltd	30%	30%	–	1,470,486
BMG Financial Planning Pty Ltd	32%	0%	228,810	–
Total			10,290,117	10,406,880
			2010	2009
			\$	\$
Movement in Investments in Associates				
Equity accounted amount of investment at beginning of financial year			10,406,880	14,684,952
Acquisition of investment in associates			208,621	1,433,555
Share of associates profit			799,896	661,479
Distributions received from associates			(681,872)	(739,106)
Net Impairment of Carrying Value			(443,408)	(5,634,000)
Equity accounted amount of investment at the end of the financial year			10,290,117	10,406,880
Summarised Financial Information of Associates				
Current Assets				
Cash & cash equivalents			872,859	165,349
Trade receivables & other receivables			1,017,688	2,547,444
Current tax assets			1,467	172,987
Other			1,975,973	1,912,624
Non-Current Assets				
Property, plant and equipment			1,090,112	1,085,001
Other			9,129,717	14,597,117
Total Assets			14,087,816	20,480,522
Current Liabilities				
Trade payables			337,677	561,937
Current tax liability			410,728	865,819
Provisions			655,621	539,142
Other			1,373,817	1,817,743
Non-Current Liabilities				
Loans			2,893,670	8,491,677
Other			425,276	485,746
Total Liabilities			6,096,789	12,762,064
Net Assets			7,991,027	7,718,458
Groups Share of Net Assets			2,793,242	2,629,579
Financial Performance:				
Total Revenue			21,095,611	14,488,923
Total Profit for the Year			3,468,788	2,829,523
Group's Share of Associates' Profit			799,896	661,479

Notes to the Financial Statements (continued)

10. Investments Accounted for using the Equity Method (continued)

Impairment of Associate Investments

As disclosed in note 1(m), the carrying value of the Associate Investments was impaired by \$0.443 million during the financial year.

Further Acquisition of Investments in Associates

2010

DKN Stakeholders Pty Ltd (DKNS) increased its shareholding in MW Planning Pty Ltd from 25% to 33% in August 2009. The increased shareholding occurred as a result of the departure of a shareholder and a share buy back was undertaken by the company. The remaining 3 equal shareholders (including DKNS) increased their shareholdings accordingly.

In January 2010 DKNS acquired a minority investment (32%) in the regional based accounting and financial planning companies, BMG Partners Pty. Ltd. and BMG Financial Planning Pty. Ltd., a long term Lonsdale Financial Group associate.

It is the first equity investment made by DKN in a Lonsdale practice since the merger of DKN and Lonsdale Financial Group in November 2007. It is the seventh equity investment undertaken by DKN since it launched its Acquisition and Succession strategy in May 2005.

DKN's strategy fills a niche in the market for non-institutionally aligned advisers who have a need for succession funding or an equity partner to expand their business but don't want to sell to a major financial institution. DKN is able to assist by providing equity participation, strategic advice and general support to the group.

2009

DKN Stakeholders Pty Ltd (DKNS) increased its shareholding in Tulare Financial Planners Pty Ltd from 20% to 30% in November 2008. The shareholding was purchased from an existing shareholder who remains involved with the business as a key employee and equity participant.

DKNS increased its shareholding in the Thornton Group (SA) Pty Ltd from 21% to 32% to assist the Thornton Group with the acquisition of the Bowman Financial Planning business in March 2009. DKNS supported the acquisition of the Bowman business through an initial cash payment of \$1 million and the issue of 2,250,000 DKN Performance Rights which are convertible into up to 2,250,000 DKN shares issuable over the period from March 2010 until March 2011 subject to the achievement of performance hurdles. DKNS shareholding in Thornton Group will rise to 40 per cent on the conversion of the DKN Performance Rights.

The increased equity participation in both these South Australian-based businesses is in line with DKN's strategy to grow its footprint through part acquisition of practices and delivers a return on investment to DKN.

Impairment of Associate Investments

As disclosed in note 1(m), the carrying value of the Associate Investments was impaired by a net \$0.443 million during the financial period (\$5.634 million 2009). The Impairment is the net result of the further impairment of one investment for \$1.308m, and the reversal of prior impairments to two investments for \$0.865 million.

The further impairment of \$1.308 million recognises the further reduction in value in this investment and the carrying value is now zero. DKN management does not expect that this investment will recover.

The reinstatement of prior impairment in the two investments mentioned above reflects a total reversal in the impairment for one investment, and a reversal of 76% of the impairment made last year for the other investment. In both cases, the performance for these investments have materially changed and reflects improved cash flows.

Dividends Received from Associates

During the year, the DKNS received dividends totalling \$681,872 (2009 \$739,106) from its associates.

11. Property, Plant & Equipment

	2010	2009
	\$	\$
Office equipment at cost	2,114,211	1,621,367
Less: Accumulated Depreciation	(814,051)	(512,910)
	1,300,160	1,108,457

11. Property, Plant & Equipment (continued)

Reconciliations

	2010
	\$
Gross carrying amount	
Balance at 1 July 2008	1,440,685
Additions	186,882
Acquisitions through business combinations	–
Disposals	(6,200)
Balance at 1 July 2009	1,621,367
Additions	492,844
Acquisitions through business combinations	–
Disposals	–
Carrying amount at 30 June 2010	2,114,211
Accumulated depreciation	
Balance at 1 July 2008	(264,718)
Disposals	–
Depreciation expense	(248,192)
Balance at 1 July 2009	(512,910)
Disposals	–
Depreciation expense	(301,141)
Balance at 30 June 2010	(814,051)
Net book value	
As at 30 June 2009	1,108,457
As at 30 June 2010	1,300,160

12. Goodwill

	2010	2009
	\$	\$
Gross carrying amount		
Balance at beginning of financial year	56,395,915	55,888,949
Additional amounts recognized from business combinations (note)	–	506,966
Balance at end of financial year	56,395,915	56,395,915
Accumulated impairment losses		
Balance at beginning of financial year	–	(1,331,378)
Impairment charge	–	(12,105,800)
Balance at end of financial year	(13,437,178)	(13,437,178)
Net book value		
At the beginning of the financial year	42,958,737	54,557,572
At the end of the financial year	42,958,737	42,958,737

Notes to the Financial Statements (continued)

(a) Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash generating units (CGUs):

Individual Cash Generating Units

- Platform Solutions
- Product Solutions
- Lonsdale Dealer Services

	2010	2009
	\$	\$
Platform Solutions	40,133,149	40,133,149
Product Solutions	2,318,623	2,318,623
Lonsdale Dealer Services	506,965	506,965
	42,958,737	42,958,737

Recoverability calculation of Goodwill allocated to Platform Solutions and Product Solutions is assessed on the basis of value in use. Lonsdale Dealer Solutions is assessed on the basis of fair value, less cost to sell.

Recoverable amounts are based on the following key assumptions:

Growth rate up to five years	6-8%	5-8%
Growth rate beyond five year period	5%	5%
Discount rate	12.00%	12.00%

Refer note 1 for further discussions about estimation uncertainty of these assumptions and a sensitivity analysis of their impact on carrying value of the assets.

13. Other Intangible Assets

	2010	2009
	\$	\$
Gross carrying amount		
Balance at beginning of financial year	92,548,351	92,548,351
Additions	116,632	–
Balance at end of financial year	92,664,983	92,548,351
Accumulated amortisation and impairment		
Balance at beginning of financial year	(431,205)	(173,630)
Amortisation expense (a)	(277,693)	(257,575)
Balance at end of financial year	(708,898)	(431,205)
Net book value		
At the beginning of the financial year	92,117,146	92,374,721
At the end of the financial year	91,956,085	92,117,146
Carrying Value of Indefinite Life Intangible Assets		
Partner Plan (b)	6,137,215	6,137,215
Brand Name (c)	1,837,000	1,837,000
Adviser Networks (d)	77,118,000	77,118,000
	85,092,215	85,092,215

(a) Amortisation expense is included in the line item 'depreciation and amortisation expense' in the income statement. The amortisation expense relates to five finite life intangible assets that are systematically amortised over the useful lives of 10 years and 30 years.

(b) This intangible asset is the relationship with the Advisor Practices that manage the pool of Funds Under Administration (FUA) created under the Partner Plan.

- (c) Other intangible assets also includes the brand name "Lonsdale Financial Group" and has an indefinite useful life.
- (d) These intangible non-contractual customer relationship assets were separately identified and independently valued as part of the purchase price for the acquisition of Lonsdale and Wrap. These assets are relationships with advisor practices that manage the pool of FUA acquired. The earnings stream derived from the FUA is not attached to specific FUA or a specific relationship, but rather the pool of FUA and the collective relationships. Significant factors in determining that these intangible assets have an indefinite useful life are that these relationships do not have an expiry date, they are not subject to obsolescence or dependence on the useful life of other assets, they are part of a significant FUA pool with a competitive advantage and the relationships could be effectively managed by another management team.
- (e) Partner Plan and Adviser networks intangible assets are 100% allocated to the Platform C.G.U. The Brand intangible asset is allocated 77% to Platform C.G.U. and 23% to Lonsdale C.G.U.

Refer to Note 1 for discussion about assumptions used in calculating the recoverable amount of these intangible assets.

	2010	2009
	\$	\$
14. Current Trade and Other Payables		
Trade payables	178,183	182,148
Accrued expenses	475,323	469,338
Goods and services tax (GST) payable	365,641	292,867
Income received in advance	34,000	601,527
Other payables	591,207	2,518,735
Inter company loans	–	–
	1,644,354	4,064,615

The average credit period on purchase of certain goods is 30 days. No interest is charged on the trade payables for the first 60 days from the date of invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

	2010	2009
	\$	\$
15. Current Provisions		
Employee benefits (i)	232,881	298,472
Staff incentives	955,001	370,000
Audit Fees	167,984	125,000
Fringe Benefits Tax	13,076	14,000
Salary Withholding	–	3,440
Interest Rate Swap	60,854	294,250
	1,429,796	1,105,162

- (i) The current provision for employee benefits includes \$232,881 of annual leave (2009: \$298,000).

	2010	2009
	\$	\$
16. Borrowings		
Secured – at amortised cost		
Current		
Bank loans (i) (ii)	10,200,000	3,200,000
Non-current		
Bank loans (ii)	–	10,200,000
	10,200,000	13,400,000

- (i) Relates to current portion of long-term borrowings
- (ii) Secured by deed of charge over the assets of the company

The Group has fixed and variable rate loans from a commercial bank with a maturity period not exceeding 5 years. The interest rate on loans is disclosed in note 30. The Group hedges a portion of the loans by way of an interest rate swap exchanging variable rate interest for fixed rate interest. The outstanding balance is adjusted for hedging losses on that interest rate swap.

Notes to the Financial Statements (continued)

	2010 \$	2009 \$
17. Non-Current Leasehold Liabilities Incentives		
Leasehold liabilities incentives	115,454	212,575
	115,454	212,575
18. Non-Current Provisions		
Employee benefits	255,859	187,079
	255,859	187,079
19. Issued Capital		
141,981,621 Fully paid ordinary shares (2009: 138,137,454)	168,421,546	162,862,998
Nil Practice shares* (2009: 4,207,280)	–	5,558,548
	168,421,546	168,421,546

*The DKN Practice Shares did not carry any voting rights or rights to dividends. They were non transferable and converted to one fully paid ordinary share in DKN Financial Group Ltd at no cost to the holder on 30 September 2009, subject to compliance with the terms and conditions applicable.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Parent Entity does not have a limited amount of authorised capital and issued shares do not have a par value.

	2010		2009	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of financial year	138,137,454	162,862,998	144,368,616	168,134,862
Issue of Shares on exercise of options	–	–	716,119	–
Issue of Shares/(Share Buy Back)	–	–	(6,947,286)	(5,266,869)
Conversion of Practice Shares	3,844,167	5,558,548	5	(4,995)
Balance at end of financial year	141,981,621	168,421,546	138,137,454	162,862,998
Options				
Balance at beginning of financial year	4,601,000	2,346,510	8,817,119	2,103,067
Issue of options	6,912,500	216,459	–	243,443
Exercise of options	–	–	(716,119)	–
Cancellation of options	(15,000)	–	(3,500,000)	–
Lapsed options	(2,040,000)	–	–	–
Balance at end of financial year	9,458,500	2,562,969	4,601,000	2,346,510

As at 30 June 2010 the Parent Entity had on issue 9,458,500 (2009: 4,601,000) unlisted options over fully paid ordinary shares, of which 7,011,000 have been issued under the Group Employee Share Option Plan which was originally approved by the Board on 24 June 2005. The remainder of the options on issue were issued to the shareholders of those associates in which the DKN Group has a minority equity investment and to aligned wealth management practices under the 2009 Practice Option allotment.

The unlisted options carry no rights to dividends and no voting rights. Further details of the DKN Group Employee Share Option Plan are contained in note 5 to the financial statements.

	2010	2009
	\$	\$
20. Accumulated Losses		
Balance at beginning of financial year	(26,309,125)	(9,910,367)
Profit/(loss) for the period	7,202,988	(11,543,542)
Dividends provided for or paid (note 23)	(5,679,264)	(4,855,216)
Balance at end of financial year	(24,785,401)	(26,309,125)

	2010	2009
	Cents per share	Cents per share
21. Earnings Per Share		
Basic earnings per share:	5.10	(8.28)
Diluted earnings per share:	4.90	(8.28)

Basic earnings per share:

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2010	2009
	\$	\$
Earnings (a)	7,202,988	(11,543,542)
	No.	No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	141,012,681	139,344,872

- (a) Earnings used in the calculation of total basic earnings per share and basic earnings per share from continuing operations reconciles to net profit in the income statement as follows:

	2010	2009
	\$	\$
Earnings used in the calculation of basic EPS	7,202,988	(11,543,542)

Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	2010	2009
	\$	\$
Earnings	7,202,988	(11,543,542)
	No.	No.
Weighted average number of ordinary shares for the purposes of diluted earnings per share (b)	141,012,681	148,428,572

Earnings used in the calculation of total diluted earnings per share and diluted earnings per share from continuing operations reconciles to net profit in the income statement as follows:

	2010	2009
	\$	\$
Net profit	7,202,988	(11,543,542)
Earnings used in the calculation of diluted EPS	7,202,988	(11,543,542)

Notes to the Financial Statements (continued)

21. Earnings Per Share (continued)

- (b) The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2010	2009
	\$	\$
Weighted average number of ordinary shares used in the calculation of basic EPS	141,012,681	139,344,872
Shares deemed to be issued for no consideration in respect of:		
Options	6,305,667	4,601,000
Practice Shares	–	4,482,700
Weighted average number of ordinary shares used in the calculation of diluted EPS	147,318,348	148,428,572
	2010	2009
	\$	\$
22. Hedging Reserve		
Balance as beginning of financial year	(205,948)	54,225
Gain/(loss) recognised on cash flow hedges:		
Interest rate swaps	233,396	(371,714)
Income tax related to gains/losses recognised in equity	(70,046)	111,541
	(42,598)	(205,948)

Derivatives that are designated and effective as hedged instruments are carried at fair value. This interest rate swap is used to exchange variable rate interest for fixed rate. Refer Note 15 for details.

	2010		2009	
	Cents per share	Total	Cents per share	Total
		\$		\$
23. Dividends				
Fully paid ordinary shares				
Prior Year Dividend:				
Franked to 100% (Prior year: 100%)	0.02	2,839,632	0.035	4,855,216
Interim dividend:				
Franked to 100% (Prior year: 100%)	0.02	2,839,632	–	–
		5,679,264		4,855,216

Following the completion of the accounts the directors propose to declare a final dividend of \$0.025 per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2010, to be paid to shareholders in September 2010. This dividend will be unfranked.

This dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. If approved, the dividend will be paid to all shareholders on the Register of Members at the relevant date. The total estimated to be paid is \$3,549,540.

24. Subsidiaries	Country of Incorporation	Ownership Interest	
		2010 %	2009 %
Name of entity			
Parent entity:			
DKN Financial Group Limited (a)	Australia	100	100
Subsidiaries:			
DKN Distribution Solutions Pty Ltd (b)	Australia	100	100
Lonsdale Financial Group Limited (b)	Australia	100	100
Wrap Account Pty Ltd (b)	Australia	100	100
DKN Management Pty Ltd (b)	Australia	100	100
Deakin Financial Services Smartplan Pty Ltd (b)	Australia	100	100
DKN Stakeholders Pty Ltd (b)	Australia	100	100
DKN Services Pty Ltd (b)	Australia	100	100
Super Administrator Pty Ltd (b)	Australia	100	100
Deakin Financial Services Investments Pty Ltd (b)	Australia	100	100
Deakin Financial Services Pty Ltd (b) (c)	Australia	100	100

- (a) DKN Financial Group Limited is the head entity within the tax-consolidated group.
(b) These companies are members of the tax-consolidated group.
(c) Company is in voluntary administration.

25. Business Acquisitions

Year ending 30 June, 2010

There were no acquisitions of businesses during the year ending 30 June 2010.

Year ending 30 June, 2009

ANZAN Professionals Pty Ltd

On 1 September 2008, Lonsdale Financial Group purchased an accounting practice management and consulting business from ANZAN Professionals Pty Ltd, specialising in practice improvement and development. The ANZAN network has been operational for over 10 years and comprises approximately 50 subscriber firms and many more users of material developed for the accounting market. The group paid \$508,965 for this business and has aspirations for cross selling opportunities for the Lonsdale network within the ANZAN network, as well as the ANZAN business promoting its services within the Lonsdale and DKN networks. The business adds value to accounting practices through seminars and process management

The net assets acquired in this business combination, and the goodwill and intangibles arising, are as follows:

	Acquiree's carrying amount \$s	Adjustments on Acquisition \$	Provisional Fair value as at 30 June 2009 \$
Net assets acquired:			
Property, plant and equipment	2,000	–	2,000
Goodwill on acquisition	–	506,965	506,965
Total Cost of Acquisition	2,000	506,965	508,965

Consideration, satisfied by cash 508,965

Notes to the Financial Statements (continued)

26. Segment Information

Products and Services within each Business Segment

The Group has adopted AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (AASB 114 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. There is no change in the identification of the Group's reportable segments following the adoption of AASB8.

The Group's reportable segments are as follows:

- Platform Solutions – responsible for the sourcing and management of platforms
- Product Solutions – responsible for sourcing and researching investment products
- Lonsdale Dealer Services – responsible for provision of distribution services for DKN products and services and the provision of services to the Lonsdale advisor network
- Equity Partners – responsible for management of the acquisition and succession program

	Revenue		Results	
	2010	2009	2010	2009
	\$	\$	\$	\$
Continuing Operations:				
Platform Solutions	16,464,847	14,860,780	13,545,704	12,523,457
Product Solutions	1,573,481	2,125,294	1,011,505	1,519,149
Lonsdale Dealer Services	6,890,138	5,798,080	66,638	(520,648)
Equity Partners	887,818	841,683	532,406	762,635
	25,816,284	23,625,837	15,156,253	14,284,593
Unallocated	660,225	517,436		
Revenue from	26,476,509	24,143,273		
Unallocated — Operational Results			(4,413,071)	(5,463,400)
Impairment of Assets - Equity Partners			(443,408)	(5,634,000)
Impairment of Assets - Other			–	(12,106,000)
Profit before tax			–	(8,918,807)
Income tax expense			(3,096,786)	(2,624,735)
Profit for the period			7,202,988	(11,543,542)

	Assets		Liabilities	
	2010	2009	2010	2009
	\$	\$	\$	\$
Segment Assets and Liabilities				
Platform Solutions	143,720,621	135,504,528	451,435	648,568
Product Solutions	3,379,648	3,379,648	–	–
Lonsdale Dealer Services	6,157,552	11,523,689	913,752	2,995,681
Equity Partners	12,649,059	12,562,806	–	–
Total of all Segments	165,906,880	162,970,671	1,365,187	3,644,249
Unallocated	1,306,763	3,917,346	19,691,941	18,990,786
Consolidated	167,213,643	166,888,017	21,057,128	22,635,035

It should be noted that due to a change in internal management accounting, some comparative numbers for 2009 have been amended. The net result of the change is zero.

Other Segment Information

The consolidated entity operates in one principle geographical area – Australia. Consolidated entity's external customers and non-current assets are based in Australia.

	Platform		Product		Lonsdale		Equity Partners		Other	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Carrying value of investments accounted for using the equity method	–	–	–	–	–	–	10,290,117	10,406,879	–	–
Share of net profit/ (loss) of associates accounted for under the equity method	–	–	–	–	–	–	799,896	661,478	–	–
Impairment losses	–	–	–	–	–	–	–	–	–	–
Interest income	–	–	–	–	–	–	87,865	184,725	747,703	503,093
Depreciation and amortisation of segment assets	–	–	–	–	–	–	–	–	526,648	513,345
Share-based payments expense	–	–	–	–	–	–	–	–	–	–

27. Related Party Disclosures

Wholly-Owned Group

The wholly-owned group consists of DKN Financial Group Limited and its wholly-owned controlled entities as listed in note 24. Transactions between DKN Financial Group Limited and other entities in the wholly-owned group during the years ended 30 June 2010 and 2009 consisted of;

- Loans advanced to DKN Financial Limited
- Loans repaid to DKN Financial Group Limited
- Provision of administration and management services
- Payment of management fees
- Receipt of intercompany dividends

Loans to Key Management Personnel

There were no loans to directors or executives during the reporting period.

Other Transactions with Key Management Personnel

Director, C Kelaher, is a director and shareholder of IOOF Holdings Ltd. Subsidiaries of DKN Financial Group Limited has entered into a number of outsourcing contracts with IOOF Holdings Ltd and its wholly owned subsidiaries; Select Managed Funds Limited and Sentinel Adviser Services Pty Ltd. C Kelaher is also a director of Select Managed Funds Limited and Sentinel Adviser Services Pty Ltd. The contracts are based on arms length commercial terms and conditions.

Directors G Johnstone and C Rutherford are employees of Zurich Financial Services Australia Ltd. A subsidiary of DKN Financial Group Limited has entered into a Strategic Partner Deed with Zurich Financial Services Australia Ltd. The contract is based on arms length commercial terms and conditions.

Notes to the Financial Statements (continued)

27. Related Party Disclosures (continued)

Aggregate amounts of these transactions with entities related to a director of DKN Financial Group Limited are as follows.

Aggregate amounts payable to entities related to Directors of DKN Financial Group Limited at balance date relating to the abovementioned types of transactions:

	2010	2009
	\$	\$
Amounts recognised as an expense		
Outsourcing Contracts:		
Sentinel Adviser Services Pty Ltd – Provision of compliance services	–	84,985
Sentinel Adviser Services Pty Ltd – Provision of XPlan services	1,636	53,723
Sentinel Adviser Services Pty Ltd – Provision of brokerage services	118,755	127,841
Sentinel Adviser Services Pty Ltd – Provision of partner program services	10,000	11,250
Conference Sponsorship		
SMF Funds Management Ltd	–	45,950
Current Liabilities		
Sentinel Adviser Services Pty Ltd	13,295	12,342
Amounts Recognised as Revenue:		
Product Management Fees Received – Austchoice (AIS/ASP)	3,334,003	3,445,431
Product Management Fees Received – United Funds Management	250,845	400,408
Zurich – Group Life Pool	–	580,048
Zurich – Risk	17,485	105,760
Zurich – Investment	10,698	72,621
Zurich – Marketing Model	–	75,000

Transactions with other related parties

Loans to related entities are disclosed in note 9 and note 10 to the financial statements. All loans advanced to related entities are to shareholders of Associates that are referred to in note 10 are charged interest monthly at commercial rates. During the financial year, DKN Stakeholders Pty Ltd received interest totalling \$87,864 (2009: \$184,726).

Ordinary Shares Held

2010	Balance 01/07/09	Received as Remuneration	Options Exercised	Other Net Changes	Balance 30/06/10
Directors					
<i>Ordinary Shares</i>					
R Hunwick	1,255,873	–	–	–	1,255,873
C Kelaher	400,000	–	–	–	400,000
P Dunn	1,834,514	–	–	–	1,834,514
R Uy	–	–	–	–	–
G Johnstone	–	–	–	–	–
C Rutherford	–	–	–	–	–
G Della	–	–	–	–	–
C Powell	–	–	–	–	–
K Wright	4,525	–	–	8,130	12,655
Other Key Management Personnel					
<i>Ordinary Shares</i>					
P Butterworth	723,220	–	–	–	723,220
M Modica	901,078	–	–	(100,000)	801,078
A Rutter	542,000	–	–	113,000	655,000
J Dinan	–	–	–	–	–
R Dunne	–	–	–	–	–
D Russell	23,641	–	–	–	23,641
Total	5,684,851	–	–	21,130	5,705,981

2009	Balance 01/07/08	Received as Remuneration	Options Exercised	Other Net Changes	Balance 30/06/09
Directors					
<i>Ordinary Shares</i>					
R Hunwick	1,255,873	–	–	–	1,255,873
C Kelaher	400,000	–	–	–	400,000
P Dunn	1,834,514	–	–	–	1,834,514
G Della	–	–	–	–	–
C Powell	–	–	–	–	–
K Wright	4,525	–	–	–	4,525
D Smith	–	–	–	–	–
Other Key Management Personnel					
<i>Ordinary Shares</i>					
P Butterworth	314,714	–	–	408,506	723,220
M Modica	873,325	–	–	27,753	901,078
A Rutter	–	–	–	542,000	542,000
J Dinan	–	–	–	–	–
R Dunne	–	–	–	–	–
D Russell	23,641	–	–	–	23,641
Total	4,706,592	–	–	978,259	5,684,851

Notes to the Financial Statements (continued)

27. Related Party Disclosures (continued)

Options Provided as Remuneration

Details of options over fully paid ordinary shares in the Parent Entity provided as remuneration to each director of DKN Financial Group Limited and other key management personnel of the consolidated entity are set out below. When exercisable, each option is convertible into one ordinary share of DKN Financial Group Limited.

	Balance at 1 July	Granted as compensation	Exercised	Lapsed/ Cancelled	Balance at 30 June	Balance vested at 30 June	Options vested during year
	No.	No.	No.	No.	No.	No.	No.
2010							
R Hunwick	200,000	–	–	(200,000)	–	–	–
P Dunn	200,000	–	–	(200,000)	–	–	–
P Butterworth	1,500,000	1,000,000	–	(790,000)	1,710,000	710,000	355,000
M Modica	–	600,000	–	–	600,000	–	–
A Rutter	890,000	500,000	–	(540,000)	850,000	350,000	175,000
D Russell	375,000	155,000	–	(100,000)	430,000	237,500	137,500
J Dinan	–	500,000	–	–	500,000	–	–
R Dunne	50,000	155,000	–	–	205,000	25,000	25,000
2009							
R Hunwick	200,000	–	–	–	200,000	200,000	–
P Dunn	200,000	–	–	–	200,000	200,000	–
P Butterworth	3,000,000	–	–	(1,500,000)	1,500,000	1,145,000	355,000
M Modica	750,000	–	–	(750,000)	–	–	–
A Rutter	1,890,000	–	–	(1,000,000)	890,000	715,000	175,000
D Russell	375,000	–	–	–	375,000	–	–
R Dunne	50,000	–	–	–	50,000	–	–

All share options issued to key management personnel were made in accordance with the provisions of the DKN Employee Share Option Plan. All vested options are exercisable.

During the financial year, no options (2009: nil) were exercised by key management personnel.

Further details of the DKN Employee Share Option Plan and of share options granted during the 2010 and 2009 financial years are contained in note 5 to the financial statements.

Key Management Personnel Remuneration

Details of key management personnel remuneration are disclosed in the Remuneration Report which forms part of the Directors' Report.

Key Management Personnel Compensation

The aggregate compensation of the key management personnel of the consolidated entity are set out below:

	2010	2009
	\$	\$
Short-term employee benefits	2,210,624	1,658,076
Post-employment benefits	101,055	127,696
Share based payments	97,343	563,059
Total	2,409,022	2,348,831

28. Subsequent Events

No matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

- the consolidated entity's operations in future financial years, or
- the results of those operations in future financial years, or
- the consolidated entity's state of affairs in future financial years.

29. Notes to the Cash Flow Statement

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2010	2009
	\$	\$
Cash on hand and Interest		
Short Term Deposits	17,638,154	11,472,495
	17,638,154	11,472,495
(b) Reconciliation of Profit for the period to Net Cash Flows from Operating Activities		
Profit for the period	7,202,988	(11,543,542)
Share of associates profit	(799,896)	(661,479)
Depreciation and amortisation of non-current assets	526,647	513,345
Value of options issued	–	–
Interest income received and receivable	(835,568)	(687,818)
Asset Impairment	443,408	17,740,838
Dividends received and receivable	–	–
Loss on disposal of non-current assets	–	–
Increase/(decrease) in current tax liability	–	(1,267,852)
Increase/(decrease) in deferred tax Liability	3,912,535	3,665,603
Reduction in deferred Tax Assets	–	775,204
Amortisation of Options	216,459	243,443
Practice Shares	–	(4,996)
(Increase)/decrease in assets:		
Current receivables	3,601,683	(1,376,287)
Other financial assets	33,354	–
Increase/(decrease) in liabilities:		
Prepayments	–	39,915
Current payables	(2,420,261)	245,067
Current provisions	626,809	(421,592)
Reduction in Lease Liabilities	(97,115)	(53,144)
Tax Effect of Hedge reserve	(70,046)	111,542
Net cash from operating activities	12,340,997	7,318,247

Notes to the Financial Statements (continued)

30. Financial Instruments

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, which includes borrowings disclosed in note 16, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, options, reserves and accumulated losses as disclosed in notes 19 and 20 respectively.

The Group operates within Australia through subsidiary companies established in the markets in which the Group trades.

Operating cash flows are used to meet anticipated funding requirements as well as to make the routine outflows of tax, dividends and repayment of maturing debt.

Gearing ratio

The Group's Board reviews the capital structure on a regular basis as part of the monthly Board meetings. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of less than 20% that is determined as the proportion of net debt to equity. Based on the recommendations of the Board, the Group will balance its overall capital structure through the payment of dividends, dividend re-investment program, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The gearing ratio at year end was as follows:

	2010	2009
	\$	\$
Debt (i)	10,200,000	13,400,000
Less cash and cash equivalents	(17,638,154)	(11,472,495)
Net debt	(7,438,154)	1,927,505
Equity (ii)	146,156,516	144,252,983
Net debt to equity ratio	N/A	1.34%

(i) Debt is defined as long and short-term borrowings, as detailed in note 16.

(ii) Equity includes all capital and reserves.

b) Categories of financial instruments

	2010	2009
	\$	\$
Financial assets		
Loans and receivables	3,236,866	8,004,672
Cash and cash equivalents	17,638,154	11,472,495
Interest rate swap	(60,854)	(294,250)
Financial liabilities		
Amortised cost	11,473,717	17,464,615

(c) Financial risk management objectives

The Board of Directors monitors and manages the financial risks relating to the operations of the Group through internal reports from management which analyse exposures by degree and magnitude of risks. These risks include market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge interest rate exposure, by setting policies on credit risk assessment and acceptance, and by reviewing actual and forecast cash flows for liquidity requirements.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(d) Market risk

The Group's activities expose it primarily to the financial risk of changes in interest rates. The Company and the Group are exposed to interest rate risk as entities in Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings and the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite.

The Company and Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

At reporting date if interest rates had been 100 basis points higher and all other variables were held constant, the Group's net profit would increase by \$125,382 (2009: increase by \$47,724). This is mainly attributable to the Group's cash and variable rate borrowings.

If interest rates had been 100 basis points lower and all other variables were held constant, the Group's net profit would decrease by \$125,382 (2009: decrease by \$47,724).

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. The Company and the Group has one interest rate swap contract outstanding as at reporting date. The interest rate swap contract exchanges floating rate interest amounts for fixed rate interest amounts and is designated as a cash flow hedge as it reduces the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the period that the floating interest payments on debt impact profit or loss.

	Notional Principal Amount				Fair Value	
	2010	2009	2010	2009	2010	2009
	%	%	\$	\$	\$	\$
Consolidated						
Less than 1 year	7.4	7.4	5,100,000	1,600,000	(60,853)	(188,300)
1 to 2 years	–	7.4	–	5,100,000	–	(105,950)
2 to 5 years	–	7.4	–	–	–	–
			5,100,000	6,700,000	(60,853)	(294,250)

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are approved under its credit assessment policy.

Trade receivables include a large number of members of the Group's Advisor Network, all of which have passed credit assessment checks before being accepted into the Network. Trade receivables also includes a small number of platform providers which are major companies and the amount outstanding is for a short period. Informal ongoing credit evaluation is performed on the financial condition of all accounts receivable.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk

	Maximum credit risk	
	2010 \$	2009 \$
Financial assets and other credit exposures		
Guarantee provided by a subsidiary to secure financing for an Associate	–	309,000

The Group did not hold any collateral as security in respect of the above guarantee.

Notes to the Financial Statements (continued)

30. Financial Instruments (continued)

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the company's and the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows

	Weighted Average Effective Interest rate	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 Years	5+ years
2010						
Financial Liabilities:						
Non-interest bearing		–	–	–	–	–
Variable interest rate instrument	3.94%	–	400,000	4,700,000	–	–
Fixed interest rate instruments	7.40%	–	400,000	4,700,000	–	–
		–	800,000	9,400,000	–	–
2009						
Financial Liabilities:						
Non-interest bearing	–	939,356	–	–	–	–
Variable interest rate instrument	3.16%	–	400,000	1,200,000	5,100,000	–
Fixed interest rate instruments	7.40%	–	400,000	1,200,000	5,100,000	–
		939,356	800,000	2,400,000	10,200,000	–

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30/06/2010

Financial liabilities

Other derivative financial liabilities	–	(60,854)	–	(60,854)
Total	–	(60,854)	–	(60,854)

(g) Fair value of financial instrument

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates their fair values (2009: fair value).

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow theory.
- there was no trading in derivative instruments during the year.
- The financial guarantee contract has been included at nil as at the year end as it was not probable that the counterparty to the financial guarantee contract will claim under the contract

31. Leases

Leasing Arrangement

Operating leases relate to Melbourne office facilities with a lease term of five years and an option to extend the lease for a further three years and to the Sydney office with a licence agreement.

	2010	2009
	\$	\$
Non-cancellable operating lease commitments		
Not longer than 1 year	533,252	564,919
Longer than 1 year and not longer than 5 years	545,595	1,685,655
Longer than 5 years	–	–
	1,078,847	2,250,574

Directors' Declaration

The directors declare that:

- (a) 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;
- (b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (d) the directors have been given the declarations required by s.295A of the Corporations Act 2001

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



R E Hunwick

Director

Melbourne

17 August 2010

Deloitte.

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Independent Auditor's Report to the members of DKN Financial Group Ltd

We have audited the accompanying financial report of DKN Financial Group Ltd, which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, the consolidated statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 26 to 72.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 and fair presentation of the financial report 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.

Deloitte.

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

- (a) the financial report of DKN Financial Group Ltd 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 2010 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 pages 16 to 22 of the directors' report for the year ended 30 June 2010. 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 DKN Financial Group Ltd for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Peter Caldwell
Partner
Chartered Accountants
Melbourne, 17 August 2010

Shareholder Information

The shareholder information set out below was applicable as at 13 August 2010.

Distribution of Equity Securities

Analysis of numbers of equity security holders by size of holding:

Range of Holdings	Ordinary Shares	Unlisted Options
1 – 1,000	296	–
1,001 – 5,000	463	7
5,001 – 10,000	188	9
10,001 – 100,000	418	115
100,001 – and over	78	13
	1,443	144

There were 227 holders of less than a marketable parcel of ordinary shares.

The percentage of total holdings of the twenty largest holders of ordinary shares was 81.22%.

Equity Security Holders

Twenty Largest Quoted Equity Security Holders

The names of the twenty largest holders of listed fully paid ordinary shares are listed below:

	Name	Number Held	% of Issued Shares
1	Zurich Australia Ltd	44,000,149	30.99%
2	Austselect Pty Ltd	24,971,704	17.59%
3	Count Investments Pty Ltd	10,453,840	7.36%
4	National Nominees Limited	7,628,612	5.37%
5	Anz Nominees Limited	4,932,609	3.47%
6	Cogent Nominees Pty Limited	4,890,190	3.44%
7	Hsbc Custody Nominees (Australia) Limited	4,294,821	3.02%
8	Fretensis Pty Ltd	2,000,000	1.41%
9	Mr Peter John Dunn & Mrs Faye Lorraine Dunn	1,840,514	1.30%
10	Citicorp Nominees Pty Limited	1,720,342	1.21%
11	Select Managed Funds Limited	1,695,460	1.19%
12	J P Morgan Nominees Australia Limited	1,033,501	0.73%
13	Jagen Pty Ltd	995,801	0.70%
14	Citicorp Nominees Pty Limited	838,236	0.59%
15	Marshalee Pty Ltd	773,325	0.54%
16	Equity Trustees Limited	704,852	0.50%
17	Hazelwood Pty Ltd	680,494	0.48%
18	Bt Portfolio Services Limited	666,269	0.47%
19	Telunapa Pty Ltd	609,058	0.43%
20	Ubs Wealth Management Australia Nominees Pty Ltd	588,346	0.41%

Unlisted Options

<i>Name</i>	No. on Issue	No. of Holders
Options on issue	9,007,500	144

Substantial Shareholders

Substantial shareholders in the Company are set out below:

<i>Name</i>	No. Held	%
Ordinary Shares		
Zurich Financial Services Australia Ltd	44,000,149	31.9
Select Managed Funds Ltd	26,380,134	19.1
Count Financial Limited	10,453,840	7.4

Unlisted Options

P Butterworth	1,710,000	19
A Rutter	850,000	9
M Modica	600,000	7
J Dinan	500,000	6

Voting Rights

In accordance with the Company's Constitution, one vote attaches to each fully paid ordinary share held. The unlisted options have no voting rights.

CORPORATE DIRECTORY

Directors	Rob Hunwick (Chairman) Chris Kelaher Peter Dunn Ken Wright Greg Johnstone Chris Rutherford Phil Butterworth
Chief Executive Officer	Phil Butterworth
Company Secretary	Derek Russell
Principal Office	Level 41 120 Collins Street Melbourne Vic 3000 Telephone: (03) 9667 0700 Facsimile: (03) 9667 0799 www.dkn.com.au
Registered Office	Level 41 120 Collins Street Melbourne Vic 3000
Share Registry	Link Market Services Limited Level 9, 333 Collins Street Melbourne Vic 3000 Telephone: 1300 554 474
Auditor	Deloitte Touche Tohmatsu 550 Bourke Street Melbourne Vic 3000
Solicitors	Baker & McKenzie 525 Collins Street Melbourne Vic 3000
Bankers	Westpac Banking Corporation 360 Collins Street Melbourne Vic 3000
Stock Exchange Listing	DKN Financial Group Limited shares are listed on the Australian Securities Exchange. The ASX code is DKN. The company's shares are also traded on unregulated market segments of the Frankfurt, Berlin-Bremen and Stuttgart stock exchanges. Trading occurs in Euro under the code ADE.



Financial Group