



DKN Financial Group Limited  
ABN 75 008 112 150

# **DKN Financial Group Limited**

**A.B.N. 75 008 112 150**

## **Appendix 4E Preliminary Final Report**

**Period Ending 30 June 2011  
(Consolidated)**

**ASX Code: DKN**



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## Results for Announcement to the Market

	2011 \$000's	2010 \$000's	Movement
Revenues from continuing operations	25,238	26,477	Down 4%
(Loss)/Profit before tax from continuing operations	(11,123)	10,300	Down
(Loss)/Profit after tax from continuing operations	(13,951)	7,203	Down
(Loss)/Profit after tax attributable to members	(13,951)	7,203	Down
<b>Dividends</b>	An unfranked final dividend of 2.5 cent per fully paid ordinary share has been declared. Record date will be 8 September 2011 with payment on 21 September 2011.		

### Brief Explanation of Result

Underlying profit for the year to June 30 2011 was \$7.34m compared to \$7.64m for the previous corresponding period. A non-cash goodwill impairment charge of \$20.67m has been made to reflect current market valuations and business conditions. This has resulted in a statutory loss of \$13.95m.

DKN recorded Funds Under Administration (FUA) growth of 8 per cent compared with FY2010 to reach \$8.02bn at year end with positive inflows over the financial year of \$300m.

Due to the sound underlying performance of DKN despite volatile market conditions, a final unfranked dividend of 2.5 cents per ordinary share is expected to be declared by Directors.

The Company is very pleased to state that net investment inflows to our platforms and products have remained positive over the year, despite the severe lack of confidence by the investing public. This is testament to the focus and efforts of the network of wealth management practices through which DKN distributes its products and services.

The Group's investments in Equity Partners (accounted for under the equity accounting method) have contributed \$0.90m after tax compared with \$0.80m in the prior year (up 12.5%) excluding impairment.

The net result of these factors is that reported earnings per share (including the impairment charge and costs of the IOOF transaction) amounted to a loss of 9.7 cents compared with a profit of 5.1 cents for FY2010, while underlying earnings per share was 5.1 cents in FY2011 compared with 4.9 cents in FY2010. In addition the Group has a net cash position of \$9.34m compared with \$7.43m last year.



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## DKN Financial Group Limited Income statement for the financial year ended 30 June 2011

	2011 \$	2010 \$
Revenue	24,338,888	25,676,613
Other income		
Share of profits of associates and jointly controlled entities accounted for using the equity method	899,143	799,896
Partner plan expense	(962,319)	(1,032,260)
Depreciation and amortisation expense	(679,735)	(526,648)
Professional services	(787,098)	(1,033,054)
Compliance costs	(117,228)	(116,121)
Employment expense	(7,398,520)	(7,386,083)
Travel & entertainment expense	(360,736)	(434,827)
Occupancy costs	(729,181)	(659,652)
Insurance expense	(637,619)	(607,951)
Impairment of Goodwill	(20,652,866)	-
Impairment of investment in associates	(266,115)	(1,308,836)
Reversal of prior year impairment	240,847	865,428
Consultancy fees	(223,037)	(152,084)
Services to Associates	(1,427,602)	(1,384,528)
Finance costs expense	(299,919)	(863,202)
Marketing expense	(313,199)	(464,421)
Transactional Expenses	(876,134)	-
Other expenses	(870,492)	(1,072,496)
<b>(Loss)/Profit before income tax expense</b>	<b>(11,122,922)</b>	<b>10,299,774</b>
Income tax expense	(2,828,472)	(3,096,786)
<b>(LOSS)/PROFIT FOR THE YEAR</b>	<b>(13,951,394)</b>	<b>7,202,988</b>



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## DKN Financial Group Limited Balance sheet as at 30 June 2011

	2011 \$	2010 \$
<b>Current assets</b>		
Cash and bank balances	9,324,290	17,638,154
Trade and other receivables	2,152,458	2,778,186
Other financial assets	338,801	304,509
<b>Total current assets</b>	<b>11,815,549</b>	<b>20,720,849</b>
<b>Non-current assets</b>		
Other financial assets	306,665	154,171
Investments accounted for using the equity method	14,374,580	10,290,117
Property, plant and equipment	1,410,784	1,300,160
Goodwill	22,305,871	42,958,737
Other intangible assets	92,678,758	91,956,085
<b>Total non-current assets</b>	<b>131,076,658</b>	<b>146,659,270</b>
<b>Total assets</b>	<b>142,892,207</b>	<b>167,380,119</b>
<b>Current liabilities</b>		
Trade and other payables	4,158,738	1,644,354
Borrowings	-	10,200,000
Provisions	1,166,064	1,429,796
<b>Total current liabilities</b>	<b>5,324,802</b>	<b>13,274,150</b>
<b>Non-current liabilities</b>		
Deferred tax liability	9,934,626	7,578,140
Leasehold liabilities incentives	62,170	115,454
Provisions	323,193	255,859
<b>Total non-current liabilities</b>	<b>10,319,989</b>	<b>7,949,453</b>
<b>Total liabilities</b>	<b>15,644,791</b>	<b>21,223,603</b>
<b>Net assets</b>	<b>127,247,416</b>	<b>146,156,516</b>
<b>Equity</b>		
Issued capital	169,417,584	168,421,546
Options	3,012,236	2,562,969
Hedging reserve	-	(42,598)
Accumulated losses	(45,182,404)	(24,785,401)
<b>Total equity</b>	<b>127,247,416</b>	<b>146,156,516</b>



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## DKN Financial Group Limited

### Statement of recognised income and expense for the financial year ended 30 June 2011

	Share Capital \$	Options \$	Cash Flow Hedge Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2009	168,421,546	2,346,510	(205,948)	(26,309,125)	144,252,983
(Loss)/profit for the period	-	-	-	7,202,988	7,202,988
Gain/(Loss) on cash flow hedge	-	-	163,350	-	163,350
<b>Total Comprehensive Income for the Year</b>	<b>-</b>	<b>-</b>	<b>163,350</b>	<b>7,202,988</b>	<b>7,366,338</b>
Issue of Options	-	216,459	-	-	216,459
Payment of dividends	-	-	-	(5,679,264)	(5,679,264)
<b>Balance at 30 June 2010</b>	<b>168,421,546</b>	<b>2,562,969</b>	<b>(42,598)</b>	<b>(24,785,401)</b>	<b>146,156,516</b>
<b>Balance at 1 July 2010</b>	<b>168,421,546</b>	<b>2,562,969</b>	<b>(42,598)</b>	<b>(24,785,401)</b>	<b>146,156,516</b>
Profit/(Loss) for period	-	-	-	(13,951,394)	(13,951,394)
Gain/(Loss) on cash flow hedge	-	-	42,598	-	42,598
<b>Total Comprehensive Income for the Year</b>	<b>-</b>	<b>-</b>	<b>42,598</b>	<b>(13,951,394)</b>	<b>(13,908,796)</b>
Issue of Shares	996,038	-	-	-	996,038
Issue of Options	-	449,267	-	-	449,267
Accumulated Loss related to subsidiary sold during year	-	-	-	44,816	44,816
Payment of dividends	-	-	-	(6,490,425)	(6,490,425)
<b>Balance at 30 June 2011</b>	<b>169,417,584</b>	<b>3,012,236</b>	<b>-</b>	<b>(45,182,404)</b>	<b>127,247,416</b>

# DKN Financial Group Limited

## Cash flow statement

### for the financial year ended 30 June 2011

	2011 \$	2010 \$
<b>Cash flows from operating activities</b>		
Management fees	24,328,375	24,829,507
Payments to suppliers, advisers and employees	(13,646,506)	(15,216,872)
Interest and other costs of finance paid	(286,184)	(830,666)
Income tax received (paid)	(490,241)	3,559,028
<b>Net cash provided by/(used in) operating activities</b>	<b>9,905,444</b>	<b>12,340,997</b>
<b>Cash flows from investing activities</b>		
Interest received	640,581	835,568
Dividends received	830,263	681,870
Proceeds from repayment of other loans	(152,495)	1,952,400
Payment for property, plant and equipment	(506,799)	(492,844)
Payment for investment in associates	(1,293,434)	(208,621)
Payment for intangible asset	(1,047,000)	(64,447)
<b>Net cash provided by/(used in) investing activities</b>	<b>(1,528,884)</b>	<b>2,703,926</b>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(10,200,000)	(3,200,000)
Dividends Paid - members of the parent entity	(6,490,425)	(5,679,264)
<b>Net cash provided by/(used in) financing activities</b>	<b>(16,690,425)</b>	<b>(8,879,264)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(8,313,865)</b>	<b>6,165,659</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>17,638,154</b>	<b>11,472,495</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>9,324,289</b>	<b>17,638,154</b>



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## Additional Financial Information

### Statement of Retained Earnings

Accumulated Losses at 30 June 2010	(24,785,401)
Net Profit Attributable to Members	(13,906,578)
Dividends Paid or Provided	(6,490,425)
<b>Accumulated Losses at 30 June 2011</b>	<b>(45,182,404)</b>

### Net Tangible Asset Backing per Ordinary Share **8.5 cents**

Previous Corresponding Period	7.9 cents
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### Basic Earnings per Share **(9.7) cents**

Previous Corresponding Period	5.1 cents
Weighted Average Number of Ordinary Shares	143,768,022

### Diluted Earnings per Share **(9.7) cents**

Previous Corresponding Period	4.9 cents
Weighted Average Number of Ordinary Shares	150,795,105

### Dividends

A final unfranked dividend of 2.5 cents per fully paid ordinary share has been declared.



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#### Securities on Issue as at 30 June 2011

▪ <b>Listed Ordinary Shares</b>	<b>144,231,621</b>
Additions during the year:	
Conversion of Performance Rights	3,844,167
▪ <b>Unlisted Options over Ordinary Shares</b>	<b>12,597,500</b>
Additions during the year:	
Allotment of New Options	5,495,000
Reductions during the year	
▪ Options Cancelled	(516,000)
▪ Options Lapsed	(1,840,000)

#### Movements in Intangibles

Refer detailed notes in the attached financial statements.

### Commentary on Results & Other Significant Information

Refer to the 2011 Annual Report which was also released to the market today.

### Audit Update

The accounts of DKN Financial Group Limited have been audited by Deloitte Touche Tohmatsu.