



DKN Financial Group Limited
ABN 75 008 112 150

HALF YEAR RESULTS TO DECEMBER 31, 2010

DKN MAINTAINS PROFIT STABILITY

DKN Financial Group Limited (DKN), a leading financial services solutions provider to wealth management practices, today announced an underlying net profit after tax of \$3.5m for the six months to December 31 2010, with reported net profit after tax of \$3.73m following a non-cash write-back of \$0.241 due to the reversal of prior impairments to equity investments.

Funds Under Administration (FUA) for the Group continues to build, rising to \$7.92b, up 6.5 per cent since June 30 2010 due to strong support from DKN's growing base of wealth management practices. DKN continues to achieve positive net inflows across the Group despite difficult industry conditions and this positions it well for future growth.

DKN is of the view that it has performed extremely well in a difficult environment and believes that the sector has the right underlying fundamentals to grow significantly over the next 3 to 5 years. Further more the DKN model has been strategically positioned to ensure that it will outperform the sector in the medium term.

OVERVIEW

- Underlying profit after tax of \$3.5m, reported NPAT of \$3.73m compared to \$3.87m for previous corresponding period
- FUA of \$7.92b, up 6.5% from June 30 2010
- Positive platform net inflows of \$221m for first half
- Net cash of \$7.8m as at end December 2010
- Operating expense to net operating revenue ratio 58%
- Expected unfranked interim dividend of 2 cents per share*
- Retained highly skilled team and expanded quality community of wealth management practices

*DKN has claimed significant deductions post the Lonsdale transaction. This has resulted in no tax payments for 2008, 2009 and 2010. These claims are yet to be assessed by the Australian Taxation Office.

HALF YEAR FINANCIAL OVERVIEW

	HY 2011	HY 2010	10/11 Change	FY June 10
FUA (\$b)	7.92	7.75	2%	7.43
Revenue (\$m)	12.62	13.53	(7)%	26.47
Operating Costs (\$m)	7.32	7.58	(3)%	15.73
Underlying profit post tax (\$m)	3.5	3.87	(9)%	7.64
Non-cash write back (\$m)	0.241	0		
Statutory profit (NPAT) (\$m)	3.73	3.87	(3)%	7.20

CHIEF EXECUTIVE OFFICER'S COMMENTARY

DKN continues to deliver stable returns to investors despite a difficult environment in the wealth management sector. The industry is still held back by lack of confidence among investors experienced since the start of the global financial crisis which has translated into relatively little new business and low investment flows.

In addition, wealth management advisers are focussed on being reform ready in advance of the Future of Financial Advice legislation. This has involved a significant commitment from senior advisers and principals which has had an impact on new business development for many practices.

DKN has been well advanced in its planning to assist advisers to become reform ready. Many of the DKN network commenced reviewing their service packaging and pricing over two years ago and are now well positioned ahead of a likely July introduction of legislation.

As noted previously, DKN believes that on the basis of information released to date, the Government's proposal to ban commissions and volume-based payments will not impact on the fees DKN receives under its existing distribution contracts with its core platforms. Clarity with regard to these reforms is much anticipated and we await the next round of discussions with Government.

Until the lack of clarity surrounding legislative change is resolved, conditions for the sector will remain difficult. However DKN continues to grow its network of wealth management practices, largely due to the Group's highly relevant and competitive offering which positions DKN well for the future when investor confidence returns.

OUTLOOK

DKN anticipates that difficult conditions will continue in the market for the calendar year due to the prevailing issues outlined above.

However, underlying growth through the attraction of new practices to the Group is still evident and underpins Directors' expectations that profit for the full year will exceed last year's result of \$7.2m.

This guidance is based on current levels of net flows, stable markets and no impairment charges to assets.

For further information, please contact:

Phil Butterworth
Chief Executive Officer
Tel: 03 9667 0700

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or Pam Kelton
Media Adviser
Mobile: 0417 536 805

About DKN

DKN Financial Group is a listed financial services solutions provider to wealth management practices.

DKN uses its scale to source and develop a range of quality products and services that wealth management practices need to run a successful and profitable practice. These include competitively priced platforms, insurance, finance and investment products, acquisition and succession solutions, pricing discounts and access to quality compliance support, practice management advice, software solutions, research services and licensing solutions through Lonsdale Financial Group.

DKN has approximately \$8 billion funds under administration and more than 300 quality practices accessing its range of products and services.