



DKN Financial Group Limited
ABN 75 008 112 150

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A.B.N. 75 008 112 150

Appendix 4E Preliminary Final Report

**Period Ending 30 June 2010
(Consolidated)**

ASX Code: DKN



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Results for Announcement to the Market

	2010 \$000's	2009 \$000's	Movement
Revenues from continuing operations	26,477	24,143	Up 9.6%
(Loss)/Profit before tax from continuing operations	10,300	(8,919)	Up
(Loss)/Profit after tax from continuing operations	7,203	(11,544)	Up
(Loss)/Profit after tax attributable to members	7,203	(11,544)	Up
Dividends	An unfranked dividend of \$0.025 per fully paid ordinary share is proposed. Declaration of the dividend will follow in due course.		

Brief Explanation of Result

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 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.

FUA stands at \$7.43bn at 30 June 2010 compared with \$6.83bn at the same time in 2009 (up 8.8%). 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.



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DKN Financial Group Limited Income statement for the financial year ended 30 June 2010

	2010 \$	2009 \$
Revenue	25,676,613	23,481,795
Share of profits of associates and jointly controlled entities accounted for using the equity method	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	(3,096,786)	(2,624,735)
PROFIT FOR THE YEAR	7,202,988	(11,543,542)



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DKN Financial Group Limited Balance sheet 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



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DKN Financial Group Limited

Statement of recognised income and expense for the financial 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

DKN Financial Group Limited

Cash flow statement

for the financial year ended 30 June 2010

	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	<u>12,340,997</u>	<u>7,318,247</u>
Cash flows from investing activities		
Interest received	835,568	687,818
Dividends received	681,872	739,105
Proceeds from repayment of other loans	1,952,400	811,504
Payment for property, plant and equipment	(492,843)	(136,251)
Payment for investment in associates	(208,622)	(1,479,602)
Payment for intangible asset	(64,447)	(508,965)
Net cash provided by/(used in) investing activities	<u>2,703,928</u>	<u>113,609</u>
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	(5,679,266)	(4,855,214)
Net cash provided by/(used in) financing activities	<u>(8,879,266)</u>	<u>(12,722,084)</u>
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	<u>17,638,154</u>	<u>11,472,495</u>



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Additional Financial Information

Statement of Retained Earnings

Accumulated Losses at 30 June 2009	(26,309,125)
Net Profit Attributable to Members	7,202,988
Dividends Paid or Provided	(5,679,264)
Accumulated Losses at 30 June 2010	(24,785,401)

Net Tangible Asset Backing per Ordinary Share **7.9 cents**

Previous Corresponding Period 6.6 cents

Basic Earnings per Share **5.1 cents**

Previous Corresponding Period (8.28) cents

Weighted Average Number of Ordinary Shares 141,012,681

Diluted Earnings per Share **4.9 cents**

Previous Corresponding Period (8.28) cents

Weighted Average Number of Ordinary Shares 147,318,348

Dividends

A final unfranked dividend of \$0.025 per fully paid ordinary share is proposed. Declaration of the dividend will follow.



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Securities on Issue as at 30 June 2010

▪ Listed Ordinary Shares	141,981,621
Additions during the year:	
Conversion of Practice Shares	3,844,167
• Unlisted Practice Shares	Nil
▪ Unlisted Options over Ordinary Shares	9,458,500
Reductions during the year	
▪ Options Cancelled	(15,000)
▪ Options Lapsed	(2,040,000)

Movements in Intangibles

▪ Goodwill	
Net Balance 30 June 2009	\$42,958,737
Net Balance 30 June 2010	\$42,958,737
▪ Other Intangibles	
Net Balance 30 June 2009	\$92,117,146
Additions	116,632
Amortisation Expense	(277,693)
Net Balance 30 June 2010	\$91,956,085

Commentary on Results & Other Significant Information

Refer to the 2010 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.



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ASX Announcement and Media Release - 17 August 2010

FULL YEAR RESULTS TO 30 JUNE 2010

DKN SET FOR GROWTH OPPORTUNITIES

DKN Financial Group Limited (DKN), a leading financial services solutions provider to wealth management practices, performed strongly in FY2010 with an underlying profit increase of 23.4% driven by solid platform net flows and growth in the number of associate practices supporting the Group's services.

Announcing the full year results today, DKN recorded an underlying net profit after tax of \$7.64 m for the 12 months to 30 June 2010 and funds under administration (FUA) growth of 9% on the previous corresponding period to reach \$7.43 bn at year end.

Earnings per share for the full year were 5.1 cents compared with (8.28) cents for FY2009. Due to the strong performance of DKN despite volatile market conditions, a final unfranked dividend of 2.5 cents per ordinary share is expected to be declared shortly.

Commenting on the operating environment, DKN CEO Phil Butterworth said the industry was affected by headwinds on two fronts:

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

"DKN supports the need for reform which provides significant opportunities for the industry to improve its levels of professionalism and transparency around fees. The DKN model is well positioned to support our associated practices in becoming "reform ready" and we see the pending change as a great opportunity for accelerated growth of our Group."

Underlying Profit Reconciliation

	FY June 10	FY June 09	09/10 Change
Statutory profit (NPAT)(\$m)	7.20	(11.54)	-
Impairment charges (\$m)	0.44	17.74	-
Underlying profit (\$m)	7.64	6.19	23.4%

Full Year Financial Overview

	FY June 10	FY June 09	09/10 Change
Funds Under Administration (FUA)(\$bn)	7.43	6.83	8.8%
Revenue (\$m)	26.47	24.14	9.6%
Operating Costs (\$m)	15.73	15.32	2.6%
Underlying Profit Post Tax (\$m)	7.64	6.19	23.4%

OVERVIEW

Profitable

- Underlying net profit of \$7.64 m up 23.4% on pcp
- Net non-cash impairment of \$0.44m resulting from the required revaluation of minority equity investments
- Reported Net Profit After Tax of \$7.20 m
- Ratio of Operating Expenses to Operating Revenue 59%

Scale and leverage

- FUA of \$7.43 bn, an increase of 9%
- Positive platform net inflows of \$525 m
- Strong competitive position as BT's largest external platform client with > \$5bn FUA

Strong balance sheet

- Net cash \$7.44 m as at 30 June 2010

Effective use of capital

- Post Tax return on capital from Equity Partners of 7.8%

Dividend

- Expected unfranked final dividend of 2.5 cents per share

CEO'S COMMENTARY

DKN "Reform Ready" and Prepared for Emerging Opportunities

The focus for the year has been to manage the Group through the severe 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 in investment markets by the investing public. This is testament to the quality and efforts of the network of wealth management practices through which we distribute our platforms and services.

Over the coming years the financial services industry will go through major reforms and we see this as a significant growth opportunity for the DKN Financial Group. DKN advocates the fee for service methodology by financial planners and have done so for some time. Our total service offering including platforms, practice development, compliance and business improvement systems support our network in achieving a "reform ready" state and to be well positioned for growth opportunities.

The challenges for the Group are to maintain the strong relationships it already has with the wealth management networks. The industry is undergoing fundamental regulatory change; however no significant negative impact is expected to arise from the proposed regulatory changes that have been foreshadowed to date. In fact, there will be opportunities arising from new environmental factors which must be considered and acted upon as appropriate.

Over the past few years, DKN has evolved as a highly regarded service provider to professionally managed boutique wealth management practices and our competitive position continues to be enhanced through highly cost effective and market leading solutions such as the recently announced agreement with BT Wrap.

The Group's strong balance sheet, well respected team and network of professional wealth management practices make it well positioned for growth and attractive for investors reconsidering the sector after the last few years of uncertainty associated with GFC instability and the reform process.

For further information, please contact:

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About DKN

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

DKN acts as a buying group, using its scale to negotiate highly favourable access to a range of products and services that financial planners 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 \$7.43 bn funds under administration and more than 300 quality practices accessing its range of products and services.