



DKN Financial Group Limited
ABN 75 008 112 150

ASX Announcement and Media Release - 29 August 2011

FULL YEAR RESULTS TO 30 JUNE 2011

DKN STRATEGY DELIVERS RESILIENT RESULT

DKN Financial Group Limited (DKN), a leading financial services solutions provider to wealth management practices, has delivered an underlying profit result broadly in line with FY2010 despite significant volatility in investment markets, uncertainty created by regulatory change and lack of investor confidence driven by these factors.

As previously indicated in an update to the market at the beginning of August, underlying profit for the year to 30 June 2011 was \$7.33m compared to \$7.64m for the previous corresponding period. A non-cash goodwill impairment charge of \$20.68m 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 on the previous corresponding period to reach \$8.02bn at year end with positive inflows over the year of \$300m.

Due to the sound underlying performance of DKN, a final unfranked dividend of 2.5 cents per ordinary share has been declared by Directors.

DKN CEO, Phil Butterworth said the Group's long term strategy has built DKN into a highly resilient and competitive organisation capable of riding out challenging market conditions. "During the past financial year, DKN has seen its FUA grow to reach critical scale, continued positive net flows, equity investment in two additional wealth management practices and ongoing attraction of new net practices to the network. This is a very gratifying outcome given the current state of our industry, and underlines the strength of our business model and the competitive advantage achieved through our commitment to constantly improve and deliver to our clients," he said.

As previously announced, DKN has received a proposal from IOOF Holdings Limited to acquire all of the shares it does not already own in DKN for 80 cents cash per DKN share to be implemented by way of a scheme of arrangement. DKN's Independent Directors have unanimously recommended shareholders vote in favour of the proposal, in the absence of a superior proposal. The Independent Expert has concluded that the proposal is fair and reasonable and in the best interests of DKN shareholders. The proposal is proceeding in line with the previously announced timeline and remains subject to DKN shareholder approval as well as court approvals. DKN shareholders vote on IOOF's proposal at a Scheme Meeting to be held on Tuesday, 27 September, 2011. Further details on the scheme of arrangement can be found in the Scheme Booklet lodged with the ASX on 19 August 2011.

Underlying Profit Reconciliation

	FY 2011	FY 2010	YoY Change
Statutory profit / (loss) (NPAT) (\$m)	(13.95)	7.20	
Impairment charges (\$m)*	20.68	0.44	-
IOOF transaction costs (accrued in 2011)	0.87	-	
Underlying profit (\$m)	7.33	7.64	(4%)

*The FY 2011 goodwill impairment charge of \$20.68m reflects current market valuations and business conditions and has regard to the value of the scheme consideration of 80 cents per DKN share offered by IOOF.

Full Year Financial Overview

	FY 2011	FY 2010	YoY Change
Funds Under Administration (FUA) (\$bn)	8.02	7.43	8%
Revenue (\$m)	25.23	26.47	(4.5%)
Operating Costs (\$m)	14.8	15.73	(6%)
Underlying Profit Post Tax (\$m)	7.33	7.64	(4%)

OVERVIEW

Profitable

- Full year underlying net profit of \$7.33m broadly in line with previous corresponding period (pcp)
- Second half underlying net profit up 10% on pcp
- Non-cash goodwill impairment charge of \$20.68m
- FY 2011 reported Net Loss After Tax of \$13.95m
- Costs controlled – down by 6% on pcp
- Some margin contraction due to shift in existing FUA to lower cost DKN platforms – platform revenue down 1.5%
- Stable operating expense to net operating revenue of 58%

Scale and leverage

- FUA of \$8.02bn as at 30 June 2011, an increase of 8% on pcp
- Positive platform net inflows of \$300m for the year – down by 40% on pcp
- Flows impacted by lower investor confidence, uncertainty associated with regulatory reform and the loss of one medium-sized wealth management practice from the network

Strong balance sheet

- Net cash \$9.3m as at 30 June 2011

Effective use of capital

- Post tax return on capital from Equity Partners of 9%

Dividend

- Unfranked final dividend of 2.5 cents per share*

- Record Date for the dividend will be 8 September 2011 with payment to follow on 21 September 2011.

*DKN has claimed significant tax deductions post the Lonsdale transaction, which have resulted in no tax payments in 2008, 2009, 2010 and 2011. These claims are yet to be assessed by the tax office. Note that this affects cash only and not reported NPAT, income tax has been provided in full and presented as a deferred provision for tax.

CEO'S COMMENTARY

Commenting on the overall performance of DKN, CEO Phil Butterworth acknowledged the long term strategic direction of the Group which has enabled it to withstand the market volatility and regulatory uncertainty faced by the industry over recent years.

"While the market environment has been challenging to say the least, our long term vision has always been directed to making DKN the service provider of choice for quality boutique wealth management practices. We have achieved this by leveraging our position of scale with selected core suppliers to deliver a range of highly competitive services and products and by consistently striving to meet the needs of the boutique sector of the market. Our outstanding, highly professional staff maintain very close links to DKN's community and our strong culture has enabled DKN to grow the net number of new practices significantly over the past year."

"From a corporate perspective, we have worked hard to minimise risks in the business. Our costs are down by 6 per cent, the balance sheet has been de-leveraged, with no debt, strong cash flows and cash holdings of \$9.3m. FUA has reached critical mass and is therefore set to provide increasing efficiency for the Group. Over the last four years, we have positioned DKN to effectively weather the storm of market volatility and legislative change. The Group's underlying assets continue to grow, our associated wealth management practices are well placed to handle the impending regulatory reforms and DKN's compliance systems have been strengthened to meet the highest industry standards. Overall, DKN is in a strong position for continued growth."

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