

2011 Financial Year - Results Presentation

Phil Butterworth - Chief Executive Officer



A leading financial services solutions provider to wealth management practices

The background of the slide is a dark blue rectangle. It features several abstract, curved white and light blue lines that sweep across the space, creating a sense of motion and depth. The lines vary in thickness and curvature, some forming partial arcs and others as more complex, overlapping shapes.

DKN Performance Resilient - Adverse Markets



Profit:

- ✦ Second half underlying profit after tax up 10%
- ✦ Full year underlying profit after tax of \$7.34m, compared to FY 2010 of \$7.64m down 4%
- ✦ Non-cash goodwill impairment charge to the value of \$20.67m (as announced to the market on 1 August 2011)
- ✦ IOOF transaction expenses to end June 2011 of \$0.87m
- ✦ Reported Net Loss After Tax of \$13.95m
- ✦ A shift of existing FUA to lower cost DKN platforms resulting in margin contraction – platform revenue down 1.7%
- ✦ Costs controlled down 6%

DKN Performance Resilient - Adverse Markets



Scale and leverage:

- ✦ FUA as at 30 June 2011 was \$8.02bn up by 8% from 30 June 2010
- ✦ Positive inflows over the year amounted to \$300m, down by 40% from the 2010 financial year
- ✦ Flows impacted by lower investor confidence, uncertainty arising from impending regulatory changes and the loss of one medium-sized wealth management practice from the network
- ✦ Stable Operating Expense to Net Operating Revenue of 58%

Strong balance sheet:

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

Dividends:

- ✦ Unfranked final dividend of 2.5 cents*

Effective use of capital:

- ✦ Post tax return on capital deployed into Equity Partners 9%

(*Tax – DKN has claimed significant tax deductions post the Lonsdale transaction, which have resulted in no tax payments in 2008, 2009 and 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).

Resilient Performance



Growth:

- ✦ Platform – 15 net new practices
- ✦ Platform – positive net inflows of \$300m
- ✦ Lonsdale – 7 net new practices
- ✦ Dealer to Dealer Services - 5 new practice solutions associates and 6 existing practice solutions associates taking additional services

Strong governance:

- ✦ Full Year costs controlled - down 6%
- ✦ No compliance risks
- ✦ Reform preparation
- ✦ Respected industry brand through quality team and associated client base

Cash:

- ✦ Cash of \$9.3m
- ✦ Strong cash flows
- ✦ No debt

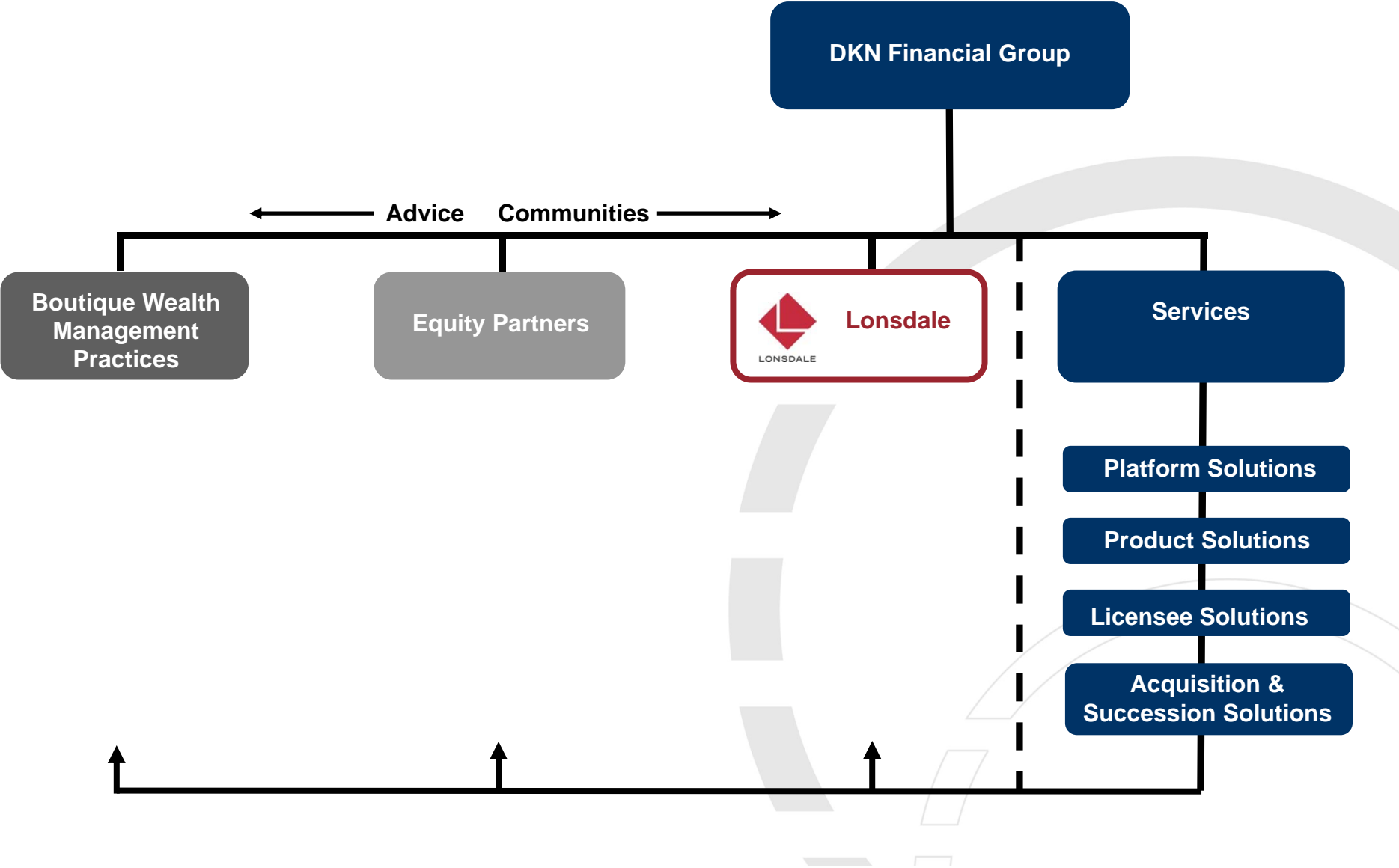
DKN Overview



Industry Respected Service Provider to Wealth Management Practices

- ✦ 300 quality wealth management practices
- ✦ Approximately 750 associated advisers accessing DKN services
- ✦ 100% ownership of Lonsdale – highly respected and quality dealer group
- ✦ Scale with \$8.02b FUA
- ✦ Consistent positive net flows into core platforms
- ✦ Diversified business model:
 - ✦ Dealer services solution through Lonsdale
 - ✦ Platform solutions
 - ✦ Minority ownership in wealth management practices
 - ✦ Practice management solutions for wealth management practices
 - ✦ Licence solutions for self licensed wealth management practices

DKN Service Offer



DKN Recurring Revenue Drivers



Distribution (Platform / Product)

- ✦ FY recurring revenue of \$17.9m
- ✦ \$8.02b in FUA, up 8% from end June 2010
- ✦ Positive platform net inflows \$300m

Lonsdale Financial Group

- ✦ FY recurring revenue of \$5.7m
- ✦ 117 practices through Lonsdale dealer license - 7 new Lonsdale associates
- ✦ Budgeted to break even – cost control key

Equity Partners

- ✦ FY revenue contribution of \$0.9m (post tax)
- ✦ Profit generated through provision of advice on a fee for service basis - equity accounted
- ✦ 7 minority equity positions in wealth management practices

Underlying Profit Reconciliation



	FY June 11	FY June 10	11 / 10 Change
Statutory loss (NPAT) (\$m)	(13.95)	7.20	
Impairment charges (\$m)*	20.68	0.44	
IOOF Transaction costs (pre tax & accrued in 2011)	0.87	-	
Underlying profit (\$m)	7.34	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.

FY 2011 – Underlying Profit



	FY June 11	FY June 10	11 / 10 Change
FUA (\$b)	8.02	7.43	8%
Revenue (\$m)	25.23	26.47	(4.5%)
Operating Costs (\$m)	14.80	15.73	(6%)
Underlying profit post tax (\$m)	7.34	7.64	(4%)

Platform Solutions



	FY 2011	FY 2010
Revenue	\$16.17m	\$16.46m
EBIT	\$13.26m	\$13.54m
FUA	\$6.77b	\$6.43b

Division Overview:

Division sources and manages the distribution of platforms to wealth management practices.

Platforms create efficiencies in the management of investment and superannuation portfolios.

Practices benefit by accessing cost effective platforms for their clients and ongoing integration support from DKN.

Commentary:

- ✦ Positive net inflows over the year amounted to \$300m, down by 40% from the FY 2010
- ✦ Net flows impacted by the loss of one medium-sized wealth management practice from the network
- ✦ Investor confidence negatively impacting new flows
- ✦ Pending legislative reforms impacting on practice focus and growth
- ✦ In excess of \$5.5bn FUA with BT Financial Group packaged platforms
- ✦ Approx \$1bn FUA through IOOF sourced platforms

Product Solutions



	FY 2011	FY 2010
Revenue	\$1.7m	\$1.5m
EBIT	\$1.3m	\$1.0m
FUA	\$1.25b	\$1.0b

Division Overview:

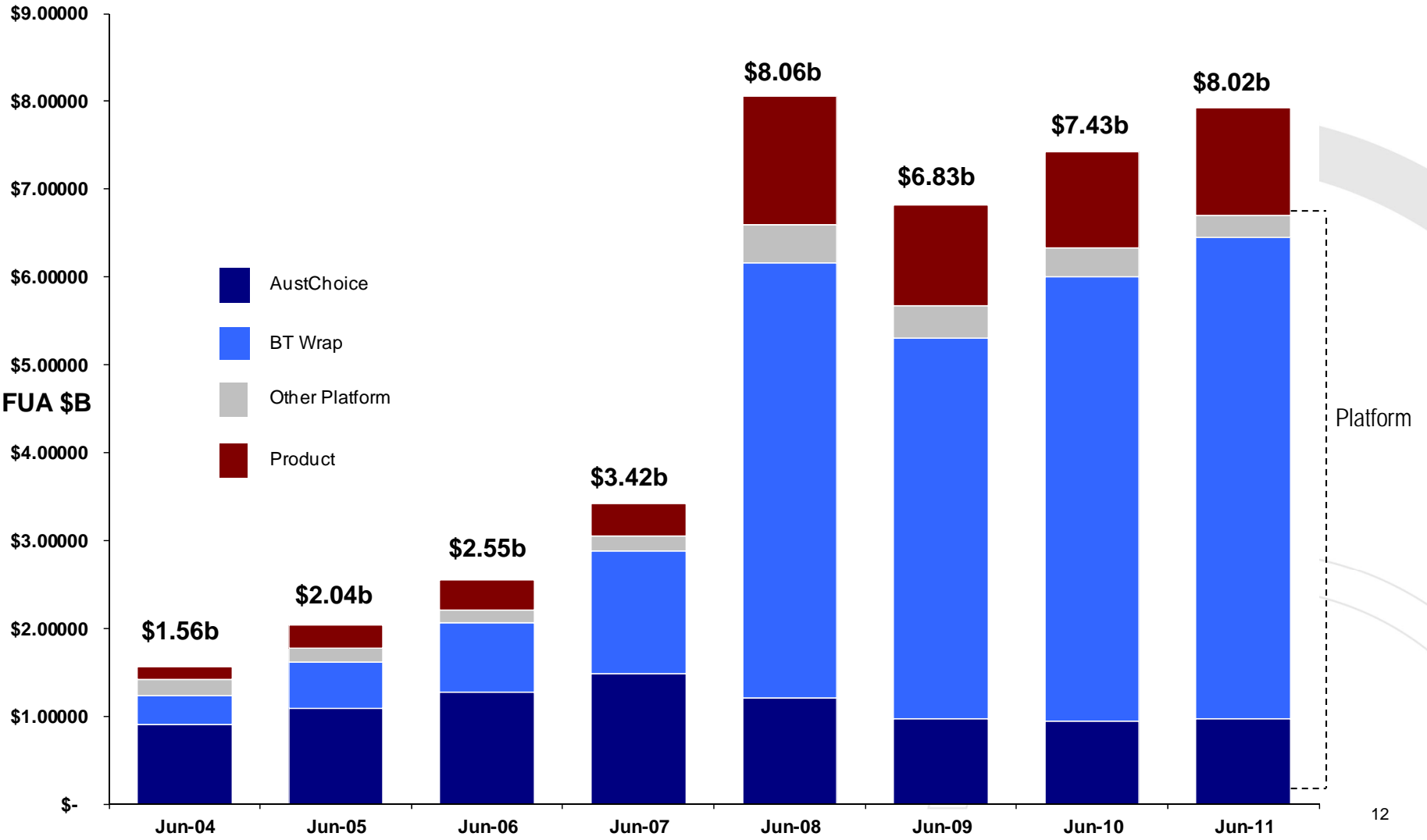
DKN utilises its distribution capabilities to facilitate the relationship between investment and insurance providers and DKN's associated practices.

Commentary:

Product FUA increased due to:

- ✦ Wrap Advantage increase due to new funds added to the program
- ✦ Macquarie CMA up - no longer include Macquarie in our net flows, only FUA

FUA Update



FUA – Net Flows



	FY 2011 (\$m's)	FY 2010 (\$m's)	FY 2009 (\$m's)	FY 2008 (\$m's)
Platform Net Flows	302	525	348	936
Product Net Flows	(5)	(25)	(46)	55
Total Net Flows	298	500	302	991

	FY 2011	FY 2010
Revenue	\$5.7m	\$6.9m
EBIT	\$0.03m	\$0.06m
Associated Practices	117	110

Division Overview:

Lonsdale provides the necessary operational framework for wealth management practices to function in a compliant and efficient manner. This enables them to deliver quality services and advice to their clients.

Commentary:

- ✦ Attracted 7 net new Associate Practices to the network during the year, the total is now 117
- ✦ Lower revenue associated with changing accounting treatment
- ✦ Key focus has been to assist all Associated Practices to be 'Reform Ready'

Equity Partners



	Capital Invested	Post Tax Profit Contribution FY 2011	Post Tax Profit Contribution FY 2010
All Practices	\$9.95m	\$0.9m	\$0.88m

Division Overview:

Division acquires equity positions in wealth management practices to generate a return on investment through profit share and the practice support of the DKN associated services (i.e. platforms).

Commentary:

- ✦ Investments were made in two additional practices during the year
- ✦ Transaction costs for the Division increased by approximately \$0.1m due to legal and professional expenses associated with completed transactions
- ✦ Annualised return on capital invested (post tax) from the investments is 9% or 16% including profit share and returns from support of DKN associated platforms

DKN Competitively Positioned



Barriers to Entry:

- ✦ Aligning quality practices to support the Group services – DKN has @ 300
- ✦ Scale in platform offering – DKN has @ \$6.77b
- ✦ Quality service offering – DKN through Lonsdale has been evolving over 26 years
- ✦ Ability to attract quality team – DKN talent pool highly regarded

Industry Growth Dynamics:

- ✦ Australia has the world's 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' sustainable profession

DKN Strategies - Context



- ✦ It is DKN's view that on the basis of the 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
- ✦ The industry is adapting and reforming as a result of influences arising from the GFC, media focus and regulatory change
- ✦ Significant 'Land Grab' opportunity over the next two years as a result of industry reform – players who are adaptable will be the most successful
- ✦ Consolidation continues post GFC - there are however fewer targets of quality/scale

DKN 'Land Grab' Strategies



- ✦ Be the service provider of choice for quality boutique wealth management practices
- ✦ Drive strategic transactions to increase profit, scale and diversity of offer
- ✦ Leverage position of scale with selected core suppliers
- ✦ Respond positively to regulatory changes

Current Shareholding Structure



	Shares Held (m)	%
Zurich	44	31%
IOOF	26	18%
Remainder of Top 20 Shareholders	48	33%
Other Shareholders	26	18%
Total Shares on Issue	144	100%
Options	12.6	

Update on proposal from IOOF



- ✦ Proposal from IOOF to acquire all of the shares it does not already own in DKN for 80 cents cash per share to be effected by way of a scheme of arrangement
 - ✦ 57% premium to the closing price of DKN Shares of 51 cents on 10 June 2011 (being the last full ASX trading day before IOOF's Initial Proposal)
 - ✦ 65% premium to the one month VWAP of DKN Shares to 10 June 2011
- ✦ DKN shareholders will also receive a 2.5 cent final unfranked dividend per DKN share for FY2011
- ✦ DKN's independent directors unanimously recommend that DKN shareholders vote in favour of the proposed scheme, in the absence of a superior proposal
- ✦ The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of DKN Shareholders
- ✦ Scheme Booklet has been sent to shareholders
- ✦ Transaction remains subject to DKN shareholder approval as well as court approvals

Updated indicative timeline



- ✦ 19 August 2011: Scheme Booklet released on ASX
- ✦ 27 September 2011: Scheme Meeting
- ✦ 3 October 2011: Second Court Date
- ✦ 4 October 2011: Effective Date
- ✦ 17 October 2011: Implementation Date
- ✦ 20 October 2011: Dispatch of Scheme Consideration

DKN well positioned 2012



- ✦ Industry growth dynamics
- ✦ Profit supported by strong recurring revenue
- ✦ Scalable business model with good organic growth
- ✦ Strong balance sheet
- ✦ Quality team and expanded quality community of wealth management practices
- ✦ Logical transaction for IOOF

Important Notice



Reliance should not be placed on the information or opinions contained in this presentation. This presentation does not take into consideration the investment objectives, financial situation or particular needs of any particular investor.

No representation or warrant, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, DKN, and their affiliates and related bodies corporate, and their respective officers, directors, employees and agents disclaim any liability (including, without limitation any liability arising from fault or negligence) for any loss arising from any use of the presentation or its contents or otherwise arising in connection with it.