



DKN Financial Group Limited
ABN 75 008 112 150

PRELIMINARY 2008/09 FIRST HALF RESULTS

POSITIVE PERFORMANCE AT OPERATIONAL LEVEL

DKN's strong network of financial planners and accountants have delivered underlying profits to the group, which is well-positioned to return to its previous growth trajectory as market conditions stabilise.

DKN Financial Group Limited (DKN) provides its preliminary results for the six months ended 31 December 2008. These are subject to final review by DKN's auditors. Final results including an Appendix 4D are expected to be released on the 23rd February 2009

In its first full interim reporting period since the merger with Lonsdale Financial Group Ltd (Lonsdale) and Wrap Account Limited (Wrap), DKN expects to announce a Net Profit After Tax Before Non-Recurring Items of \$3.4 million for the first half to 31 December 2008.

Key Points:

- Net Profit After Tax Before Non-Recurring Items of \$3.4m, down 5% compared to December 07
- One-off integration expenses (tax affected) of \$300k
- Non-cash impairment charge to the value of \$17.7m
- Reported Net Loss After Tax of \$14.6m
- Positive Platform net flows of \$202m
- FUA down 18% compared to June 2008 and 26% compared to December 07 (All Ordinaries down 31% to June 2008 and 43% since December 07)
- 10 new practices join the group in December half

The half year results, which are subject to final review by the auditors, vindicate the group's decision to merge with Lonsdale, delivering greater breadth and scale for DKN and enabling it to maintain its relatively strong market position. Despite the unstable market conditions, new financial planning and accounting firms have been drawn to the DKN Group by its strong value proposition and the supportive culture of the group which acts in a co-operative approach to deliver tangible business benefits to these practices.

While net inflows remained positive, they have been affected by general lack of confidence and the flight to cash driven by the Government's bank guarantee. This, in conjunction with the All Ordinaries Index dropping by 43% over the past year, has had a significant impact on our FUA and therefore group revenue.

IMPAIRMENT

As a result of recent market conditions, directors have prudently reviewed the balance sheet and recognised an impairment of assets to date to the value of \$17.7 million. This non-cash impairment charge, plus one-off tax-affected expenses of \$0.3 million relating to costs associated with the integration of Lonsdale and Wrap, resulted in a reported net loss after tax of \$14.6 million.

CASH & DEBT UPDATE

DKN's directors have always maintained a conservative view toward debt management and the group's cash position remains strong, with net debt of \$8.0 million.

DIVISIONAL UPDATE

Platform Solutions

Closing FUA reduced from \$6.6b as at June 08 to \$5.5b comprising

- Net inflows of \$202m driven by existing core clients committed to DKN and 10 new financial planning practices drawn to DKN group
- Offset by market impact, with All Ordinaries Index down 31% from June 08 to December 08.

Product Solutions

FUA reduced from \$1.50b as at June 08 to \$1.16b comprising

- Market impact and net outflows of \$73m due to:
 - Flight to cash following the Government guarantee on bank deposits
 - Low confidence leading to reluctance to invest

FUA Overview:

	Dec 2007 (\$b's)	June 2008 (\$b's)	Dec 2008 (\$b's)	HY % Change
Platforms	7.499	6.593	5.467	(17%)
Product	1.500	1.467	1.166	(20%)
TOTAL FUA	8.999	8.060	6.633	(18%)

Lonsdale Practice Solutions

Lonsdale's 23 year history of Dealer Services in the accounting space delivers:

- Strong market recognition – important in difficult market environment
- Attracted 6 additional firms under the Lonsdale Dealer structure in the December half
- Further 3 additional firms since January 1
- New practices attracted by strong accounting and financial planning network and service culture

Equity & Loans Solutions

All equity partners remain profitable throughout the half, although the fall in markets has resulted in impairment charges of \$5.6m

- During the current market difficulties, client relationships have become a crucial focus, enhancing the long term value of these businesses
- All practices are confident that the businesses are well positioned for growth as the market stabilises
- DKN remains firmly committed to assisting financial planning and accounting firms with either internal succession strategies or acquisition plans

CEO'S COMMENTARY

The macroeconomic climate of deteriorating investor confidence, slowing economic growth and the significant downturn in the market has affected DKN, along with the entire financial services industry. This climate has directly impacted our FUA and our carrying values in our balance sheet, resulting in a drop in group revenue. However given the almost unprecedented environment we operate in, our strong underlying business, culture and service offer continues to retain and attract quality practices.

Our proven strategic direction and sound management decision-making means that the group is in good shape given the current environment. We remain strongly committed to the long term value of the wealth management sector. By staying focused on our core business and working hard on improving existing relationships and forging new ones, DKN will be well positioned in a consolidating market and set to grow as the market stabilises.

For further information, please contact:

Phil Butterworth
Chief Executive Officer
Tel: 03 9667 0700

or Pam Kelton
Media Adviser
Mobile: 0417 536 805

About DKN

DKN Financial Group is a listed financial services provider of financial solutions to financial planning and accounting 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 over \$6.6 billion funds under administration and 300 quality practices accessing its range of products and services.