

**Half Year Ending 31 December 2006**

**Strong operating profit, merger complete**

Highlights
<ul style="list-style-type: none"> <li>○ Operating profit before tax (after finance costs) up 48%</li> <li>○ Revenue up 37%</li> <li>○ Merger between Snowball and Western Pacific complete</li> <li>○ Positive signs to date of benefits arising from the merger</li> <li>○ Pro-forma EBITDA<sup>1</sup> guidance reaffirmed</li> </ul>

<sup>1</sup> Earnings before interest, tax, depreciation and amortisation

The operating results for the half-year ending 31 December 2006 relate to Snowball Group Limited ("Snowball" or "the Group") prior to the merger with Western Pacific Financial Group Pty Limited ("WPFPG").

They relate, therefore, to the operations of Snowball's pre-merger financial advice business comprising, **Outlook Financial Solutions** ("OFS") and **Outlook Tax & Accounting Solutions** ("OTAS"), which work together to provide holistic advice solutions to individuals direct, or via their affinity groups such as corporations, credit unions and industry funds.

Further details regarding the merger between Snowball and WPFPG are set out in the appendix.

***Operating results – stand-alone basis***

On a stand-alone basis, Snowball is delighted to announce a before tax half-yearly operating profit (after finance costs) of \$1.383 million, up 48% on the prior corresponding period, and equivalent to 2.28 cents per share, an increase of 30% over the same period. Combined revenue from OFS and OTAS was \$7.941 million, up 37% on the prior corresponding period.

***Adjustments arising from the merger***

The reported after tax results are required to include the following accounting and tax adjustments applicable to the merger with WPFPG and the sale of a part interest in OTAS. While they do affect the reported profit of the Group for the half year, they should be interpreted in the context that the adjustments relate to transactions specifically undertaken to optimise the future growth and profitability of Snowball:

- Following shareholders voting to approve the Group's acquisition of WPFPG, the Group is no longer able to recoup the benefits of its deferred tax losses and accordingly a net deferred tax liability of \$0.397m has been recognised in the current reporting period; and
- The Group sold, on commercial terms, 25% of OTAS to the business principals. The sale achieves the result of incentivising these two key executives over the long term and aligning their interests with shareholders. It gave rise to a non-cash accounting loss of \$0.256 million

and a capital gains tax expense of \$0.145 million. The seeming anomaly inherent in the different accounting and taxation outcome was due to the treatment of work in progress, goodwill and the outside equity interest in the Snowball balance sheet.

A 'like for like' measure of the Group's underlying performance against the previous corresponding period takes into account the rationale behind these adjustments. In this context a comparison of the operating result (after finance costs) is the most appropriate performance guide.

It is also important to recognise the impact of income tax, remembering that there had been no requirement for a provision for income tax in the prior corresponding period, as there were sufficient carried forward tax losses at that date to offset the income tax payable.

### ***Key financial information and commentary***

#### ***Operating profit and operating profit per share***

The following table highlights the key financial information relating to Snowball on a stand-alone basis, comparing reported results and returns with previous corresponding periods.

	<b>Half year 31 Dec 04</b>	<b>Half year 31 Dec 05</b>	<b>% change</b>	<b>Half year 31 Dec 06</b>	<b>% change</b>
<b>Revenue</b>	\$3.735m	\$5.813m	56%	\$7.941m	37%
<b>Operating profit<sup>2</sup></b>	\$0.101m	\$0.934m	825%	\$1.383m	48%
<b>Operating profit<sup>2</sup> cents per share</b>	0.23 cents	1.75 cents	661%	2.28 cents	30%
<b>FUA</b>	\$0.970b	\$1.773b	83%	\$2.038b	15%

<sup>2</sup> Operating profit includes finance costs but excludes the accounting loss on the sale of the 25% interest in the OTAS business in the current reporting period.

#### ***Income tax expense***

As previously outlined, Snowball has reported an income tax expense for this half year of \$0.673 million, arising from two one-off events of a capital nature. The income tax expense for the half-year comprises \$0.145 million from the sale of its part interest in OTAS, \$0.397 million in relation to the bringing to account of deferred tax following the merger with WPFPG, and \$0.131 million in tax on normal operating activities.

#### ***Operating expenses***

During the reporting period Snowball took advantage of the opportunity provided by the significant increase in revenue, and from the anticipated scale benefits to be realised following the merger with WPFPG, to invest in operating infrastructure. This strategy will accelerate organic growth and enhance the management of the Group's significantly increased funds under advice and client base. Overall, operating expenses were up 34%, primarily reflecting:

- Investments in sales, marketing, compliance and back office functions; and
- A full half-year's expenses for businesses acquired part way through the prior corresponding period.

#### ***WPFPG as a stand-alone business for the half year ended 31 December 2006***

WPFPG is not included in the Group's reported results for the current reporting period. Based on WPFPG's management accounts which have not been audited or independently verified, some key metrics from the stand-alone financial results for WPFPG for the 6 months to 31 December 2006 are:

- WPFPG net revenue for the half year ended 31 December 2006 was around \$4.2 million, up approximately 32% on the prior corresponding period; and
- WPFPG fua was over \$1.9 billion as at 31 December 2006, up approximately 29% compared to the closing fua as at 31 December 2005.

### ***Accounting Treatment of Snowball for the full year ending 30 June 2007***

For the reasons stated in the Appendix 4D, as Western Pacific Group Holdings Pty Ltd (now called "Officium") holds approximately 64% of the combined entity following its sale of WPFPG to Snowball), Snowball's reported earnings for the full financial year ending 30 June 2007 are expected to reflect WPFPG earnings for the full financial year and Snowball's from the effective date of the transaction (1 January 2007). Snowball will also be working with its advisers to determine any amortisation or other accounting charges arising as a result of the merger.

### ***Looking Forward***

As mentioned previously, Snowball has been able to negotiate various improved terms of supply. These are revenue accretive and will positively affect EBITDA from 1 January 2007.

Accordingly, the Snowball Board of Directors is happy to reaffirm the pro forma EBITDA guidance of between \$8.5 million and \$9.0 million given in the ASX Release dated 22 August 2006. This pro-forma guidance has been arrived at by combining the expected operating profits (EBITDA less any items of a capital or non-operating nature) for each of Snowball and WPFPG as if they were stand alone entities for the year to 30 June 2007, and it therefore excludes synergy benefits and any integration or other costs attributable to the merging of the Snowball and WPFPG businesses. It also clearly assumes that there will be no financial market calamity.

Looking forward, we will continue to pursue our strategy as outlined in the Investor Presentation released to the market on 28 November 2006.

In summary, we will pursue both organic and inorganic growth opportunities, across our two complementary distribution channels, namely **OFS** and **Western Pacific**. These strategies include:

- **Extracting organic growth from the existing business** by improving Outlook and Western Pacific marketing and sales efficiencies, and implementing further operating efficiencies in the back office.
- **Creating organic growth opportunities** by enhancing lead generation programs, particularly among our affinity partners, recruiting new Outlook advisers (as senior advisers reach capacity), and establishing new Western Pacific practices.
- **Pursuing inorganic growth (via the Outlook and/or Western Pacific channels) by:**
  - Acquiring businesses that fit within the Outlook channel, acquiring dealer groups that can leverage off the Western Pacific "franchise" systems, and/or acquiring books of business such as insurance and corporate superannuation;
  - Entering into joint venture arrangements with external advice businesses typically owned by financial services institutions such as credit unions; and
  - Facilitating the acquisition of 'tuck-in' businesses that fit within individual Western Pacific practices.

To support this expansive strategy, the enlarged Snowball Group will be continuing its program of investing in an enhanced sales and operating infrastructure as a sound and scalable foundation for growth. Examples of areas identified for investment include:

- Our 'front office' marketing and sales functions, notably in the areas of insurance and corporate superannuation, and in developing our telephone advice service; and
- Continued investment in our affinity partner programs, where we are launching new technology backed services aimed at improving the offer to members or employees of the particular affinity group.

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## **APPENDIX**

### ***The merger between Snowball and WPFG***

On 22 August 2006, Snowball announced the intended purchase of WPFG. Snowball is delighted to confirm that the purchase of WPFG was completed on 7 February 2007, with an effective date of 1 January 2007.

Accordingly, from January 2007, Snowball has:

- Approximately \$4 billion in funds under advice ("fua"), compared to \$1.8 billion of fua as at January 2006.
- Over 75 advisers, compared to 25 as at January 2006.
- Financial planning offices and service centres in 29 locations across Australia, compared to a total of six offices in Sydney, Melbourne and Brisbane as at January 2006.

Snowball's Board of Directors would like to formally record its appreciation to all parties associated with the transaction, from both the Snowball and Western Pacific side, particularly the staff and the various service providers assisting with legals, corporate secretarial and other services that enabled us to complete the transaction in a timely and efficient manner.

In the 22 August 2006 ASX release, and in the subsequent release dated 7 February 2007, the Snowball Board of Directors indicated that the merger would give rise to a significantly enlarged advisory group with an estimated pro-forma EBITDA for the year to June 2007 of between \$8.5 - \$9.0 million, before allowing for synergy benefits and not including one-off integration and transaction costs.

Further, we indicated that:

- The nature of the merger was such that there were limited areas of overlap, such as geographical location, and therefore limited cost synergies, but
- of greater consequence is the ability to capitalise on the increased scale of operations under the merged entity to negotiate terms of supply from various service providers, such as platform administrators and asset managers.

As a consequence of the completion of the merger, Snowball has been able to negotiate various improved terms of supply which are revenue accretive and which will positively affect the pro-forma EBITDA for the year to June 2007. Management expects to have all negotiations completed by the end of the 1<sup>st</sup> quarter of the current calendar year.