snowball
GROUP LIMITED

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SNOWBALL GROUP LIMITED
ABN 81 006 490 259
ASX: SNO

SNOWBALL TO EXCEED PRO-FORMA GUIDANCE;
PROVIDES INITIAL GUIDANCE FOR FISCAL 2008

- **Pro-forma operating EBITDA for year to 30 June 2007 is $9.4 million, compared to pro-forma guidance of $8.5 - $9.0 million**
- **Strong operating EBTDA per share growth of 52% on a pro-forma basis, after absorbing one-off integration and infrastructure costs**
- **Funds under advice more than doubles to $4.2 billion, and delivers revenue synergy benefits**
- **Preliminary guidance for fiscal 2008: organic EBITDA growth of 15% relative to 2007 pro-forma result of $9.4 million**

Snowball Group Limited will report its preliminary final results in the last week of August. The following comments are designed to update guidance in relation to the 2007 financial year, as well as facilitate an understanding of the forthcoming statutory results announcement. All figures in this announcement remain subject to final audit and could be subject to adjustment.

Background

*For ease of understanding, Western Pacific Financial Group which was acquired on 7 February 2007 will be referred to in this report as **"WPFG"**, the original Snowball prior to that date as **"Outlook"** and the combined group as **"Snowball"**.*

In the ASX Release of 27 February 2007, the Board of Directors of Snowball reaffirmed the pro-forma EBITDA (earnings before interest, tax, depreciation and amortisation) guidance of between $8.5 million and $9.0 million. This guidance was initially provided in the ASX Release dated 22 August 2006.

This pro-forma guidance was derived by combining the budgeted operating profits (measured by EBITDA) for each of Outlook and WPFG as if they were stand-alone entities for the full year to 30 June 2007.

The Explanatory Memorandum dated 22 November 2006 regarding the merger of Outlook and WPFG, and the ASX Release of 27 February 2007, noted that WPFG has been identified as the acquirer of Outlook under the requirements of AASB 3 *Business Combinations*. This type of business combination is commonly referred to as a reverse acquisition as, for accounting purposes WPFG is treated as the acquirer of Outlook, even though from a legal perspective Outlook acquired WPFG.

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With the merger having been completed on 7 February 2007, the statutory results to be reported by Snowball Group Limited in accordance with AASB 3 will comprise seven months (from 1 July 2006 to 31 January 2007) of the WPFG business on a standalone basis and five months (from 1 February to 30 June 2007) of the merged WPFG/Outlook combination. Given that the interim results released on 27 February 2007 contained six months of the Outlook business prior to the WPFG merger, Snowball's statutory results will be of limited value in comparing performance during the 2007 financial year with prior results.

Profit reconciliation and comparison to guidance

Adding together the statutory income statement, the interim results and the Outlook results for the month of January 2007 (as set out in the table below) will give figures that contain the results over twelve months for both Outlook and WPFG, which can then be compared to the pro-forma EBITDA guidance on a "like for like" basis.

We again note that the figures are subject to completion of audit and could be subject to adjustment prior to the release of the preliminary final statement.

	Expected statutory results: 12 mths WPFG & 5 mths Outlook to Jun 07 $000's	*Interim results:* 6 mths Outlook to Dec 06 $000's	1 mth Outlook Jan 07 $000's	*Pro-forma results:* 12 mths WPFG & 12 mths Outlook to Jun 07 $000's
Revenue from continuing operations & share of associates profit	16,606	7,941	1,333	*25,880*
Total operating expenses (excluding interest, depreciation and amortisation)	(8,878)	(6,485)	(1,098)	*(16,461)*
Operating EBITDA	**7,728**	**1,456**	**235**	***9,419***
Loss on disposal of 25% interest in subsidiary	-	(259)	-	*(259)*
EBITDA	**7,728**	**1,197**	**235**	***9,160***
Finance expense	(65)	(70)	(8)	*(143)*
EBTDA	**7,663**	**1,127**	**227**	***9,017***

As set out in the table above, Snowball expects to report a statutory EBITDA result of $7.728 million for the year to 30 June 2007. By adding in the residual seven months of the Outlook business, the pro-forma operating EBITDA of $9.4 million is ahead of the upper limit of the previous guidance of $8.5 - $9.0 million.

The pro-forma results provide an operating EBTDA (earnings before tax, depreciation and amortisation) per share outcome (on pro-forma weighted average issued shares of 140,794,476) over the 2007 financial year of 6.4 cents, up 52% on the 4.2 cents for 2006.

Further aid to statutory results report

The statutory report will contain further complexity below the EBITDA and EBTDA lines. In line with the explanations given last year, the intangibles inherent in the effective acquisition of Outlook by WPFG require dissection into "goodwill" and "separately identifiable intangible assets" ("**SIIA**"), such as brands, contracts, customer lists etc. SIIA is subject to annual amortisation while goodwill is subject to an ongoing impairment test.

The expected statutory net profit after tax attributable to members for the 2007 financial year is $4.714 million, which is derived as follows:

	$ 000's
EBTDA	**7,663**
Amortisation – SIIA arising as a result of the transaction	(623)
Amortisation – other SIIA	(47)
Depreciation	(200)
Earnings before tax	**6,793**
Income tax expense	(2,063)
Net profit after tax	**4,730**
Profit attributable to minority interest	(16)
Profit attributable to members	**4,714**

Additional commentary on these results

These unaudited results reflect a number of diverse factors prevalent in the second half of the year, including:

- stronger than anticipated revenue growth for both Outlook and WPFG, driven by revenue synergies and the benefit of strong financial markets – the S&P/ASX 300 Accumulation index returned 12.9% from December 2006 to the end of June 2007; and
- over $750,000 of one-off expenses attributable to recruitment and other non-capital costs necessary to successfully integrate the WPFG and Outlook businesses and build a sound foundation for sustained growth.

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Preliminary guidance for 2008 fiscal year

In the 2008 fiscal year, Snowball should benefit from higher average levels of funds under advice, which stood at $4.2 billion at 30 June 2007 (compared to $1.9 billion at June 2006, prior to the WPFG/Outlook merger), a full year of revenue synergies, absence of the one-off costs relating to the WPFG merger, and the benefits of a number of internal projects designed to further lift efficiency and productivity. Subject to the performance of financial markets, which can have significant primary and secondary effects on funds under advice and the generation of fees and rebates, Snowball's preliminary expectations are that operating EBITDA should grow organically by at least 15% relative to the pro-forma result of fiscal 2007.

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