

ASX Announcement

Half Year Ended 31 December 2009

**Strong operating performance – well positioned for future growth**

**Highlights**

- **Operating EBITDA profit result up 14%**
- **Reduction in reported NPAT driven mainly by one-off factors in current and prior periods**
- **Anticipated NPAT uplift in second half**
- **Interim dividend increased to 1.25 cps**
- **Officium transaction approved by shareholders, completion on track**

Snowball's operating performance improved markedly compared to the prior corresponding period. The market rebound and contribution from previous acquisitions, coupled with a moderate increase in net fund flows were the key drivers. Operating EBITDA was up 14% to \$4.79m. Reported NPAT was down by 39% compared to the prior corresponding period, mainly as a result of expensing acquisition costs relating to the recent Officium Capital acquisition and the absence of various one-off benefits that arose in the prior corresponding period, including the profit on the merger of Snowball's accounting business with NSW-based accounting firm, Duncan Dovico.

The acquisition of Officium Capital and other re-investment in the business to address foreshadowed industry changes have been the major focus for Snowball in the first half. Snowball's growth strategy remains focussed on organic growth as well as acquisitions.

The second half will include five months of profit contribution from Officium Capital and is not expected to be affected by any significant one-off items when compared to the prior corresponding period. In the absence of any major market downturn, we anticipate continuing organic growth and an uplift in NPAT in the second half.

***Results and Comparisons to the prior Corresponding Period***

- Funds under advice increased by 22% reflecting an improvement in net new business inflows, acquisitions and positive market movements. While we have witnessed a general improvement in customer sentiment, and a corresponding increase in adviser activity levels, clients remain cautious.
- Revenue increased by \$1,126K (9%), representing both an increase in FUA-based revenue as well as non-FUA based revenue primarily from our insurance operations.

- Operating costs increased by \$510K (6%), which includes \$452K in expenses relating to newly acquired businesses and \$190K in costs incurred in pro-actively preparing for changes to the business model in light of proposed regulatory changes. Snowball's operating cost to income ratio decreased from 67% to 65%.
- Operating EBITDA increased by \$592K (14%), driven by organic growth and a contribution from acquisitions made during the second half of the 2009 financial year.
- Interest expense increased by \$208K (226%), due to the debt funded acquisition of businesses in the six months to June 2009, as well as deferred consideration falling due from earlier acquisitions.
- NPAT for the first half, when compared to the prior corresponding period, was adversely affected by one-off factors which occurred in both the current and prior corresponding periods. These included:
  - \$325K of one-off acquisition-related costs in respect of the Officium Capital transaction in the current period
  - \$732K one-off profit on the sale of Outlook Tax & Accounting Solutions in the prior period.
- In addition, amortisation expense increased by \$528K (60%) reflecting the acquisition of businesses in the second half of the 2009 financial year and a one-off adjustment in the prior corresponding period which reduced prior period amortisation expense by \$240K.

### ***Officium Capital Acquisition***

The acquisition of Officium Capital announced on 18 December 2009 was overwhelmingly approved by shareholders at the General Meeting held on Friday, 12<sup>th</sup> February 2010.

Completion of the transaction is scheduled for the end of February, with a 1 February effective date.

### ***Dividends***

The Directors are pleased to announce that they have declared an interim fully franked dividend of 1.25 cents per share payable to shareholders on the register on 31 March 2010. This dividend is 0.25 cents (25%) higher than the interim dividend paid in respect of the prior corresponding period and will be paid on 30 April 2010. This reflects the directors' confidence in the second half contribution to NPAT and the expected contribution from Officium Capital.

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