

Appendix 4E

Preliminary final report

Name of entity
SFG AUSTRALIA LIMITED
ASX Code: SFW
ABN
81 006 490 259

1. Details of the reporting period and the previous corresponding period

Reporting period:	Financial year ended 30 June 2013	('FY13' or '2013')
Previous corresponding period:	Financial year ended 30 June 2012	('FY12' or '2012')

2. Results for announcement to the market

Amount and percentage change compared to the previous corresponding period

The Directors of SFG Australia Limited ('the Company') are pleased to announce the preliminary results of SFG Australia Limited and its controlled entities ('SFGA' or 'the Group') for the year ended 30 June 2013, which are summarised as follows:

<i>In thousands of Australian dollars</i>	2013	2012	Movement	%
Revenues from continuing operations	155,810	138,085	17,725	+12.8%
Profit after income tax attributable to equity holders (NPAT)	24,147	11,320	12,827	+113.3%
NPAT before impact of RTFI ⁽¹⁾	24,147	20,608	3,539	+17.2%
Underlying NPAT ⁽²⁾	32,512	28,633	3,879	+13.5%

An explanation of the results is included in section 13 of this Appendix 4E.

⁽¹⁾ SFGA has previously advised in its Appendix 4E for the year ended 30 June 2012 and Appendix 4D for the 6 months ended 31 December 2012 the impact of the reversal of the legislation allowing tax deductions for Rights to Future Income ('RTFI'). In comparing NPAT of the reporting period against that of the previous corresponding period, the Directors note that it is important to highlight the NPAT on a 'like for like' basis excluding the anomaly of the impact of RTFI reversal in FY12, which arose due to a change in legislation rather than a change in the Group's actual operational performance.

⁽²⁾ Given the Group's ongoing strategy of growth, in part, by acquisition, the Directors are of the view that the most appropriate profit measure to best assess the operational performance and cash-generating capability of the entity is 'Underlying NPAT', being NPAT excluding the impact of:

- one-off non-operational items and acquisition-related costs;
- non-cash amortisation charges and notional interest relating to businesses previously acquired; and
- the impact of RTFI on FY12.

A reconciliation of Underlying NPAT to Statutory NPAT is provided in section 13 of this Appendix 4E.

3. Consolidated statement of comprehensive income

For the year ended 30 June 2013

	2013 \$'000	2012 \$'000
Revenue from continuing operations	155,810	138,085
Other income	710	-
Share of net profits from associates accounted for using the equity method	296	275
Staff costs	(62,044)	(57,323)
Advertising and marketing	(897)	(993)
Communications and information technology	(6,599)	(3,264)
Occupancy expense	(6,638)	(6,459)
Professional fees	(7,324)	(7,385)
Referral fees	(373)	(435)
Trade execution expenses	(308)	(313)
Portfolio administration fees	(11,362)	(10,906)
Investment manager fees	(9,279)	(7,565)
Travel and entertainment	(1,140)	(1,158)
Depreciation	(1,304)	(1,269)
Amortisation	(5,162)	(4,336)
Impairment	(923)	-
Other expenses	(5,873)	(6,167)
Finance costs	(1,626)	(1,205)
Profit before income tax	35,964	29,582
Income tax expense	(11,817)	(18,262)
Profit for the year	24,147	11,320
Other comprehensive income		
Other comprehensive income, net of tax	-	-
Total comprehensive income for the year	24,147	11,320
Profit for the year attributable to the owners of SFG Australia Limited	24,147	11,320
Total comprehensive income for the year attributable to the owners of SFG Australia Limited	24,147	11,320
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:		
Basic earnings per share	3.30	1.55
Diluted earnings per share	3.29	1.55

Changes to presentation – revenue and expenses presented on gross basis

As a result of the renegotiation of the platform agreement with one of the Group's suppliers, the Group has restated the previous corresponding period result in the Consolidated statement of comprehensive income to reflect the presentation of the transactions under that agreement on a gross basis. As a result Revenue from continuing operations has increased by \$4,553,578 and Portfolio administration fees expense has increased by \$4,553,578. There has been no change in Total comprehensive income as a result of this restatement.

4. Consolidated balance sheet

As at 30 June 2013

	2013 \$'000	2012 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	28,969	19,178
Trade and other receivables	19,712	16,289
Work in progress	802	208
Total current assets	49,483	35,675
Non-current assets		
Investments	4,394	5,410
Property, plant and equipment	4,331	5,466
Deferred tax assets	5,136	5,283
Intangible assets	188,104	155,035
Total non-current assets	201,965	171,194
Total assets	251,448	206,869
LIABILITIES		
Current liabilities		
Trade and other payables	20,257	15,530
Borrowings	507	349
Current tax liabilities	397	4,613
Provisions	11,120	10,612
Deferred consideration	6,411	2,365
Total current liabilities	38,692	33,469
Non-current liabilities		
Borrowings	22,693	1,240
Deferred tax liabilities	12,301	10,453
Provisions	1,163	863
Deferred consideration	13,345	8,814
Total non-current liabilities	49,502	21,370
Total liabilities	88,194	54,839
Net assets	163,254	152,030
EQUITY		
Contributed equity	145,450	142,522
Reserves	475	217
Retained earnings	17,329	9,291
Total equity	163,254	152,030

5. Consolidated statement of changes in equity

For the year ended 30 June 2013

	Attributable to the owners of SFG Australia Limited			Total \$'000
	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	
Balance at 1 July 2011	141,472	109	12,531	154,112
Total comprehensive income for the year	-	-	11,320	11,320
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(14,560)	(14,560)
Employee incentive plan	-	108	-	108
Shares issued as consideration for acquisition of a subsidiary	1,050	-	-	1,050
	1,050	108	(14,560)	(13,402)
Balance at 30 June 2012	142,522	217	9,291	152,030
Total comprehensive income for the year	-	-	24,147	24,147
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	-	(16,109)	(16,109)
Employee incentive plan	(72)	258	-	186
Shares issued as consideration for acquisition of a subsidiary	3,000	-	-	3,000
	2,928	258	(16,109)	(12,923)
Balance at 30 June 2013	145,450	475	17,329	163,254

6. Consolidated statement of cash flows

For the year ended 30 June 2013

	2013 \$'000	2012 \$'000
Cash flows from operating activities		
Receipts from clients (inclusive of goods and services tax)	171,081	146,016
Payments to suppliers and employees (inclusive of goods and services tax)	(126,163)	(110,523)
Interest received	884	1,136
Borrowing costs	(882)	(497)
Income taxes paid	(15,481)	(13,424)
Net cash inflow from operating activities	29,439	22,708
Cash flows from investing activities		
Dividends received	345	149
Payments for acquisition of businesses, net of cash acquired	(24,032)	(6,693)
Deferred payments for acquisition of businesses	(757)	(850)
Payments for property, plant and equipment	(556)	(1,863)
Proceeds from sale of property, plant and equipment	3	-
Proceeds from sale of financial assets	-	390
Net cash outflow from investing activities	(24,997)	(8,867)
Cash flows from financing activities		
Proceeds from sale and leaseback of property, plant and equipment	680	605
Payments for shares acquired by SFG Australia Limited Employee Share Trust	(153)	-
Proceeds from/(repayments of) borrowings	20,931	(13,679)
Dividends paid to company's shareholders	(16,109)	(14,560)
Net cash inflow/(outflow) from financing activities	5,349	(27,634)
Net increase/(decrease) in cash and cash equivalents	9,791	(13,793)
Cash and cash equivalents at the beginning of the financial year	19,178	32,971
Cash and cash equivalents at the end of the financial year	28,969	19,178

7. Net tangible assets

	2013 Cents	2012 Cents
Net tangible asset ('NTA') backing per ordinary security	(1.76)	1.02

The decrease in NTA backing from the previous corresponding period is mainly due to acquisitions in the reporting period, which have been substantially financed through non-current borrowings.

The NTA backing per ordinary security includes deferred tax assets and liabilities other than those which relate to intangible assets. If all deferred tax assets and liabilities were excluded from the calculation, NTA backing per ordinary share would be -2.41 cents (2012: 0.30 cents).

8. Control gained over entities

Name of the entity	Lachlan Partners Pty Limited (and its controlled entities)
Ownership interest	100% of the ordinary shares
Date of acquisition of ownership interest	22 February 2013 (effective 1 March 2013)

The Group acquired Lachlan Partners Pty Limited and its controlled entities (collectively 'Lachlan Partners'), effective 1 March 2013. Lachlan Partners is an integrated accounting, tax, business advisory, SMSF and financial advice group with offices in Melbourne, Sydney and Brisbane.

Total consideration for the transaction was \$32.2m, paid in cash (\$20.0m paid at completion) and 4.9m shares (\$3.0m), with the deferred consideration component (\$9.2m) to be paid in scrip in three tranches subject to certain revenue performance hurdles. The shares relating to the transaction were issued on 22 February 2013, with half escrowed until 22 February 2014, and half escrowed until 22 February 2015.

Contributions during the ownership period

	2013 \$'000
Contribution to revenue from continuing operations	5,479
Contribution to profit before income tax	268
Depreciation and amortisation ¹	561
Finance costs (notional interest on deferred consideration)	160
One-off, non-operational expenses	261
Contribution to earnings before interest, income tax, depreciation and amortisation ('Operating EBITDA')	1,250

In line with the Group's growth strategy, SFGA has also acquired the following businesses during the reporting period which did not involve gaining control over an entity:

- Parkside, a small general insurance broker based in Perth, effective 1 October 2012;
- W Corp, a Melbourne based high net worth financial advice business, effective 31 December 2012; and
- ITS, a small accounting practice based in Brisbane, effective 1 February 2013.

The result for the reporting period has also been positively impacted by the incremental impact from the acquisitions completed in the previous corresponding period:

- Phaz Pty Limited and its controlled entities ('Jeena'); and
- The business of Life Financial Services (Ballarat) Pty Limited and shares of Spencers Accountants Pty Limited (collectively 'LFS/Spencers').

Additional information on the contribution from these business combinations is included in section 13 of this Appendix 4E.

⁽¹⁾ At the time the Appendix 4E was authorised for issue, the Group had not yet finalised the accounting for the acquisition of Lachlan Partners. Amortisation has been calculated based on the Group's preliminary assessment of the fair value of the assets and liabilities acquired. A purchase price allocation will be conducted during the year ending 30 June 2014.

9. Loss of control over entities

The below entities are in the process of or have been deregistered or wound up, consistent with the Group's aim to simplify its corporate structure.

Name of Entity	ACN	Date of deregistration/wind up
Actuate Advice Solutions Pty Limited	069 707 599	29/04/2013
Douglas Wenck Pty Limited	066 730 327	Under the process of liquidation
Ellwood Barry McPherson Pty Limited	010 805 937	Under the process of liquidation
Heraud Harrison Pty Limited	060 494 215	Under the process of liquidation
Kilkenny Rose & Associates Pty Limited	081 147 506	Under the process of liquidation
Phaz Pty Limited	153 584 279	29/04/2013
Snowball Financial Pty Limited	088 749 580	29/04/2013
Snowball Investment Research Pty Limited	088 819 827	29/04/2013

10. Dividends

	Amount per security	Franked amount per security
<i>Reporting period</i>		
Final dividend for the year ended 30 June 2012, paid 25 October 2012	1.00 cents	1.00 cents
Interim dividend for the year ended 30 June 2013, paid 26 April 2013	1.20 cents	1.20 cents
<i>Previous corresponding period</i>		
Final dividend for the year ended 30 June 2011, paid 31 October 2011	1.00 cents	1.00 cents
Interim dividend for the year ended 30 June 2012, paid 26 April 2012	1.00 cents	1.00 cents

	2013 \$'000	2012 \$'000
Ordinary shares		
Final dividend for the year ended 30 June 2012 of 1.0 cent (2011 – 1.0 cent) per fully paid share	7,295	7,265
Interim dividend for the year ended 30 June 2013 of 1.2 cents (2011 – 1.0 cent) per fully paid share	8,814	7,295
Total dividends provided for or paid	16,109	14,560

Subsequent to the end of the reporting period, the Directors have determined to pay a final fully franked dividend of 1.4 cents per share, to be paid on 24 October 2013. The record date for determining entitlement to this dividend is 26 September 2013.

11. Dividend reinvestment plans

The Group does not have a dividend reinvestment plan in operation.

12. Details of associates and joint venture entities

	Group's percentage holding		Contribution to profit or loss	
	2013 %	2012 %	2013 \$'000	2012 \$'000
Duncan Dovico Holdings Pty Limited	30.0%	30.0%	151	171
QT Financial Planning Pty Limited	25.0%	25.0%	145	104
Group's aggregate share of associates and joint venture entities' profit from ordinary activities before amortisation			296	275
Amortisation of intangibles			(164)	(111)
Profit from ordinary activities			132	164
Impairment of investment			(923)	-
Aggregate (loss)/profit resulting from interests in associates and joint venture entities			(791)	164

13. Other significant information to assist investors to make an informed assessment of the Group's financial performance and financial position

The table below summarises the Group's statutory results for the reporting period and those of the previous corresponding period so as to facilitate an assessment of the performance of the Group.

	2013	2012
<i>In millions of Australian dollars</i>		
Revenue from continuing operations	155.810	138.085
Other income	0.710	-
Share of associates' profit	0.296	0.275
Statutory operating expenses	(120.142)	(108.778)
Profit before income tax	35.964	29.582
Income tax expense	(11.817)	(18.262)
Profit after income tax attributable to equity holders (Statutory NPAT)	24.147	11.320

Management summary view of the Group's financial performance

The Group reviews its operating revenue net of portfolio administration charges incurred in the administration of the Group's platforms, investment management fees and fund expense recoveries in relation to the managed investment schemes for which Mosaic Portfolio Advisers Limited ('Mosaic') is the responsible entity, and trade execution expenses directly attributed to stockbroking revenue.

This summary should be read in conjunction with the table on the following page which reconciles the statutory results to those presented in management's summary view.

	2013	2012	Change ⁽¹⁾
<i>In millions of Australian dollars</i>			
Net operating revenue ⁽²⁾	133.992	117.991	+13.6%
Share of associates' profit	0.296	0.275	+7.6%
Net operating expenses ⁽²⁾	(86.173)	(76.415)	-12.8%
Operating EBITDA	48.115	41.851	+15.0%
Net interest income	0.071	0.429	-83.4%
Depreciation expense	(1.304)	(1.269)	-2.8%
Income tax	(14.370)	(12.378)	-16.1%
Underlying NPAT	32.512	28.633	+13.5%
One-off, non-operational items	(1.050)	(4.713)	+77.7%
Acquisition costs	(2.970)	(1.882)	-57.8%
Amortisation expense	(5.162)	(4.336)	-19.0%
Impairment of investment in associate	(0.923)	-	large
Notional funding cost	(0.812)	(0.498)	-63.1%
Income tax effect of non-underlying items	2.552	3.404	+25.0%
'Like for like' NPAT (before RTFI impact)	24.147	20.608	+17.2%
RTFI Impact	-	(9.288)	-100.0%
Profit after income tax attributable to equity holders (Statutory NPAT)	24.147	11.320	+113.3%
Underlying earnings per share (cents)	4.45	3.93	+13.1%
Basic earnings per share (cents)	3.30	1.55	+112.5%
Basic earnings per share excluding RTFI (cents)	3.30	2.83	+16.7%
Dividend per share (cents)	2.20	2.00	+10.2%
Diluted earnings per share (cents)	3.29	1.55	+112.0%
Funds under advice (FUA) - \$m	12,584	10,816	+16.3%
Funds under administration (FUAdmin) - \$m	9,495	9,260	+2.5%
Funds under management (FUM) - \$m	5,013	4,376	+14.6%
Managed portfolios (MP) - \$m	645	43	large
Operating costs to income ratio ⁽³⁾	64.2%	64.6%	+0.7%

⁽¹⁾ Positive changes are favourable variances; negative changes are unfavourable variances.

⁽²⁾ A reconciliation of Net operating revenue/expenses to Statutory revenue/expenses is included on page 10.

⁽³⁾ Calculated as 'Net operating expenses' divided by ('Net Operating Revenue' plus 'Share of Associates Profit').

Reconciliation of statutory results to management summary

The following table reconciles the statutory financial result, prepared in accordance with Accounting Standards, to those presented in management's summary view.

	2013	2012
<i>In millions of Australian dollars</i>		
Statutory revenue and other income	156.520	138.085
Less: Interest received	(0.884)	(1.136)
Less: One-off, non-operational income	(0.695)	(0.174)
Less: Portfolio administration fees	(11.362)	(10.906)
Less: Mosaic investment management fees and recovery of expenses	(9.279)	(7.565)
Less: Trade execution expenses	(0.308)	(0.313)
Net operating revenue	133.992	117.991
Statutory operating expenses	120.852	108.778
Less: Finance costs	(1.626)	(1.205)
Less: One-off, non-operational expenses	(1.745)	(4.887)
Less: Acquisition costs	(2.970)	(1.882)
Less: Portfolio administration fees	(11.362)	(10.906)
Less: Mosaic investment management fees and recovery of expenses	(9.279)	(7.565)
Less: Trade execution expenses	(0.308)	(0.313)
Less: Depreciation	(1.304)	(1.269)
Less: Amortisation	(5.162)	(4.336)
Less: Impairment	(0.923)	-
Net operating expenses	86.173	76.415

The following commentary provides an analysis of the results for the year ended 30 June 2013 compared to the results of the year ended 30 June 2012 (as set out in the management summary view).

Operating EBITDA

Operating EBITDA has increased by \$6.3m or 15.0% compared to the previous corresponding period. This favourable Operating EBITDA result was driven by improvement in Net Operating Revenue, partially offset by increase in Net Operating Expenses, as summarised below.

Net Operating Revenue

Net Operating Revenue for the reporting period has increased by \$16.0m or 13.6% compared to the previous corresponding period. The following main factors have contributed to this increase:

	Organic	Inorganic ¹	Total
Favourable impact of market related increases and full realisation of merger synergies, offset by some client attrition and change in client mix	+\$5.6m	-	+\$5.6m
Continued strong growth in insurance fees	+\$0.4m	-	+\$0.4m
Contribution from the acquisitions of Jeena, LFS/Spencers, Parkside, W Corp, and Lachlan Partners	-	+\$10.0m	+\$10.0m
Total increase in Net Operating Revenue	+\$6.0m	+\$10.0m	+\$16.0m

¹ Inorganic contribution refers only to businesses which were acquired in the current or previous financial year and have therefore had inconsistent timing impacts on the current or the previous corresponding period.

Net Operating Expenses

The Group is actively reinvesting in the business to upgrade IT infrastructure, adviser and client systems to improve overall productivity, launch new strategic initiatives and to respond to regulatory change. This reinvestment has remained within planned levels and reflects the achievement of some key milestones in the Group's strategic initiatives.

Total reinvestment for the reporting period was \$5.7m, compared with \$1.7m in the previous corresponding period. These costs were mainly incurred in personnel-related costs, information technology costs and professional fees.

Total Net Operating Expenses for the reporting period have increased by \$9.8m or 12.8% compared to the previous corresponding period. The following main factors have contributed to this increase:

	Organic	Inorganic	Total
Increase in personnel-related costs, comprising:	<u>+\$1.8m</u>	<u>+\$5.1m</u>	<u>+\$6.9m</u>
<ul style="list-style-type: none"> increase reflecting hires of new staff as part of the Group's reinvestment in the business, strategic initiatives, annual salary reviews, and revenue related movements in adviser bonuses, net of savings as a result of various cost saving initiatives 	+\$1.8m	-	-
<ul style="list-style-type: none"> personnel expense increases from the acquisitions of Jeena, LFS/Spencers, Parkside, W Corp, and Lachlan Partners 	-	+\$5.1m	-
Increase in information technology costs, comprising:	<u>+\$2.8m</u>	<u>+\$0.3m</u>	<u>+\$3.1m</u>
<ul style="list-style-type: none"> increase mainly due to reinvestment in the business and upgrade of systems 	+\$2.8m	-	-
<ul style="list-style-type: none"> increase in relation to the acquisitions of Jeena, LFS/Spencers, Parkside, W Corp and Lachlan Partners 	-	+\$0.3m	-
Net reduction in other costs, comprising:	<u>-\$1.7m</u>	<u>+\$1.5m</u>	<u>-\$0.2m</u>
<ul style="list-style-type: none"> reduction due to cost saving initiatives 	-\$1.7m	-	-
<ul style="list-style-type: none"> increase arising due to the acquisitions of Jeena, LFS/Spencers, Parkside, W Corp, and Lachlan Partners 	-	+\$1.5m	-
Total increase in Net Operating Expenses	+\$2.9m	+\$6.9m	+\$9.8m

The Group's Operating Cost to Income Ratio has reduced slightly from 64.6% in the previous corresponding period to 64.2% in the reporting period.

Underlying NPAT

Underlying NPAT, being NPAT excluding the impact of: (1) one-off or non-operational items and specific acquisition-related costs; (2) non-cash amortisation and notional interest charges relating to businesses previously acquired; and (3) impact of RTFI, has increased by \$3.9m (13.5%) compared to the previous corresponding period, equivalent to a 13.1% increase in underlying earnings per share, from 3.93 cents per share to 4.45 cents per share. This has been primarily driven by an increase in current year Operating EBITDA of 15.0%, partially offset by a reduction in Net Interest Income due to higher debt levels.

The increase in underlying earnings per share of 13.1% compared with the increase in Underlying NPAT of 13.5% is due to the increase in the weighted average number of ordinary shares.

One-off, non-operational items

During the reporting period, the Group incurred \$1.1m of net 'one-off' non-operational expenses (compared to \$4.7m for the previous corresponding period) relating to the remaining redundancy and occupancy costs associated with restructure and integration costs of the merger in June 2011 between the Company and Shadforth Financial Group Holdings Limited ('Merger'), along with redundancy costs associated with the acquisition of Lachlan Partners.

Acquisition-related costs

During the year, the Group has incurred \$3.0m of acquisition-related costs, primarily legal and consulting advice/services to assist the Group in respect of the acquisitions of Parkside, W Corp and Lachlan Partners, as well as exploring other acquisitive opportunities that either did not proceed or which continue to be investigated.

In the previous corresponding period, the Group incurred \$1.9m of acquisition-related costs. This was primarily related to legal and consulting advice/services to assist the Group in respect of the acquisition of Jeena and LFS/Spencers, in addition to investigating other acquisition opportunities.

Impairment of investment in associate

As noted in the Appendix 4D for the half-year ended 31 December 2012, the Group recorded impairment of \$0.9m in relation to its investment in Duncan Dovico Holdings Pty Limited ('DDH'), based on the Group's assessment of the present value of estimated future cash flows for the investment. This reflects the Group's strategy to focus its investment, including in accounting and other related services, through wholly-owned interests within its Professional Advice business segment.

'Like for like' NPAT (before RTFI impact)

Statutory NPAT before impact of RTFI has increased by \$3.5m or 17.2% compared to the previous corresponding period. This has been driven primarily by the increase in Underlying NPAT of 13.5%, which has been partially offset by impairment recognised in relation to the Group's investment in DDH and an increase in amortisation expense due to the full year impact of the acquisitions that were completed in FY12 and part year impact from the acquisitions undertaken this financial year.

RTFI deductions

On 29 June 2012 the Australian Government passed legislation to reverse changes to Australia's tax consolidation rules which allowed tax deductions for amounts allocated to certain contractual assets that, broadly, give rise to RTFI. These amendments applied retrospectively to 1 July 2002.

In comparing NPAT of the reporting period against that of the previous corresponding period, the Directors consider it important to highlight the NPAT on a 'like for like' basis excluding the anomaly of the impact of the RTFI reversal in the second half of the 2012 financial year.

Statutory NPAT

Statutory NPAT has increased by \$12.8m or 113.3% compared to the previous corresponding period, equivalent to a 112.5% increase in earnings per share, from 1.55 cents per share to 3.30 cents per share. This result has been driven by the anomaly of the impact of the reversal of the RTFI benefit in the second half of the 2012 financial year. This increase was also due to the increase in Underlying NPAT of 13.5%.

The increase in earnings per share of 112.5% compared with the increase in Statutory NPAT of 113.3% is due to the increase in the weighted average number of ordinary shares.

FUA, FUAdmin, FUM and MP

The table below compares the Group's FUA, FUAdmin, FUM and MP for the reporting period to the previous corresponding period.

<i>In millions of Australian dollars</i>	As at 30 June 2013				As at 30 June 2012			
	FUA ⁽¹⁾	FUAdmin ⁽²⁾	FUM ⁽³⁾	MP ⁽⁴⁾	FUA ⁽¹⁾	FUAdmin ⁽²⁾	FUM ⁽³⁾	MP ⁽⁴⁾
Operating Model								
Professional Advice	10,905	7,158	4,572	455	9,246	6,536	3,700	31
Affiliate Adviser	1,299	799	418	190	1,205	887	592	13
B2B Adviser Services ⁽⁵⁾	380	1,538	23	-	365	1,837	84	-
Total	12,584	9,495	5,013	645	10,816	9,260	4,376	43

⁽¹⁾ FUA: funds upon which the Group derives a share of the advice fee. Stockbroking FUA is excluded from fund reporting.

⁽²⁾ FUAdmin: funds upon which the Group derives a share of the administration margin – excludes Managed Portfolios.

⁽³⁾ FUM: funds upon which the Group derives a share of the management margin.

⁽⁴⁾ MP or Managed Portfolios: fund balances relating to the Managed Portfolio Service ('MPS') and Dynamic Portfolio Update Service ('DPU') products administered by Avanteos Investments Limited, upon which the Group derives a portfolio construction fee.

⁽⁵⁾ B2B Adviser Services ('B2B') funds reflect non-SFGA funds which are licensed, managed or administered by the Group and upon which the Group earns an associated management fee or administration fee.

FUA, FUAdmin, FUM and MP (continued)

The Group's total funds, the majority upon which it earns an advice fee, portfolio management fee, portfolio construction fee or administration fee, or a combination of these fees, have increased from the end of the previous corresponding period.

The increase in FUA and FUAdmin is due to relatively more favourable investment market conditions and the inclusion of W Corp and Lachlan Partners acquisitions.

The increase in FUM is due to favourable investment market conditions, net positive flows and the establishment of the Mosaic Strategic Cash Plus Trust in early FY13, the benefits of which have been partially offset by the implementation of Mosaic's strategy to change its investments held by its multi-sector funds and alter management fees, and relinquishing its function and fees as the responsible entity of five funds.

The Group launched two fee-based portfolio investment solutions to its clients and advisers, MPS and DPU. The MPS is a managed discretionary account service and the DPU is similar, except the client retains control of the periodic changes to their portfolio. MP, capturing MPS and DPU funds, has been reclassified from FUAdmin as at 30 June 2013 and for the previous corresponding period.

During the year to 30 June 2013, there has been reduction in the funds in the B2B Adviser Services model. The Group is in the process of restructuring its B2B offering.

14. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

15. Audit qualifications or review

The financial report is in the process of being audited.

Details of audit/review dispute or qualification (if any):

Not applicable.

16. Signed



P J Promnitz
Chairman

Sydney
28 August 2013