

Professional Investment Holdings Ltd

19 March 2010

Dear Shareholder

Recently I wrote to you outlining some of the recent initiatives that your Company is undertaking to renew profitability and shareholder value. I also promised at that time to give you an update on the affairs of the Company once the auditors had completed their review of the half yearly accounts. I have pleasure now in providing you with a detailed overview of operations for the first 6 months of this financial year as well as some of our other initiatives.

The half year to December 2009 has seen a turnaround in our operations – with measures put in place through the 08/09 financial year starting to have a positive impact. Operating profit for the 6 months ended 31 December 2009 stands at \$1.535m – up from a loss of \$1.225m over the corresponding period to December 2008, a turnaround of some \$2.78m and I am sure you will agree a signal that we are again headed in the right direction.

We do however continue to suffer from legacies of the past and indeed it can be said that the actions of a few have had a major impact on the overall success of the group.

Despite an overall improvement in economic conditions, the potential remains for a number of external risks to impact our business. The global economic environment remaining volatile and uncertain; ongoing reviews and proposed changes to financial services regulations; and an increasingly competitive adviser landscape could all impact the business.

Whilst the half yearly results send a mixed message – between operating profitability and consolidated loss – I am confident that the underlying indicators of a company in improving shape with a committed and focused management, able to maintain its operations without finance arrangements or capital raisings, and with strategies to increase revenue whilst controlling costs will see further improvements over the coming months.

If you would like a copy of the 31 December 2009 financial statements, please contact Lisa Sawyer on LisaS@profinvest.com.au or 07 5574 0244.

I look forward to updating you as we move forward.

Yours sincerely,



Stephen Murphy
Chairman
Professional Investment Holdings Ltd

Level 14, Corporate Centre
Cnr Bundall Road
And Slatyer Avenue
BUNDALL QLD 4217

PH: (07) 5574 0244
FAX: (07) 5574 0180

HEAD OFFICE
Corporate Centre One
Cnr Bundall Road &
Slatyer Avenue
BUNDALL QLD 4217

PH: (07) 5574 0244
FAX: (07) 5574 0180
EMAIL: info@profinvest.com.au
<http://www.profinvest.com.au>

Professional Investment
Holdings Ltd
A.B.N. 63 074 949 429

Consolidated Financial Results - Commentary

- Net advice revenue increased by 3.8% to \$22.9m
- Income from AAP networks remained solid (Wholesale clients)
- 18.5% increase in revenue from funds management activities to \$1.14m
- Foreign exchange movements negatively impacted profit
- Employee benefits and expenses reduced by 16% to \$11.6m
- Discretionary expenditure (that which can be directly controlled by management such as communication expenses, marketing and promotion etc) decreased by 11% to \$20.5m
- Non discretionary expenditure (such as audit fees, depreciation and licenses as examples) increased 222% to \$3.9m
- Client claims provision of \$4.3m
- Improvement in financing expense by 22% - reduced to an outgoing of \$610k
- Foreign currency movements saw a turnaround of \$2.249m – there was a positive contribution to profit of \$1.853m for the half year ending December 2008 but a negative impact to profit of \$395k for the half year ending December 2009
- There was a \$500k positive impact to changes in the fair value of company investments
- An improvement in the current ratio (current assets to current liabilities) to 1.169 at December 2009 as opposed to 0.899 at June 2009
- A deterioration in the non current ratio (non current assets to non current liabilities) to 1.372 at December 2009 as opposed to 1.940 at June 2009
- Net asset and therefore shareholder equity reduction at 31 December to \$27.403m from \$31.744m at 30 June 2009
- Cash flow used in operations to December 2009 was slightly in excess of \$2m as opposed to over \$6m to December 2008
- Cash flow received from investing activities was \$2.7m to December 2009 as opposed to \$2.4m to December 2008
- Cash used in financing activities was \$3.2m to the end of December 2009 as opposed to the use of \$9.5m to December 2008
- In summary - \$3.2m of cash was used to support the activities of the business to the end of December 2009 as opposed to \$18.1m to the end of December 2008
- Whilst overdraft facilities remain in place the company has had no need to resort to these facilities for its continued operation nor has it had the need to raise additional funds by any other means

Provisions

The increase in provisions is predominantly related to client claims and amounts to some \$4.2m. Whilst the number of advisers that are subject to genuine client claims is very small in relation to the overall adviser population, they do unfortunately continue to have a significant impact on our profitability.

Accounting reporting standards incorporate the doctrine of conservatism which dictates that we make allowances for the worst case scenario. During the period under review the majority of the above increase arose from some potential claims becoming more quantifiable, together with advice from our insurer that they would be denying liability in respect of some claims. We are of course doing everything possible to ensure the insurers meet their legal obligations in this area. Management is working through these claims with a view to dealing fairly with the affected clients whilst at the same time preserving the rights of the Company. Provisions can be both positive and negative – where a provision is made that is subsequently found to be overly conservative, a write back or positive impact to profit can be made. The alternative also holds true.

Additionally, we have had to make provision for a potential loss on a loan made by us to an adviser who is now experiencing financial difficulties. Again, we are taking steps to recover these monies, but we have taken a conservative stance and provided for non-recovery in this report.

Australian Business Update

Details for the 6 months ending 31 December 2009:

- New investment inflows remain strong - \$800m
- New insurance premium of \$15.1m
- In force insurance premium has increased to \$180m
- Total FUA stands at approximately \$21b
- Seminar activity strong with 704 seminars held
- FUM in aligned platforms returned to just below September 2008 levels (the highest in the group's history)
- ALCo loans under advice - \$4.2b
- Total Mentor FUM - \$997m
- Investment Diversity FUM - \$458m
- All Star FUA - \$145m
- Ventura FUA - \$680m

Ventura

Significant change has occurred in recent years and more change is predicted for the industry. The FPA's Conflicts of Interest Policy has already forced us to change the Ventura business model. The future will also require changes in investment product strategy and in preparation for that change the Board is of the opinion that acquiring the minority interests in Ventura will position PIH suitably for future direction and growth.

A scheme of arrangement based on a scrip for scrip offer has been proposed to the Board of Ventura and is currently receiving their due attention. Independent advice is being sought by the independent directors of Ventura on the appropriateness of the offer.

Parramatta Shopping Development

Currently there are a number of parties who have expressed an interest in the site. Talks are at very early stages however it is encouraging that with the recovery in the Sydney property market the level of interest is growing. An indicative offer was received before Christmas from an interested party and whilst the terms of the offer were unacceptable the purchase price indicated was well in excess of the current carrying value. Discussion continues with all interested parties and while the Board is keen to bring matters to finality it will only do so if the best interests of shareholders are met. There are a number of issues to be resolved and no timeframe can be reliably ascertained at this stage.

International

As an overview, all international businesses continue to face challenges arising from fallout of the GFC. At the same time, nearly all overseas businesses are being asked to deal with an increasingly complex and developing regulatory environment.

Economic conditions vary, however improving conditions are having a positive impact – most notably in Singapore, Malaysia and New Zealand. Management in each country has been tasked with cost minimisation and revenue growth subject to the constraints within their own environment.

Recently, a new CEO – David Bellingham - was appointed to Singapore and our thanks go to Pat Cunningham for his significant contribution as interim CEO there for the past several months. Tony Pincombe has had a positive impact while located in Malaysia and the appointment of a new CEO – Paul Khoo - there together with the imposition of minimum retention requirements is having a positive impact. China is in caretaker mode, while operations in Hong Kong are under close scrutiny to maximise potential there. A recent joint venture in New Zealand with the Minerva Group – a dedicated life insurance brokerage specialising in Business insurance - has provided a solid platform for future operations and the integration of the two businesses is expected to yield positive results in 2010.

Shareholders should note that whilst the PIH Board is of the opinion that there are opportunities, a realistic attitude to the continued operation of these businesses and the impact on PIH shareholders is uppermost in thinking.