

27 February 2014



Countplus Limited FY2014 Half Year Results

- ✓ **Net Profit after Tax: \$6.78m (up 12.5%)**
- ✓ **Net Operating Revenue: \$52.07m (up 5.6%)**
- ✓ **3c Interim Quarterly Dividend Declared, Payable 15/05/14**

The Directors of Countplus Limited (CUP) report a half year Consolidated Net Profit after Tax result of \$6.78 million (up 12.5%) of which \$6.73 million is attributable to CUP shareholders (up 12.9%). After excluding the negative contribution of a subsidiary divested at the end of the period (see section 5), group operating profit (EBITA) increased by 12.8%, benefiting from an increase in accrued “loyalty” payments from the Commonwealth Bank of Australia (CBA) to CUP Member Firms who are franchisees of CBA subsidiary, Count Financial Limited. The result reflects the continued challenging conditions for small and medium sized businesses, the core client base of the accounting and business services area.

The Company yesterday declared its third quarterly dividend for 2013/14 of 3 cents per share fully franked, payable on 15 May 2014.

Countplus is an aggregation of 20 businesses and their subsidiaries across Australia; 17 accounting/business advisory firms, one financial planning specialist, a property services group and a financial planning dealer group. The Company listed on the ASX on 22 December 2010.

A recorded presentation of the Countplus December 2013 half-year results, presented by the Chairman and CEO, will be accessible via [Board Room Radio](#) later today.

1. Management Comment and Profit Guidance

The Company’s results reflect the resilience of our Member Firms in a difficult business environment which has particularly impacted the accounting/business services space. Financial planning, however, is seeing some improvements after a prolonged period of relatively weak investor confidence.

Our property services group, Pacific East Coast (acquired in February 2012) was one of the group’s strongest performers assisted from the continued strength in the residential property market along the eastern seaboard.

The group continues to benefit from its diversified portfolio of businesses, represented in every mainland capital city of Australia and in a number of regional centres.

Given the challenging operating conditions, the Directors now expect that the market guidance provided at the November 2013 Annual General Meeting of 20% earnings per share (EPS) growth will not be attained, however they still expect EPS growth to exceed 10%. This includes

the positive impact of loyalty payments payable by the Commonwealth Bank to financial planning franchisees of Count Financial (see item 3.3).

2. Financial Highlights

1.	Total Net Revenue	\$52.07 million	Up 5.6%
2.	Net Income Member Firms	\$11.81 million	Up 2.6%*
3.	Consolidated Operating Profit (EBITA)	\$11.24 million	Up 1.2%**
4.	Consolidated Net Profit After Tax	\$6.78 million	Up 12.5%
5.	Basic Earnings per Share	6.14 cents	Up 12.4%
6.	Diluted Earnings per Share	6.14 cents	Up 12.4%
7.	First quarterly 3 cent dividend declared payable 15 May 2014	ex-date: 22 April 2014	record date: 29 April 2014

* Excluding the negative contribution of the subsidiary divested at the end of the period, operating profit increased by 12.2%.

**Excluding the negative contribution of the subsidiary divested at the end of the period, operating profit increased by 12.8%.

3. Analysis of Financial Results

3.1 Group Performance

	2014	% Change
	\$ 000	%
Net Operating Revenue <i>(Member Firms)</i>	51,542	5.6%
Salaries & Employment Expense	(30,106)	5.5%
Premises Expense	(3,059)	2.6%
Depreciation Expense	(567)	(10.9%)
Other Operating Expenses	(6,000)	20.3%
Total Member Expenses	(39,732)	6.5%
Net Income Member Firms	11,810	2.6%
Head Office Contribution <i>(Net Cost)</i>	(765)	6.3%
Share of Profits from Associates	194	27.6%
Operating Profit (EBITA)	11,239	1.2%
Non-Operating Income	726	
Share based Payments	(48)	
Interest Expense	(684)	9.6%
Amortisation Expenses	(1,623)	(2.2%)
Profit before Tax	9,610	10.5%
Tax	(2,829)	5.9%
Consolidated Net Profit after Tax	6,781	12.5%

The financial statements that accompany this ASX Announcement provide the consolidated financial information for Countplus Head Office & its Member Firms. The above table is presented to show the performance of the Member Firms separating the Head Office Contribution. The first part of the financial summary above, presents the Member Firms results excluding Countplus Head Office. The second part of the table reconciles the summary to the consolidated net profit after tax figure, as presented in the consolidated financial statements.

3.2 Balance Sheet

	Dec 13	Jun 13	% Change
	\$ 000	\$ 000	%
Current Assets	38,758	35,172	10.2%
Current Liabilities	18,875	22,127	(14.7%)
Current Ratio	2.05	1.59	
Non-Current Assets	64,410	66,454	(3.1%)
Non-Current Liabilities	31,750	27,514	15.4%
Net Assets	52,543	51,985	1.1%
Net Debt	17,167	9,255	

3.3 Revenues

Revenues are earned primarily from the provision of accounting and related services, but also include financial planning revenue, revenue from loans & equipment financing, insurance commissions and property sales commissions.

Accounting related revenue was flat relative to the prior period. However, after adjusting for the contribution of the subsidiary divested at the end of the period, accounting revenue increased by 3.6%.

Net financial planning revenue was up 22.6% over the period, and makes up 24.0% of total net group revenue. This was primarily driven by an increased benefit from non-recurring loyalty payments made by the Commonwealth Bank, to Count Financial franchisees. 16 Member Firms are franchisees of Count Financial for the provision of financial planning services.

Property and related services revenues contributed 4.4% of total Member Firm net revenue for the year due to strong performance by the property services group, Pacific East Coast.

3.4 Expenses

Total Member Firm expenses increased by 6.5% over the prior period due in part to acquisitions completed earlier in the period.

The increase in other operating expenses was also particularly affected by increased provisioning for doubtful debts of \$0.85m (prior period: \$0.38m). The group has implemented a prudent provisioning policy based on ageing of debtors (primarily accounting related). Whilst this increase reflects the continued challenging business environment faced by many small business clients of our accounting firms, it is expected that most of these debts will still be collected and that the provision will reduce over the second half of the year.

3.5 Net Income from Member Firms (Contribution Margin)

Net income from Member Firms was \$11.81m (up 2.6%) for the period. This equates to a margin of 23% of net member income.

3.6 Head Office Contribution

Head Office operations made a negative contribution of \$0.75m for the period. It is expected that Head Office will continue to have a mildly negative (less than 5% of operating profit) financial impact on Countplus' performance.

3.7 Share of Profits from Associates

This item is primarily the group's share of profits from its 20% interest in a top 100 South Australian accounting firm, Hood Sweeney, acquired in October 2012.

3.8 Amortisation Expenses

Amortisation expenses of \$1.6m (down 2.2%) relate primarily to an accounting requirement to write down the value of intangible assets, acquired client relationships and adviser networks (non-cash), over their expected lifetime. A conservative diminishing value method is used to amortise these assets, ensuring that the proportional impact of this line item should reduce over time.

4. Acquisitions and Investments

4.1 Acquisitions made so far during the 2014 Financial Year

Since 30 June 2013, the following acquisitions have also been confirmed and/or completed:

- On 4 July 2013, NSW Member Firm, 360 Financial Vision, completed the acquisition of Port Macquarie (Northern NSW) based firm, Advantage Accountants and Advisers (estimated annual accounting revenue: \$1.2m). On the same day, 360 Financial Vision also acquired another Port Macquarie based accounting business, Harrison & Siepen (estimated annual revenue: \$0.4m).
- On 9 July 2013, 360 Financial Vision acquired an accounting firm Mark Palmer & Co, situated in Coffs Harbour, Northern NSW (estimated annual revenue: \$0.4m).
- On 19 July 2013, Sydney based Member Firm, Countplus One (formerly known as Countplus MBT), acquired financial planning firm Peak Financial Services based in the northern beaches of Sydney (estimated annual revenue: \$0.5m).
- On 31 July 2013, Melbourne based Member Firm, Kidmans Partners, acquired a two partner accounting firm Taylor Partners (estimated annual revenue: \$0.7m).
- On 21 October 2013, Countplus Limited acquired a 3.7% interest in a financial services technology firm, Super-IP, trading as "Class Super". Cash consideration was \$2.15m.

- On 20 December 2013, associate Member Firm, Hood Sweeney, announced a merger with Adelaide based professional services firm Shearer + Elliss. The merger puts the combined entity in the top 35 accounting firms nationally as ranked by revenue.

With the exception of the strategic investment in Super-IP (Class Super), all the above acquisitions are expected to be EPS accretive within 12 months.

4.2 Future Acquisitions & “Tuck-ins”

As part of Countplus’ strategic objective to pursue growth through further business combinations, merger & acquisition activities will continue at 2 levels:

- Acquisition of initial minority stakes in stand-alone businesses at the group level; and
- “Tuck-ins” or full acquisitions by existing Member Firms at the subsidiary level.

4.3 New Investment Plan

In April 2013, Countplus announced an expansion of its progressive acquisition model, currently named “C+2”, which is targeted at larger accounting firms. Once sufficient scale is reached in the new vehicle, the intention is to list “C+2” on the ASX, with Firm Principals maintaining a significant direct equity in their respective practices.

We are experiencing a steady flow of suitable small “tuck-ins”. However larger stand-alone “C+2” firms with suitable growth prospects at an acceptable asking price take longer to identify.

5. Divestments

5.1 Sale of the Lawrence Business Management Group

On 18 December 2013, Countplus announced that it had executed an unconditional agreement to divest holdings in a Perth based Member Firm, Lawrence Business Management and its subsidiaries (LBM Group). Settlement was completed in January 2014 for a cash consideration of \$7.2 million. The consolidated results include the half year period’s contribution by the LBM Group which had a negative impact on group’s operating earnings. An accounting gain of \$0.54m was booked on the disposal of this business.

6. Capital Management

6.1 Net Debt

Net debt as at 31 December 2013 was \$17.17m. The increased debt since 1 July 2013 was brought about by the abovementioned acquisitions/investments and also the payments of deferred consideration from previous acquisitions. The proceeds from settlement of the sale of the LBM Group was used to reduce borrowings in January 2014.

Member Firms remain strong cash generating units and it is expected that future borrowings will only be required for acquisition purposes.

6.2 Dividends

Dividends of 12 cents per share were declared and paid for the 2012/13 financial year and is expected to be maintained through financial year 2014. The third quarterly dividend of 3 cents per share, fully franked, payable on 15 May 2014 was declared on 26 February 2014.

Dividends Paid 2013/14	Cents per share	Paid
1 st Interim Dividend	3 cents	15/11/2013
2 nd Interim Dividend	3 cents	14/02/2014

Dividend Declared 2013/14	Cents per share	Payable
3 rd Interim Dividend	3 cents	15/5/2014

The final dividend for 2013/14 will be confirmed prior to the end of the financial year and is expected to be paid on 15 August 2014.

6.3 Employee Equity Rewards

Countplus rewards its employees for outstanding performance with equity under an Employee Loan Funded Share Plan and Employee Loyalty Plan:

- **Key Staff Loan Funded Share Plan**
Directors/ Principals and Senior Managers of Member Firms who achieve earnings growth targets may qualify for an allocation under the group's loan funded share plan. The second allocation under the plan was made on 15 January 2014, with a total of 825,032 shares issued to 72 employees. The first vesting date will be 15 January 2017. A total of 100 employees have now received loan funded shares under the plan over the last 2 years.
- **Employee Loyalty Plan**
Employees of those Member Firms that achieve earnings growth target and have 12 months service or more will be awarded an allocation of \$1,000 worth of Countplus shares, prorated for part time employees, under a tax-exempt employee loyalty plan. These shares are granted in April each year.

7. Material Developments Post the Reporting Period

On 26 February 2014, Countplus declared its third quarterly, fully franked, dividend for 2013/14 of 3 cents per share, payable on 15 May 2014 (record date: 29 April 2014).

There have been no further material developments post the reporting period.

For further information please contact:

Barry Lambert
Executive Chairman
Telephone: 02 8272 0212
Mobile 0408 427 701
Email: barry.lambert@countplus.com.au
www.countplus.com.au

Michael Spurr
Chief Executive Officer
Telephone: 02 8272 0223
Mobile 0425 224 960
Email: michael.spurr@countplus.com.au
www.countplus.com.au