ASX ANNOUNCEMENT – CUP
20 August 2014

Countplus Limited FY2014 Annual Results

- **Net Profit before Tax: $15.25m (up 2%)**
- **Earnings per Share: $10.14 cents (up 2%)**
- **2c Interim Quarterly Dividend Declared**
- **New direct equity plan to principals and employees**

The Directors of Countplus Limited (CUP) report Consolidated Comprehensive Income after Tax of $11.31 million of which $11.13 million is attributable to CUP shareholders.

Late negative accounting provisioning adjustments meant we did not achieve our profit guidance.

This morning the Company will declare its first quarterly dividend for 2014/15 of 2 cents per share fully franked, payable on 17 November 2014. The dividend is down from 3 cents due to a strategic change in dividend policy – see 6.3 below.

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.

Countplus Member Firms have successfully completed "tuck-in" acquisitions and more investments during the year. These are disclosed below in sections 4.1 and 4.2.

A recorded presentation of the Countplus annual 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 were impacted by the business conditions for the small business sector (the target client base of our Member Firms) across the country and the sale of a major poor performing business and the restructuring of another. The group benefits from its diversified portfolio of businesses, represented in every mainland capital city of Australia and in a number of regional centres and in particular from the non-accounting financial businesses. The Company also benefited from the final loyalty payments from the Commonwealth Bank (CBA) to Countplus firms who are franchisees of CBA owned Count Financial Limited.

The Company is launching a direct equity plan whereby Principals and employees may acquire direct equity in the CUP subsidiary business in which they are employed (section 5.2). This is designed to allow employees to share directly in the performance of the businesses that they operate and so provide as an incentive and retention mechanism for key staff.

The first profit guidance for 2014/15 is expected to be provided at the Annual General Meeting on 26 November 2014. It is too early to determine if business confidence will pick up post the change of government and a poorly received Federal Budget and what impact the direct equity plan (discussed below) will have in 2014/15. However the loss of the loyalty payment will impact the 2015 result. The direct equity plan will be phased in initially over 3 years with the first impact, if not countered by improved performance, occurring in the second half of 2015.

2. Financial Highlights

1.	Total Net Revenue	$95.83 million	Up 1.1%
2.	Consolidated Operating Profit (EBITA)	$19.12 million	Up 0.5%
3.	Consolidated Net Profit before Tax	$15.25 million	Up 1.8%
4.	Consolidated Net Profit after Tax	$10.90 million	Down 1.7%
5.	Profit attributable to owners	11.13 million	Up 1.9%
6.	Basic Earnings per Share	10.14 cents	Up 1.6%
7.	Diluted Earnings per Share	10.13 cents	Up 1.5%
8.	First quarterly 2 cents dividend declared payable 17 November 2014	ex-date 27/10/2014	record date: 29/10/2014

3. Analysis of Financial Results

3.1 Group Performance

	$ 000	***% Change***
Accounting Related Revenue	62,737	*(4.0%)*
Financial Planning Revenue (net)	23,859	*13.9%*
Property Commission Revenue	3,723	*21.0%*
Other Operating Revenue	5,511	*0.8%*
Total Net Revenue	**95,830**	***1.1%***
Salaries & Employment Expense	(58,238)	*(0.7%)*
Premises Expense	(5,730)	*4.5%*
Depreciation Expense	(1,125)	*10.2%*
Other Operating Expenses	(11,961)	*(7.0%)*
Total Operating Expenses	**(77,054)**	***(1.3%)***
Share of Profits from Associates	**346**	***(28.8%)***
Operating Profit (EBITA)	**19,122**	***0.5%***
Non-Operating Income	937	
Share Based Payments	(214)	*39.0%*
Interest Expense	(1,224)	*(17.7%)*
Amortisation Expenses	(3,157)	*5.6%*
Non-Cash Fair Value Adjustments	(217)	
Profit before Tax	**15,247**	***1.8%***
Tax	(4,353)	*(12.0%)*
Consolidated Net Profit after Tax	**10,894**	***(1.7%)***
Other Comprehensive Income (net)	**420**	
Total Comprehensive Income net of Tax	**11,314**	***2.1%***

*****(..) *in % change column indicates negative impact on profits*

3.2 Strong Balance Sheet

	2014	2013
	$ 000	$ 000
Current Assets	34,334	35,172
Current Liabilities	21,321	22,127
Current Ratio	**1.61**	**1. 59**
Non-Current Assets	65,427	66,454
Non-Current Liabilities	27,695	27,514
Net Assets	**50,745**	**51,985**
Net Debt	**12,691**	**9,255**

3.3 Revenues

Revenues are primarily from 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 down slightly on the prior period (4.0%) reflecting the sale of one subsidiary in the group and challenging business conditions. Excluding the impact of the sale of subsidiary, accounting revenue was up 4.6% assisted by new acquisitions.

Financial planning revenue was up 13.9% over the period and made up 24.9% (2013: 22.1%) of total net group revenue. The financial planning revenue benefited from loyalty payments made by the Commonwealth Bank, as a result of the takeover of Count Financial, to Count Financial franchisees (also paid in the prior period) as well as improved investment market conditions. Excluding the impact of these loyalty payments and the sale of subsidiary, financial planning net revenue was up 11.5%. 16 Member Firms are franchisees of Count Financial.

Net property commission revenues contributed 3.9% of total Member Firm net revenue for the year (2013: 3.2%).

Excluding the impact of the sale of subsidiary and the above mentioned loyalty payments, net operating revenue increased by 7.2%.

3.4 Expenses

The largest expense item is employment costs which increased by 0.7% over the period, excluding the impact of the sale of subsidiary, these costs increased by 9.3% with new investments/acquisitions contributing.

The increase of 9.0% in other operating expenses (ex depreciation and premises) was due primarily to increased provisioning for doubtful debts under the group's conservative policy as well as additional professional fees associated with the group's proposed shared equity scheme (see section 5.2)

3.5 Share of Profits from Associates

This item is primarily made up of the group's share of profits from its 23% interest in a leading South Australian firm, Hood Sweeney, acquired in October 2012. Hood Sweeney's core operating performance has been strong – see section 5.5, but overall profitability was impacted by the expensing of one-off items relating to its merger completed in December 2013.

3.6 Operating Profit

As a result of the above, operating profit was flat for the period. Excluding the impact of the sale of subsidiary, operating profit increased 6.8%.

3.7 Amortisation Expenses

Amortisation (non-cash) expenses of $3.2m (2013: $3.3m) relate primarily to an accounting requirement to write down the value of intangible assets, acquired client relationships and adviser networks, 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.

3.8 Interest Expense

Interest expense for the period rose primarily from a loan facility with the Commonwealth Bank of Australia. These funds were drawn down to fund new investments/acquisitions and meet deferred consideration payments on prior period acquisitions.

3.9 Net Profit Result

Net profit before tax was up 1.8% but net profit after tax was down 1.7% due to higher tax expense for the period $4.4m (2013: $3.9m).

4. Acquisitions and Investments

4.1 Acquisitions made during the 2014 Financial Year

During the 2014 financial year, the following acquisitions and investments were made:

- In July 2013, Countplus subsidiary 360 Financial Advantage Pty Ltd (formerly 360 Financial Vision Pty Ltd) acquired the business assets of a Port Macquarie, NSW accounting firm. Consideration for the purchase was $1.04 million.
- In July 2013, Countplus subsidiary 360 Financial Advantage Pty Ltd (formerly 360 Financial Vision Pty Ltd) acquired the business assets of another Port Macquarie, NSW accounting firm. Consideration for the purchase was $0.25 million.
- In July 2013, Countplus subsidiary 360 Financial Advantage Pty Ltd (formerly 360 Financial Vision Pty Ltd) acquired the business assets of a Coffs Harbour, NSW accounting sole practitioner. Consideration for the purchase was $0.3 million. In July 2013, Countplus subsidiary Countplus One Pty Ltd acquired the business assets of Sydney accounting and financial services firm. Consideration for the purchase was $0.66 million.

- In July 2013, Countplus subsidiary Kidmans Partners Pty Ltd acquired Melbourne based accounting business. Consideration for the purchase was $0.67 million.
- In February 2014, Countplus subsidiary Crosby Dalwood Pty Ltd acquired a small parcel of accounting fees for $0.1 million.
- In May 2014, Countplus subsidiary,Total Financial Solutions (TFS) acquired a book of financial planning fees for $0.46 million.

4.2 Post Balance Date Acquisitions

Since 30 June 2014, the following acquisitions have also been confirmed and/or completed:

In July 2014, Countplus subsidiary,Total Financial Solution (TFS) acquired a 40% share in Victorian based financial planning firm, Financial Momentum Vic Pty Ltd. TFS is expected to make another investment in the next 3 months.

In August 2014, Countplus signed a sale agreement to acquire a 2 partner accounting and financial planning business in Canberra, JDAA with revenues of $1 million. Settlement is expected at the end of August 2014.

5. Developments – Current and Proposed

5.1 Review of Businesses

It is almost 4 years since we completed the purchase of most of our businesses and listed CUP. During that time some businesses have performed better than others. It is appropriate that we now review our investments and strategies before moving on to the next stage of our development – C2.

During the year we sold one of our largest and poorer performing firms – ASX advised on 19 December 2013. This has been a significant drag on our profits in 2014 and prior years.

At years' end, following the resignation of three senior Principals, it was necessary to restructure another poor performing business in Canberra. We have merged the business with a two partner firm that we have agreed to acquire. We are confident that this change will result in a better financial outcome.

Other poor performing firms will receive our close attention in 2014/15 and further restructuring may result. The above firms have had the longest negative impact on our profits.

5.2 Direct Equity Plan for existing Principals and employees

For consistency with our proposed new C2 model, we felt it best to first offer to existing Principals in our subsidiaries the opportunity to buy into their businesses. Accordingly, commencing in 2014/15 Principals and approved employees of all firms will have an opportunity to buy directly into their existing business over the next 3 years. CUP will maintain a controlling interest in these businesses.

We believe this will "bullet proof" the model and allow us to grow knowing that Principals will generally have a direct interest in their business and in many cases an interest in CUP too.

Pending the reinvestment of sale proceeds in new acquisitions (this won't be pushed); it is expected that there will be some negative impact on profits over the next three years. We believe in the long term, this outcome will result in overall improved profitability for the group.

It is anticipated that this change will also result in greater demand for our model as we become more attractive to accounting firms, hence the change in our dividend policy.

5.3 CBA Loyalty Payments

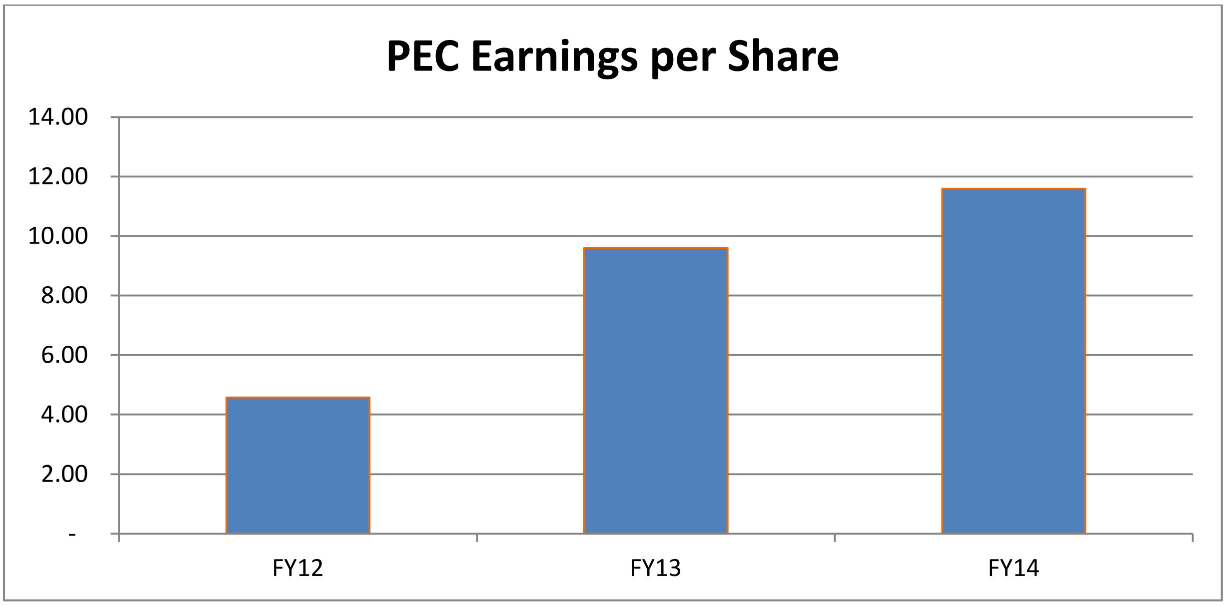
Following the sale of Count Financial to CBA, the loyalty payments payable to CUP firms licensed through Count Financial have come to an end. This will impact our profits in 2015 by $2.8m after tax.

5.4 Non Accounting Businesses

Our non-accounting businesses are performing strongly in the first few weeks of FY14/15 and should lessen the impact on the restructuring and loss of CBA payments referred to above.

Pacific East Coast Group (PEC)

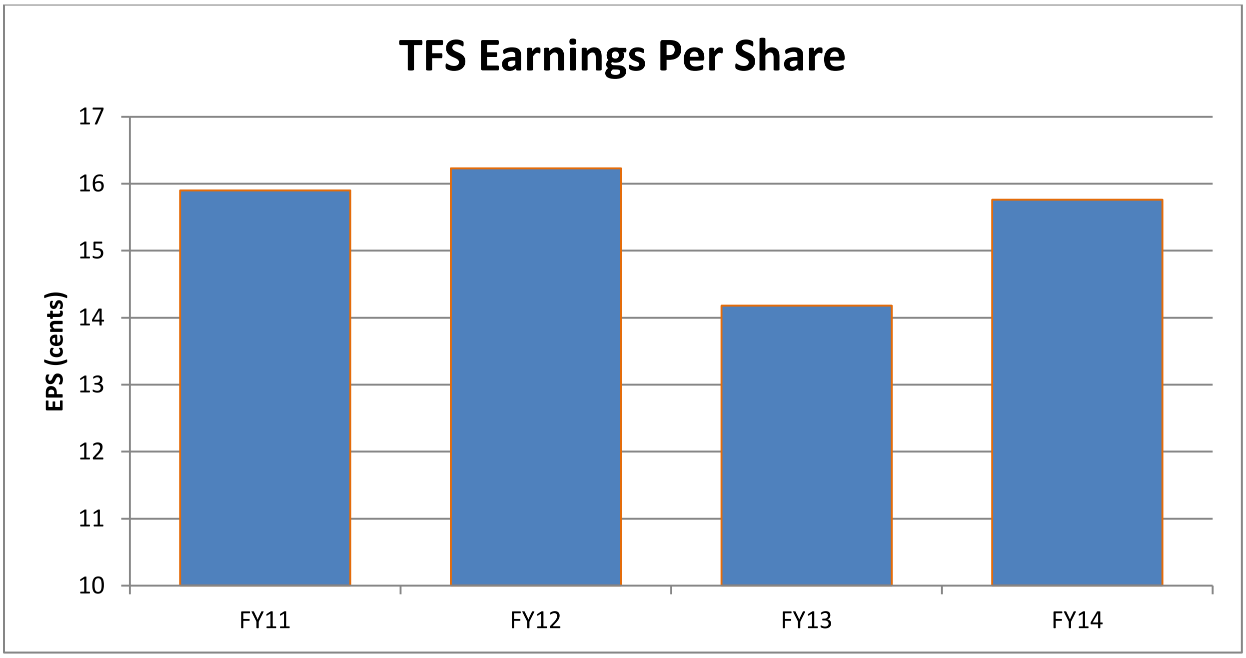
Acquired on 11 February 2012, the PEC group consists of seven subsidiaries and one associate entity. Their property business is the single largest division contributing 73% of revenue. PEC has been a stand out performer and with interest rates at a low level and demand for residential property strong, 2014/15 and 2015/16 should produce growing profits.



Total Financial Solutions Group (TFS)

TFS, a financial planning dealer group, was acquired on 30 September 2010. TFS has also performed strongly in a year where there has been little good news in the financial planning sector. TFS has the potential to become a stand out performer in the industry. In the wake of significant regulatory change, smaller sub-scale licensees are beginning to disappear and quality advisers, seeking a more secure 'home', are joining TFS. The group has also begun acquiring minority interest in some of its high performing financial planning businesses which should further attract established advisers.

TFS are expecting continued strong growth in EPS in 2015 as a result of; organic growth, recent adviser signings, improved market conditions and investments in adviser practices.

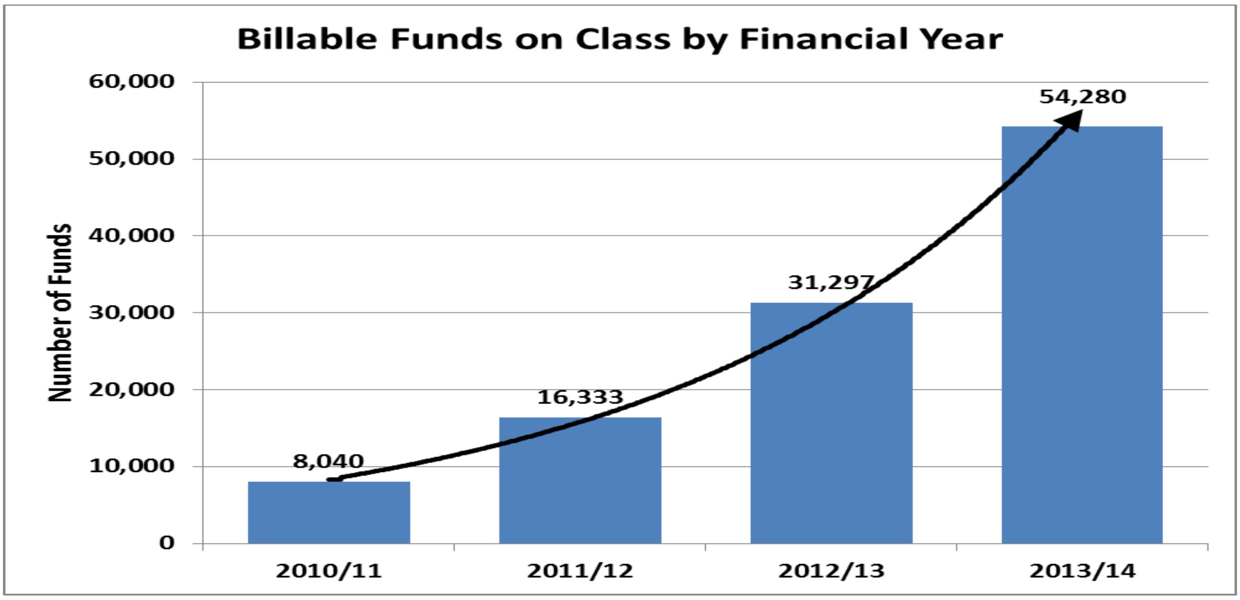


Note: The FY2013 TFS result was impacted by platform restructuring and FOFA reforms.

Super IP Pty Ltd (Class Super)

The initial investment in Class Super was made in October 2013, a technology business servicing the self-managed superannuation sector is performing strongly and has commenced paying dividends. The number of billable SMSF funds on the Class platform will pass 60,000 this week – up more than 10% in 8 weeks (see chart below).

Class is expected to list on the ASX in 2015/16.



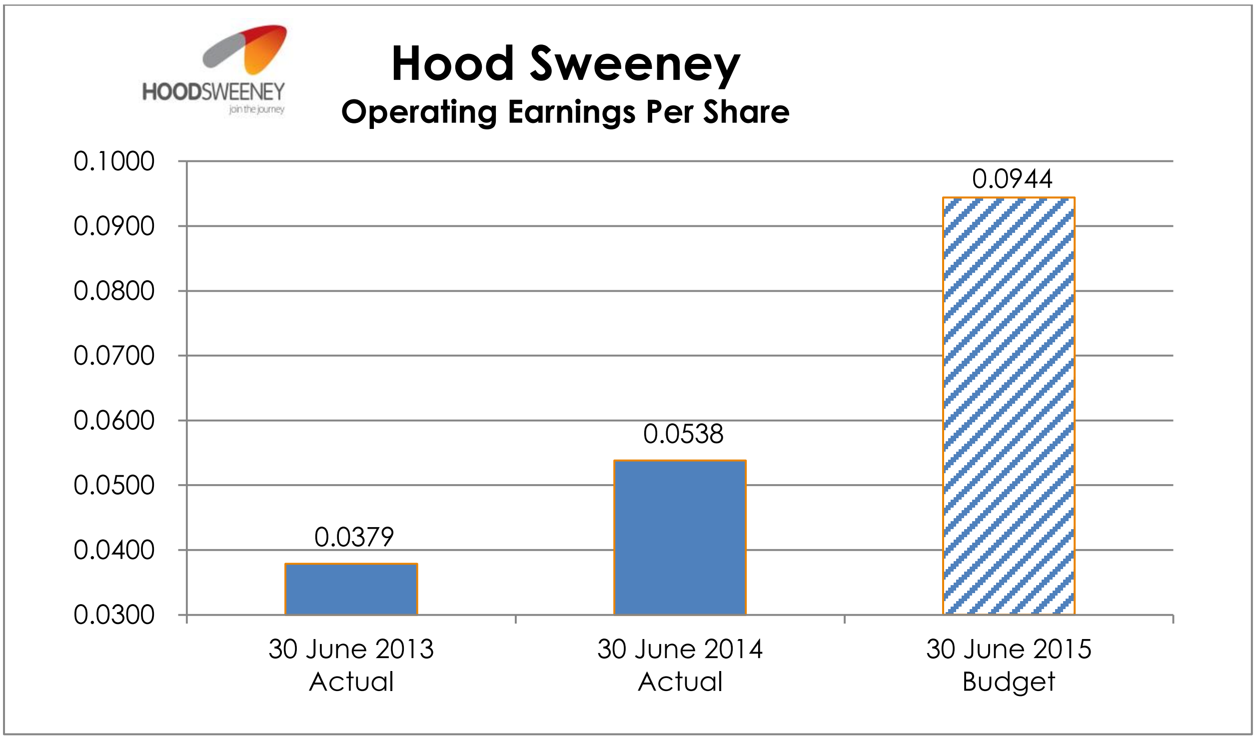
Note: CUP's Chairman is also the Chairman of the "Class Super" group of companies.

5.5 Associate Investments

Hood Sweeney Pty Ltd

Hood Sweeney is a South Australian based professional services firm with more than 110 employees. Our 23 % interest in this company has also performed well. In December 2013, Hood Sweeney made a “tuck-in” acquisition of another Adelaide accounting based firm, Shearer + Ellis. The non-recurring costs associated with the merger has impacted its reported results for 2014 however operating performance of the business has grown strongly. The budgeted growth in 2015 reflects the full year contribution of the merger and the expectation of strong organic growth.

Our first investment in Hood Sweeney was made on 31 October 2012.



The above charts have been compiled from internal management figures and have not been audited.

5.6 Future Plans

C2

In the wake of uncertain developments with other entities in the aggregation space and our restructuring of CUP discussed above, we have taken a pause on major acquisitions. Interest remains in our CUP model and we expect to become more active via part investments of larger firms like Hood Sweeney. The change in our Dividend policy (set out below) will assist us in financing opportunities that may arise.

Once we complete arrangements for potential part buy back of existing businesses, we will reinvest in further part acquisitions along the lines of Hood Sweeney with the view of creating a specialist accounting only model currently known as C2. Whilst we have slowed C2's development funding pending the "buyback restructuring" of CUP and with the possible delisting of a competitor, a major accounting consolidator, we remain convinced that our revised CUP and proposed C2 accounting only model, are enduring models and of investable size.

6. Capital Management

6.1 Net Debt

Net debt as at 30 June 2014 was $12.7 million compared to $9.3 million in the prior period. The increased debt was brought about by the above described acquisitions/investments and also the deferred consideration payments on previous period acquisitions, less the sale of one subsidiary.

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

6.2 Dividends

Dividends of 12 cents per share were declared and paid for in the 2013/14 financial year. The first quarterly dividend of 2 cents per share fully franked payable on 17 November 2014, will be declared this morning, 20 August 2014.

Dividend Declared 2014/15	Cents per share	Payable
1st Interim Dividend	2 cents	17/11/2014

6.3 Revised Dividend Policy

The existing dividend pay-out ratio is currently high due to provisions and a large non-cash amortisation expense described in point 3.7. The dividend pay-out for the 2013/14 year exceeded 90% of cash earnings.

In view of:

a) The very high pay out rate;
b) The restructure and other changes set out above; and
c) The investment opportunities that are likely to arise under our CUP and C2 models;

we have decreased our quarterly dividends to 2c per quarter – 8c per annum for the foreseeable future so that we can fund our growth without excessive debt and/or issue of new capital.

6.4 Funding Acquisitions and "Tuck-ins"

It is expected that some Countplus scrip may be used to fund future investments/acquisitions made at the group level and smaller "tuck-ins" made by Member Firms. It is preferred that the proportion in scrip is capped at around 50% of the purchase price to maximise earnings per

share growth. Using some scrip for consideration ensures that the acquiree has an interest in continuing to perform strongly over an extended period of time. Most acquisitions will have deferred consideration terms based on revenue retention or profitability hurdles.
The reduction in the dividend referred to above means that the issue of new scrip and use of debt will be less than under a high payout ratio.

6.5 Guidance

At our AGM on 26 November 2014, we will give our first guidance for the 2015 results.

7. Material Developments Post the Reporting Period

On 20 August 2014, the Company will declare its first quarterly dividend for 2014/15 of 2 cents per share payable on 17 November 2014 (record date: 29 October 2014).

Apart from the acquisitions and investments disclosed in section 4.2, there have been no further material developments post the reporting period.

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