countplus

ASX ANNOUNCEMENT – CUP
27 August 2015

Countplus Limited FY2015 Annual Results

Net Profit before Tax*: $13.05m (excluding loyalty payments up 15.9%)
Net Profit after Tax: $9.93m (down 12.2%)
2c Interim Quarterly Dividend Declared

The Directors of Countplus Limited (CUP) report a Consolidated Net Profit after Tax result of $9.9 million. The result includes a $1.7 million gain on a property asset which was sold after balance date. This accounting treatment is in accordance with accounting standards and audit requirements.

The Company yesterday declared its first quarterly dividend for 2015/16 of 2 cents per share fully franked, payable on 16th November 2015.

*The comparison figures for FY15 were negatively impacted by the run-off of the CBA loyalty payments. Excluding these now expired payments and the one-off sale of the property asset, normalised net profit before tax was up 5.9%.

Countplus is an aggregation of 20 businesses (Member Firms) and their subsidiaries across Australia; 17 accounting/business advisory firms, one financial planning specialist, a property services group and a financial planning dealer group, and 2 new business initiatives ADVICE389 & BLUE789 (refer to section 5.1). The Company listed on the ASX on 22 December 2010.

Countplus Member Firms have completed small "tuck-in" acquisitions and investments during the year. These are disclosed 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 shortly.

1. Management Commentary

The small business sector (the target client base of our Member Firms) across the country experienced a difficult year. 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 first profit outlook for 2015/16 is expected to be provided at the Annual General Meeting (AGM) on 25th November 2015. The partial "buy-back" of Member Firms under the Direct Equity Plan (refer to section 5.2) has commenced and will negatively impact the results for 2016. However, this is expected to be fully offset over time by reinvestment in new businesses under the Company's new business models. Our investment in Class Pty Ltd (refer to section 5.3), should prove positive as it is expected to IPO in late 2015.

2. Financial Highlights

		2015	% Change	% Normalised Change*
1.	Total Net Revenue	$88.91 million	-7.2 %	2.5%
2.	Consolidated Operating Profit (EBITA)	$15.50 million	-18.7 %	2.4%
3	Consolidated Net Profit Before Tax	$13.05 million	-15.1%	20.0%
4	Consolidated Net Profit After Tax	$9.93 million	-12.2%	23.3%
5.	Profit Attributable to Owners	$9.93 million	-14.0%	
6.	Basic Earnings Per Share	9.01 cents	-11.1%	
7.	Diluted Earnings Per Share	9.01 cents	-11.1%	
8.	First Interim 2 cent Dividend Declared	Payable: 16 November 2015	Ex-date: 27 October 2015	Record date: 29 October 2015

*Variance calculated after adjusting the prior year numbers to exclude the contribution from the subsidiary sold in December 2013 and to exclude loyalty payments that are no longer being received (ceased from 1/7/2014).

3. Analysis of Financial Results

3.1 Group Performance

	2015 $'000	*% Change*	% Normalised Change*
REVENUE			
Accounting	58,243	*-7.2%*	*-1.3%*
Financial Planning	20,087	*-15.9%*	*7.5%*
Property Services	5,397	*18.9%*	*18.9%*
Other Operating Revenue	5,186	*10.7%*	*13.7%*
Total Net Revenue	**88,913**	***-7.2%***	***2.5%***
EXPENSES			
Salaries & Employment	-56,444	*-3.0%*	*3.8%*
Premises	-5,098	*-11.0%*	*-2.0%*
Acquisitions	-271	*14.8%*	*14.8%*
Depreciation	-1,175	*4.4%*	*12.4%*
Other Operating Expenses	-11,237	*-4.2%*	*2.7%*
Total Operating Expenses	**-74,225**	***-3.6%***	***3.4%***
EBITA before Profit from Associates	**14,688**	***-22.0%***	***-1.2%***
Share of Profits from Associates	893	*158.1%*	*158.1%*
Operating Profit (EBITA)	**15,581**	***-18.5%***	***2.4%***

	2015 $'000	% Change	% Normalised Change*
Other Income	228	*286.4%*	*286.4%*
Share Based Payments	-335	*56.5%*	*56.5%*
Interest Expense (net)	-1,159	*5.7%*	*5.7%*
Amortisation Expenses	-2,804	*-11.2%*	*-9.2%*
Profit Before Tax (excluding fair value adjustments)	**11,510**	***-21.7%***	***5.9%***
Fair Value Adjustments/Impairment	1,542	*N/A*	*N/A*
Profit Before Tax	**13,052**	***-15.1%***	***20.0%***
Income Tax	-3,117	*-23.4%*	*10.7%*
Consolidated Net Profit After Tax	**9,935**	***-12.2%***	***23.3%***

*Variance calculated after adjusting the prior year numbers to exclude the contribution from the subsidiary sold in December 2013 and to exclude loyalty payments that are no longer being received (ceased from 1/7/2014).

3.2 Balance Sheet

	2015	2014	% Change
	$ 000	**$ 000**	**%**
Current Assets	33,766	34,334	-1.7%
Current Liabilities	18,892	21,013	-10.1%
Current Ratio	**1.80**	**1. 61**	**N/A**
Non-Current Assets	71,672	65,427	9.5%
Non-Current Liabilities	33,296	27,584	20.7%
Net Assets	**53,250**	**51,164**	**4.1%**
Net Debt	**20,283**	**12,675**	**60.0%**

3.3 Revenues

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

Accounting related revenue was down slightly on the prior period (by 1.3%, adjusting for the sale of a subsidiary in the prior period), reflecting continued challenging business conditions for SME businesses, which represent the core client base of the Group.

Net financial planning revenue was down 15.9% due to the elimination of the loyalty payments paid by the Commonwealth Bank to franchisees of Count Financial Limited in FY14 (16 Member Firms are franchisees of Count Financial). Operating financial planning revenue was up 7.5% over the period and made up 22.6% of total net Group revenue.

Property related revenue contributed 6.1% of total Member Firm net revenue for the year (2014: 3.9%) and was up 18.9% on the prior period.

Excluding the impact of the sale of a Countplus subsidiary and the above mentioned ceased loyalty payments, net operating revenue increased by 2.5%.

3.4 Expenses

The largest expense item is employment costs which increased by 3.8% over the period, (excluding the impact of the sale of a subsidiary). Member Firm employment costs were up 3.0%, with head office costs associated with the new initiatives, BLUE789 and ADVICE389, contributing to the total increase.

Other operating expenses benefitted from comparatively lower provisioning against debtors under the Group's conservative policy. This benefit was reduced by additional professional fees associated with setting up the structure for the new initiatives (refer to section 5.1) and the Group's Direct Equity Plan (refer to 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 26% interest in a leading South Australian professional services firm, Hood Sweeney, acquired in October 2012. Also, during the year, the Group's financial planning dealer group, Total Financial Solutions (TFS) invested in 3 of its larger associated businesses (refer to section 4.1).

3.6 Operating Profit

Excluding the impact of the Count Financial loyalty payments, operating profit increased by 2.4%.

3.7 Amortisation Expenses

Amortisation (non-cash) expenses of $2.8m (2014: $3.2m) 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 is reducing over time.

3.8 Interest Expense

The Company moved its financing facility to Macquarie Bank in late May 2015. The new facility is larger than our previous facility ($30 million and is expected to increase over time) and will be used primarily to fund new investments through the new business initiatives, BLUE789 and ADVICE389.

3.9 Other Items

A commercial property asset held by our Melbourne based subsidiary, Property Investment Management (part of the Pacific East Coast subsidiary) was sold at auction after balance date. The asset has been revalued to its sale value less associated costs in these results, contributing a before tax fair value gain of $1.7 million.

3.10 Net Profit Result

Net profit before tax was down 15% and net profit after tax down 12% due primarily to the non-recurrence of Count Financial loyalty payments made in the prior period.

4. Acquisitions and Investments

4.1 Acquisitions made during the 2015 Financial Year

During the 2015 financial year, the following acquisitions and investments were made:

- In July 2014, Countplus subsidiary Total Financial Solutions acquired a 40% interest in Wangaratta (VIC) based financial planning firm Financial Momentum.
- In September 2014, Countplus subsidiary Beames & Associates Pty Ltd (now Addvantage Accountants Pty Ltd) acquired Canberra based professional services firm John Dormer & Associates (JDAA).
- In October 2014, Total Financial Solutions acquired a 49% interest in Melbourne based financial planning firm McQueen Wealth Management.
- In January 2015, Countplus subsidiary Kidmans Partners Pty Ltd acquired Melbourne based accounting firm Harmon Partners.
- In March 2015, Total Financial Solutions acquired a 30% interest in Gisborne (VIC) based financial planning firm Nixon Financial Services. Consideration for the purchase is dependent on the firm's performance over the next few years.

4.2 Post Balance Date Investments

As per the ASX announcement of 21st August, Countplus subsidiary ADVICE389 Pty Ltd acquired a 40% interest in Newcastle (NSW) based financial planning firm Hunter Financial. Consideration for the purchase was $2,746,586.

5. Developments – Current and Proposed

5.1 BLUE789 and ADVICE389 Update

BLUE789, a shared equity model for larger accounting firms that encourages Principals to maintain their entrepreneurial spirit and zeal, with firms retaining their brand, significant direct equity, and management control. BLUE789 is currently in contact with several potential accounting firm investees.

ADVICE389 which was launched earlier this year, is a shared equity model for financial planning businesses. Our AFSL licensee, Total Financial Solutions (one of our larger CUP subsidiaries), is expected to be the cornerstone investment in ADVICE389. ADVICE389 has recently made its first investment in Hunter Financial, as reported in section 4.2.

5.2 Direct Equity Plan for Existing Principals and Employees

As has been previously announced, the Company is giving the opportunity for Principals and approved senior employees of all Member Firms to buy directly into their existing business over the next 3 years. CUP will maintain a controlling interest in these businesses.

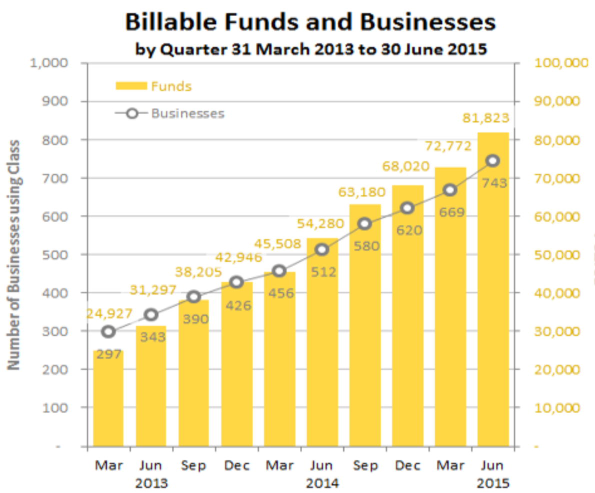
As per the ASX announcement of 21st August, two Countplus subsidiaries have now finalised their participation, MBA Partnership and Kidmans Partners, with a 3rd expected in the coming weeks.

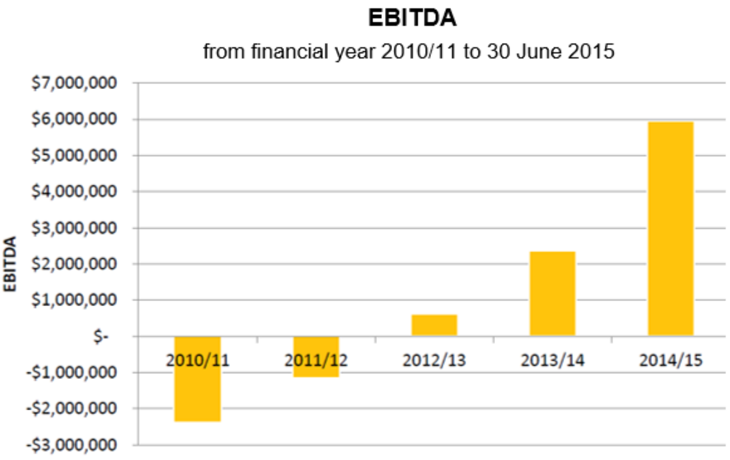
5.3 Other Investments

Class Pty Ltd

Class Pty Ltd (Class Super) is a cloud based software business servicing the self-managed superannuation sector with almost 82,000 billable SMSF funds (refer to graph below) on its administration platform. The Company is profitable (refer to graph below) and paying dividends and is expected to list on the ASX later this calendar year.

In line with its strategy to support industry-leading technology businesses. Countplus increased its shareholding in Class during the year (the initial interest was acquired in October 2013). Countplus is now the largest institutional shareholder with a 4.8% interest.





Note: CUP's Chairman is also the Chairman of the "Class Pty Ltd" group of companies and a small shareholder. The Chairman does not participate in decisions in relation to investments in Class.

5.4 Future Plans

Turning around the performance of existing Countplus Member Firms remains a priority. However as mentioned in section 5, we also have a number of growth opportunities.

6. Capital Management

6.1 Net Debt

Net debt as at 30 June 2015 was $20.3 million compared to $12.7 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.

Future borrowings will be required as investments under the new business initiatives, BLUE789 and ADVICE389, proceed as well as to fund continued "tuck-ins" by existing Member Firms. This will be offset in part by sale proceeds under the Direct Equity Plan (refer to section 5.2).

6.2 Dividends

Dividends of 8 cents per share were declared and paid for the 2014/15 financial year. The first quarterly dividend for the 2015/16 financial year of 2 cents per share fully franked, is payable on 16 November 2015 and was declared on 26 August 2015. Due to the need to fund the opportunities outlined in section 5.1, it is not expected that dividends will be increased in the near future.

Dividend Declared 2015/16	Cents per share	Payable
1st Interim Dividend	2 cents	16/11/2015

6.3 Outlook

At our AGM on Wednesday 25th November 2015, we will provide guidance for the 2016 results.

7. Material Developments Post the Reporting Period

Apart from the acquisitions and investments disclosed in section 4.2, developments set out in 5.1 and 5.2 and the dividend declaration disclosed in section 6.2, there have been no further material developments post the reporting period.

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