ASX ANNOUNCEMENT – COU
Tuesday 22 February, 2011
Half Yearly Report

Count Financial Limited

NPAT up 212%
EPS up 208%
Interim Dividend unchanged

The Directors of Count Financial Limited (COU) report a record Net Profit After Tax for the half year ended 31 December 2010 of $42.88 million, up 212% on the previous corresponding period (pcp).

Diluted earnings per share (EPS) for 2010/11 is 16.44 cents per share (up 208% pcp). Earnings Before Interest (and Investments) & Tax (EBIT) was $12.20 million (unchanged).

The main contribution to the result was the listing of Countplus and the one-off pre-tax fair value gain on Countplus and its investees of $37.15 million and the general contribution from Countplus of $3.00 million (up 149% pcp).

The impact of the mark to market investment portfolio movements for the half year period resulted in a profit of $5.97 million.

An unchanged second interim "Easter" dividend of two cents (fully franked) has been declared and is payable 15 April 2011, totalling 4 cents YTD.

1. Results for announcement to the market

Key Information

1. Gross Revenue: $61.18 million, up 1%[1]
2. Net Profit After Tax from ordinary activities attributable to Shareholders: $42.88 million (up 212%).
3. Second interim "Easter" dividend: 2 cents (fully franked) totalling 4 cents YTD.
   Ex-Dividend 14/03/11; Record Date 18/03/11; Payable 15/04/11.

[1] Varies from Revenue on half year report due to exclusion of consolidated financial planning revenues from Countplus investees

2. Breakdown of financial results

2.1 EBIT

		03/04 $M	04/05 $M	05/06 $M	06/07 $M	07/08 $M	08/09 $M	09/10 $M	1H10 $M	1H11 $M	Change %
1	Net fees and Retail revenue	11.20	12.25	14.10	16.13	17.34	14.29	14.59	7.43	6.85	(8%)
2	Asset-based revenue	10.55	13.60	19.87	25.62	31.57	25.13	27.58	13.62	13.95	2%
3	Other fees	3.53	3.86	3.01	3.24	3.07	3.12	3.20	0.97	1.09	12%
4	**Net Revenue**	**25.28**	**29.71**	**36.98**	**44.99**	**51.98**	**42.54**	**45.37**	**22.02**	**21.89**	**(1%)**
5	*Employment Expenses*	*7.85*	*7.91*	*7.70*	*8.23*	*8.82*	*9.06*	*9.11*	*4.57*	*4.72*	*3%*
6	*Other Expenses*	*6.58*	*5.40*	*4.61*	*5.58*	*6.67*	*6.51*	*7.51*	*3.68*	*4.55*	*24%*
7	*Share based payments*	*-*	*0.80*	*1.49*	*2.26*	*3.07*	*3.54*	*2.51*	*1.60*	*0.42*	*(74%)*
8	***Total Expenses***	***14.43***	***14.11***	***13.80***	***16.07***	***18.56***	***19.11***	***19.13***	***9.85***	***9.69***	***(2%)***
9	EBIT	10.85	15.60	23.18	28.92	33.42	23.43	26.24	12.17	12.20	0%
10	% Change	32%	44%	49%	25%	16%	(30%)	12%			
11	Expense Ratio	57%	47%	37%	36%	36%	45%	42%	45%	44%	

Note: the above figures vary from the half-year report as they exclude consolidated Countplus revenue and expenses

2.2 Net Fees and Retail Revenue (Line Item 1)

This is fees and revenue from traditional retail superannuation and investments, lending, (through the subsidiary, finconnect), asset finance and life insurance, and was $6.85 million (down 8%). Wealth Protection New Business grew 22% pcp, but lending commissions fell 13% on pcp.

2.3 Asset-based Revenue (Line Item 2)

Asset-based revenue of $13.95 million (up 2%) represents income from investment platforms. Funds Under Advice on Approved Platforms is up 2.71% since June 2010.

2.4 Share based payments (Line Item 7)

This relates to the requirement to expense options granted to Count franchisees and employees (non-cash expense) which negatively impacted our EBIT by $0.42 million (down 74%).

2.5 Total Expenses (Line Item 8)

Employment costs (line 5) remains the largest expense at $4.72 million and was contained to 3% growth in 2010/11. Other expenses (line 6) of $4.55 million (up 24%) – a large component relates to Count expenses in developing Countplus and associated due diligence and Countplus IPO related expenses. Total expenses fell marginally.

2.6 EBIT (Earnings Before Interest & Tax)

Earnings Before Interest (Investment) & Tax of $12.20 million (unchanged)

2.7 EBIT results

$M	30/6/01	30/6/02	30/6/03	30/6/04	30/6/05	30/6/06	30/6/07	30/6/08	30/6/09	30/6/10
EBIT	6.03	6.18	8.22	10.85	15.6	23.18	28.92	33.42	23.43	26.24
% Change	49%	3%#	33%	32%	44%	49%	25%	16%	(30%)*	12%

Average increase since listing – 10 years 23%
(#2002 – 9/11 influenced; *2009/10 GFC influenced)

2.8 PBT and NPAT results

Net investment income (which includes dividends from the investment portfolio, unrealised gains and losses from the mark to market of the portfolio, interest from franchisee loans and profits from Countplus associates) was 38% higher to $10.60m. Of this, the mark to market of the holding in Mortgage Choice (MOC) contributed an unrealised gain of $3.92m. See 7. for comments on Countplus.

Net profit before tax (including non-controlling interest) increased 241% to $67.72m and net profit after tax (excluding non-controlling interest) increased 212% to $42.88m.

3. Operational Performance

3.1 Key Performance Indicators

	Key Performance Indicators	31/12/10 $Billion	30/6/10 $Billion	31/12/09 $Billion	% change FYTD
1	Approved Platforms (a)	$ 6.50	$ 6.33	$ 6.64	2.7%
2	Other Funds (b)	$ 3.72	$ 3.94	$ 4.05	-5.6%
3	**Total Funds 1&2 (FUA)**	**$10.22**	**$ 10.27**	**$ 10.69**	**-0.5%**
4	Loans Outstanding (c)	$ 3.75	$ 3.76	$ 3.89	-
5	**Total 3&4 (FLUA)**	**$13.97**	**$14.03**	**$14.58**	**-**
		31/12/10 $Million	**30/6/10 $Million**	**31/12/09 $Million**	**% change FY**
6	Insurance Premiums (inforce) (d)	$43.30	$40.21	$36.85	7.7%

(a) Six Approved Platforms only.
(b) Funds subject to electronic updates and Count fees; excludes property and direct equities.
(c) *Count introduced loans on which trailing commissions are being received (excludes residential loans where commissions are not currently being received) includes Margin Loans, but excludes equipment financing receivables.*
(d) Inforce life insurance premiums (excluding those written within retail superannuation)

Funds Under Advice (FUA) on approved platforms stands at $6.50 billion, an increase of 2.7% since June 2010. Of the $4.60 billion invested in the BT/Westpac platform, 12.33% is invested in cash or term deposits; this is down from 12.86% in December 2010.

Total FUA (excluding direct property) reduced by 0.5% over the six months ending June 2010 and now totals $10.22 billion.

Loans outstanding (loan balances subject to trail commission) is at $3.75 billion which is steady for the last 12 months. Residential Lending has grown 1% over the last 12 months - this item also includes investment loans (margin and protected lending) and this debt has been reduced over the period.

In-force insurance premiums growing at an annualised rate of 15% and insurance new business grew 22% compared to the first half of 2009/10. Life Insurance is one of the non-investment linked services Count Franchisees provide for their clients.

4. Capital Management

4.1 On market buy-back
No buy back was held in the first half and no buy-back has been declared for 2011.

Total shares on issue to 31 December 2010 was 262.2 million – a net increase of 3.4 million (1.3%) since 30 June 2010.

Total shares on issue for the past 7 years at 30 June – 2010: 258.8 million; 2009: 256.5 million; 2008: 248.4 million; 2007: 240.2 million; 2006: 233.9 million; 2005: 227.9 million; 2004: 220.8 million; IPO Dec 2000: 220 million.

The number of shares on issue since our listing in 2000 has increased by 19.2%.

4.2 Options allocation
No options were allocated due to changes in legislation. We are currently reviewing equity arrangements for both employees and franchisees going forward.

4.3 Dividend Guidance
Count has declared the second interim “Easter” dividend of 2 cents (unchanged) payable 15 April 2011.

As shown below, Count’s dividends have shown an average growth of 21% pa over the last 10 years, exceeding our previously stated aim of 10% pa. Current dividend payments of 4 x 2c will be reviewed later in the year in light of profitability.

4.4 Dividend Growth

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Dividend - cents	1.45	2.0	2.2	2.42	3.5	4.5	6.0	8.0	10.0	7.0	8.0	8.0
% Change	27%	38%	10%	10%	45%	28%	33%	33%	25%	(30%)	14%	Guidance

Cents per issued share
Average increase last 10 years 21% pa

5. Investments

5.1 Portfolio
The portfolio of cash, investments and loans stood at $127.83 million at 31 December 2010. The largest holdings were CBA Perls (III and IV) at $8.72 million, Mortgage Choice at $27.10 million, DKN at $6.74 million and Centrepoint Alliance at $10.19 million (market values).

As well as the holdings above, the investment portfolio comprises listed interest-based investments of $13.07 million (includes CBA Perls above); Listed Investment Companies of $0.82 million; unlisted managed funds $0.40 million; and other unlisted investments $1.97 million.

	30/6/2010	31/12/10	Debt Facility Limit	Undrawn Debt Facility
Total Cash/Investments (incl associates) / Loans	$61.71m	$127.83m		
Less loan balance	$11.82m	$18.51m	$20m	$1.49m
Net Value	$49.89m	$109.32m		

5.2 Investment in Mortgage Choice, Centrepoint Alliance & DKN

Count had the following holdings at December 2010:

- 20,611,785 shares (17.3%) in Mortgage Choice.
- 7,838,114, shares (8.25%) in Centrepoint Alliance Limited.
- 10,453,840 shares (7.4%) in DKN, a smaller complementary business to COU.

Count expects to see increased rationalisation of all sectors of the financial services industry and will consider opportunities as they arise in the light of future prospects.

5.3 Loans to Franchisees and Associates (including Countplus firms)

Loans outstanding at 31 December 2010 to non-Countplus firms totalled $2.4 million. There were no arrears as at 31 December 2010. Count will continue to support members to grow their business and expects to provide further loans for acquisitions and amalgamations during 2011.

Working capital loans to Countplus firms were either assigned or reissued to Countplus in December 2010 and repaid from the proceeds of the Countplus listing later that month.

6. Risk Management

Count has an active Risk and Compliance Board sub-committee chaired by a non-executive director.

6.1 Count and Franchisees

All businesses have risks and Count is no exception. Management and employees aim to manage and minimise these risks. In doing this, systems, processes and procedures are reviewed and improved to reduce risk and increase efficiency. Further details are outlined in Count's Annual Reports.

6.2 PI Insurance

Count has in place a $20 million PI policy for 12 months effective to 27 February 2011.

	2005 $M	**2006 $M**	**2007 $M**	**2008 $M**	**2009 $M**	**2010 $M**	**2011 YTD $M**
Net compensation payments (incl legals)	-	0.13	0.13	0.03	0.10	0.17	(0.08)
PI Premium	-	-	-	-	0.30	0.91	0.47
Total Cost	**-**	**0.13**	**0.13**	**0.03**	**0.40**	**1.08**	**0.39**

Above expenses exclude Count labour costs and are net of franchisee reimbursements

7. Countplus Limited

Countplus will formally release its accounts on Monday, 28 February, 2011. Its results are expected to be in keeping with the guidance previously given by Count. Countplus is well placed to grow its business and is intended to remain a valuable asset and service of Count for many years to come.

8. Lending update – Finconnect (Australia) Pty Ltd

With the new national credit law reforms and licensing legislation in place, the lending business is entering a period of higher scrutiny and higher regulation – Finconnect welcomes this new environment, which clearly works to our strengths. Finconnect was issued with an Australian Credit Licence in 2010.

9. Count Annual Training Conference

We have received approximately 850 paid registrations from delegates for our annual training conference in Christchurch, New Zealand in March 2011. Held over 3 full days there will be over 113 workshops across 9 streams including investment, professional standards, technical/SMSF, wealth protection and estate planning, business development, accounting, lending, software as well as plenary sessions.

10. Management Comment and Profit Guidance

Count's results are in line with the guidance provided on 9 December 2010. Subject to the market movement of MOC and other corporate actions, we expect to increase EPS in 2011 by over 120% and normalised NPAT and EPS (excluding one-off Countplus effects) to grow by over 25%. We expect operating profit (EBIT) to grow around 10% in the second half (relative to pcp) and around 5% for the full year, assuming capital markets grow in line with long-term market averages.

Count is a solid business in great shape, capable of riding out market cycles and more importantly, positioned to take advantage of opportunities as they arise.

11. Material Developments

There have been no material developments during the period other than those listed.

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