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Annual Report 2018



Staying true to our course



About CountPlus

To strengthen the Company in 2018 and beyond, CountPlus is now building to become Australia's leading network of professional accounting and advice firms, aligned through shared values, mutual success and our sense of community.

CountPlus provides support to Member firms through investment, leadership and intellectual capital. We introduce strong financial systems and management. We help to guide and lead people. We nurture current firm principals as well as emerging leaders in our member firms through training and leadership programs.

We call this the 'Owner, Driver – Partner' model. This strategy sets us apart from industry aggregators and consolidators and will allow us to realise the vision of CountPlus as Australia's leading network of professional accounting and advice firms.

The Owner, Driver – Partner model:

- ▶ Inspires loyalty and initiative, by allowing firms to preserve their local brand and unique identity;
- ▶ Builds confidence by offering strategic support, funding for growth, scalable benefits and succession planning;
- ▶ Improves performance at the individual firm level while leveraging the benefits of a national group, its collective wisdom, expertise and best practice; and
- ▶ Drives the benefits of equity ownership with the attendant opportunities of 'skin in the game' culture, accountability and reward.

CountPlus will only partner with member firms that match the 'CountPlus Family Photograph' and that share our five key focus areas of Firms, People, Focus, Financial and Community.

CountPlus maintains high standards of service, instituting strong governance structures within Member firms, who agree to our team rules and values and we align with firms prepared to form a true partnership for the long term.

The Company is in strong shape to leverage ongoing growth opportunities for its investors, member firms and their clients.





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CHAIRMAN'S REPORT

Ray Kellerman

Turnaround builds momentum

The turnaround of CountPlus' performance has been organic, is ongoing and has involved a forensic review of our operations. Contained within this 2018 Annual Report is information demonstrating that our combined efforts are beginning to contribute to growth in earnings.

CountPlus is actively repositioning itself to drive strong, sustainable growth. Fifteen months into our two-year turnaround, the Board is encouraged by the progress of the strategy.

The CountPlus Board is confident the Company is well-placed to take advantage of growth opportunities within the accounting and financial advice sector in Australia. Our vision is to become Australia's leading network of professional accounting and advice firms, aligned through shared values, mutual success and our sense of community.

Opportunity

We believe that demand for quality advice and professional accounting services will grow, not diminish.

CountPlus is well-positioned to act as a trusted guardian of our clients' interests, having developed a solid corporate governance and ethical framework to guide our financial advice and accounting businesses.

Our objective is to increase CountPlus' share of the growing demand for trusted advice and accounting services, by boosting our footprint across Australia and partnering with suitable firms.

Stronger balance sheet

I am pleased to report that the Company has moved closer to a position of sustained earnings and profitability. Changes made in the 2017 and 2018 financial years have moved the Company to a position of greater financial strength.

Prudent management has helped CountPlus to significantly reduce debt. The Company holds a net cash position of \$9.0M, a significant improvement on the interest-bearing debt of \$25.5M that it held at 31 December 2016.

The Board is also pleased to resume paying dividends to our shareholders and has declared a 1 cent dividend (fully franked) for the 2018 financial year. This was made possible by our focus on our core business, financial discipline, strict cost controls and a strengthened balance sheet.

Moving to growth

As CountPlus continues to make progress against its turnaround initiative, the Company is now also focusing on opportunities to grow business earnings. We intend to expand the Group by strategic investment in new Member firms.

To help assess these opportunities, CountPlus appointed corporate adviser Genesis Advisory to support the Board in merger and acquisition (M&A) activities.

During the 2018 financial year, CountPlus sold or merged underperforming businesses and will continue to monitor all Member firms against robust financial metrics to ensure the Company's sustained growth and profitability.

CBA to demerge Count Financial

The Commonwealth Bank of Australia (CBA) plans to demerge its wealth management and mortgage broking business units. CBA owns Count Financial, which holds a 35.85% shareholding in CountPlus. The CBA intends to include this shareholding as part of its proposed new entity.

CountPlus will closely monitor all developments regarding the formation of the new CBA entity and will remain alert to potential impacts and opportunities for the Company. The priority focus for CountPlus is the Company's shareholders, Member firms and clients, and the people who make up the CountPlus community.

Fresh management

Our strategic plan for achieving sustainable growth is being implemented by a strong CountPlus Board.

The founder of CountPlus and former Chairman, Mr Barry Lambert, retired from the Board on 30 September 2017. Longstanding Independent Non-Executive Director and Chair of the Audit and Risk Committee, Mr Graeme Fowler, also retired from the Board on this date.

Mr Andrew McGill was appointed in December 2017 to help steer M&A activity. Mr McGill was also appointed Chair of the Acquisitions Committee, on the basis of his background in capital markets and M&A.

A new management team, a refreshed Board, a clear strategy and a disciplined approach to executing this strategy are the foundations of positive change and our future success.

Thank you for being a CountPlus shareholder.



Ray Kellerman
Chairman



CEO REPORT

Matthew Rowe

Turnaround on track

On behalf of the executive team at CountPlus Limited, I am pleased to report that the Company has made solid progress in the year to 30 June 2018, marked by three primary indicators: a resumption of dividends, a reduction in debt and liabilities and the refresh of 80 per cent of the leadership group within our Member firms.

The two-year turnaround strategy is well on track and beginning to deliver. I am confident CountPlus will progress upon its stronger foundations as a simpler, more resilient and profitable business.

Our strategy is underpinned by disciplined financial controls, stricter corporate governance and a focus on our core business. Fifteen months into our turnaround plan, CountPlus has achieved an increase in same firm profit, a significant reduction in debt and tighter focus on core business operations.

I am pleased to affirm that CountPlus will resume paying dividends to shareholders.

Diligent capital management and a strong commitment by the Board, management, staff and member firms to focus on core operations have allowed CountPlus to reach these important milestones.

Dividend payment

We are pleased to have resumed dividends, and in line with our dividend policy, the Company will seek to continue to pay dividends half-yearly subject to it being prudent to do so.

We thank our shareholders, who have stood by the Board and management of the Company during this turnaround process.

2018 Results

The Company has reported earnings before interest, tax and amortisation (EBITA) of \$5.1M, for the year ended 30 June 2018, during a period of significant change and reorganisation.

A stronger balance sheet shows the Company holding net cash of \$9.0M at 30 June 2018.

Along with the reduction in debt, we have boosted cash flows and working capital. All member firms are now collecting invoices more quickly, with an average of 94 days lock-up, down from over 100 days just one year ago. This has contributed to stronger cashflow for the Company.

CountPlus has worked very closely with member firms to improve the key financial and strategic drivers that have led to this achievement.

Core Member firms increased average Earnings Before Interest Tax and Amortisation (EBITA) margin to 15% during the 2018 financial year from a 12% EBITA margin in the prior year.

Expansion ahead

The Company is focused on future growth, and is confident that an expansion program will bring further financial success in the 2019 financial year. CountPlus will expand the Group by partnering with firms that fit the CountPlus 'family photograph' and share our focus on Firms, People, Focus, Financial and Community.

Contained within this 2018 Annual Report is evidence that our combined effort is already working. Please take the time to read the Member profile reports – detailing the efforts of firms within our five key drivers – that highlight to me that the purpose and values of CountPlus are substantive, while also supporting our professional focus with our clients.

The Company currently has equity in sixteen Member firms across five States around Australia.

To date, seven Member firms are now participating in the 'Owner, Driver – Partner model' (OD-P), whereby our Member firm principals take a meaningful equity stake in their business, thereby 'owning and driving' their firm's profitability and growth.

The 'partnership' element means CountPlus takes an active role in reviewing, guiding and leading member firms, developing their intellectual capital and mentoring leaders and staff to produce the best possible businesses.

CountPlus is targeting high-quality accounting and advice firms to partner with and build our network. Due diligence is under way with a number of firms that offer prospects for investment.

Looking ahead

The turnaround strategy is progressing, resulting in the building of a stronger CountPlus, due to a more robust fiscal framework, balance sheet and corporate governance model. Stringent financial management means we are beginning to improve returns for shareholders, member firms and our clients.

I can say confidently that the Company is in stronger shape than it was one year ago. We expect continued improvement through the second phase of the turnaround strategy and focus on building our core business, achieving greater efficiencies and building the Company to generate more growth.

Our leadership group is refreshed: four in five of our managing principals are new to their role and are ready to execute on our growth strategy.

CountPlus, its culture, leadership, growth orientation, market positioning and balance sheet are improving, primed for expansion and the realisation of our goal to become Australia's leading network of professional accounting and advice firms.

Thank you for being a loyal co-investor in CountPlus.



Matthew Rowe
CEO & Managing Director

RECOGNISING EXCELLENCE



CountPlus is delighted to honour Michael Beddoes, Director at Queensland-based The MBA Partnership, as the recipient of this year's Barry Lambert Harvard Business School Scholarship.

Each year, the Board chooses one recipient from within the CountPlus senior network to undertake the 'Leading Professional Services Firms' education program at Harvard Business School.

The scholarship seeks to reward prominent achievers within the CountPlus network and includes the costs of tuition, accommodation and travel to the United States.

Mr Beddoes is this year's award recipient due to his outstanding leadership and dedication to encapsulating the values of CountPlus. His firm was the inaugural Member firm to join the CountPlus network in 2007.

CountPlus is pleased to celebrate the achievements of Mr Beddoes throughout this time, and acknowledge his role as a founding Partner of The MBA Partnership. He has led rapid growth of the business and recently celebrated 20 years at the firm.

'From a personal perspective, this is a very exciting opportunity to study at a prestigious institution like Harvard,' said Mr Beddoes, who plans to travel to Cambridge, Massachusetts, during 2019 to undertake the scholarship.

'From a business perspective, this Award is a recognition of the strength of our business and our people, which is growing and now up to 70.'

Under Mr Beddoes' directorship, the finances of the firm have strengthened. All financial key performance indicators (KPIs) in the 2018 financial year were met or surpassed.

Earnings before interest, taxes and amortisation (EBITA) was 8% ahead of budget in 2018 and 18% ahead of 2017. The MBA Partnership's cash flow management is also strong. Lockup at 30 June 2018 was 57 days, a leader within the CountPlus network.

The firm's growth has also been impressive. The MBA Partnership has spent the past 12 months focused on integrating three mergers and acquisitions made within the past three years, all with the support of CountPlus.

Mr Beddoes said: 'CountPlus helped with funding those acquisitions, which we are now bedding down. At the same time, The MBA Partnership has reduced its loan balance with CountPlus by 50% in the past 12 months.'

The MBA Partnership was also an early adopter of cloud-based accounting systems and now provides consulting services.

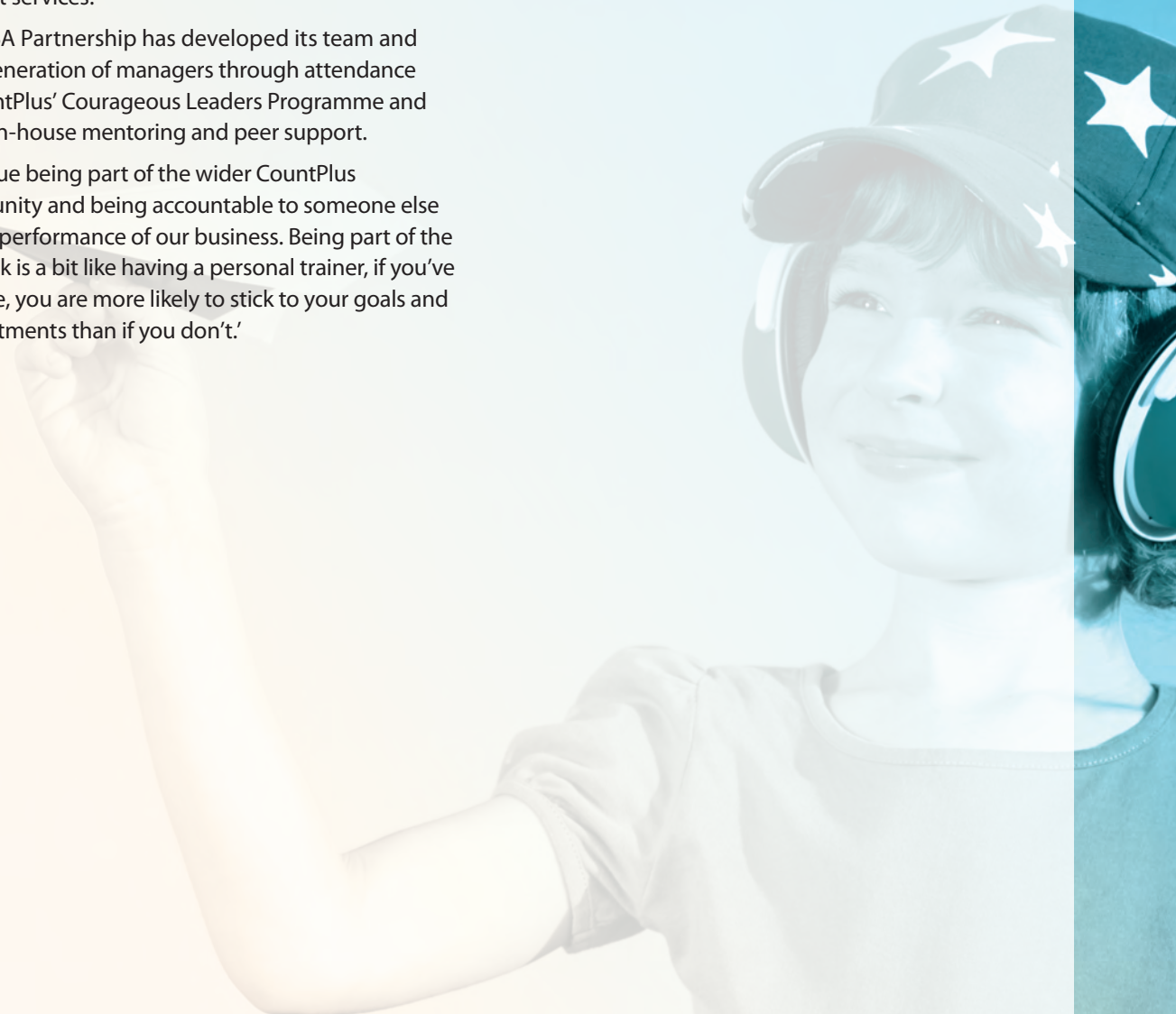
'We decided early on that our office will be largely paperless and that our technology applications are best practice. We have grown our internal IT team, Digital 02 Pty Ltd, to three full time people that generated full-year revenue in FY18 of almost \$700,000,' says Mr Beddoes. The IT business specialises in cloud computing and providing network installation and support services.'

The MBA Partnership has developed its team and next generation of managers through attendance at CountPlus' Courageous Leaders Programme and offers in-house mentoring and peer support.

'We value being part of the wider CountPlus community and being accountable to someone else for the performance of our business. Being part of the network is a bit like having a personal trainer, if you've got one, you are more likely to stick to your goals and commitments than if you don't.'

The MBA Partnership is committed to helping its community through various initiatives, such as blood donations and other fundraising activities. Mr Beddoes participated in his third CEO Sleep Out on the Gold Coast, along with serving on the St Hilda's School Council and Foundation for over 10 years.

Mr Beddoes displays admirable business acumen, leadership and a commitment to the success of his own firm and the CountPlus network. The Company wishes to recognise Mr Beddoes with awarding of the Barry Lambert Harvard Business School Scholarship and congratulates him on his continued successful leadership of the firm.





360 Financial Advantage

Victoria Studley

Operating from three offices on the NSW north coast, 360 Financial Advantage principal Victoria Studley says being part of a national network of similar firms imbues her professional approach with a strong sense of confidence.

'It's positive to know that our people can access the support of like-minded practitioners from within the CountPlus network, or from Corporate office. It is helping us to operate as efficiently as possible, but also to have that extra sense of comfort when seeking technical guidance or peer support on various client matters that might come up,' she says.

A chartered accountant who is accustomed to advising her small business clients on best practice business, taxation and financial matters, Ms Studley says the accountability of being part of a larger network assists to operate at best practice levels.

'The focus of the new CountPlus executive team is welcome. We really feel that the support we receive is very good.'

'Additionally, the buying power of the network brings certain efficiency benefits – from sourcing cost-effective software to outsourced tools for our other business elements like HR, or legal support.'

Ms Studley says the recent appointment of non-executive Chair, Julie Berry, has also contributed to a resounding sense of the renewed focus by CountPlus in guiding the governance and practical support of its member firms.



Charity begins at home

countplus one (CP1) principal Margaret Munetsi typifies a new breed of professional manager, stepping forward to lead the purpose, meaning and measurement of a key CountPlus value: Community.

Recently elevated to a leadership (accounting principal) role within her Sydney-based CountPlus member firm, Ms Munetsi sees the impact of the 'new CountPlus' through a number of business and financial lenses.

'But the concept of our people being active participants in the broader community – of giving back – is not simply paying lip service to a nice ideal,' she says. 'It represents for me a real notion akin to being part of a dynamic family.'

With a Community target set by CountPlus to have donated \$2.020 million to public charitable efforts by the year 2020, Ms Munetsi and her team have embraced the challenge as an opportunity to 'live it, and bring this thing to life'.

'We have some of our financial planners doing pro bono work in support of women who are victims of domestic violence; a recent event was devised to raise funds for the White Ribbon Foundation, and some of our people are personally donating items in support of the innovative 'Once a Month' program to touch someone each month with an act of kindness,' she says.

'Community is a meaningful way to not only give back to society, it also helps us connect better in the work place, to view each other through a new set of eyes, and to help drive an important culture shift and sense of cohesion.'

'At the end of the day it's about living the values of integrity and having faith in people, be they a colleague, a client or a stranger we are helping in the broader community.'

I'm loving the journey!



Evolution Advisers

Jane Beverley

Evolution Advisers Managing Director Jane Beverley likens the impact of quality people and the right culture to the compounding benefit of a good investment.

It may take years to cultivate, but hiring and growing the right people, with the right mindset and a genuine passion to help clients achieve their goals, pays off. 'The firm has recently elevated two people to leadership roles. I hired each of those people into the firm 15 years ago as young trainees and now they lead by my side,' she says.

'People are an integral part of what we do, and for me success happens when these people achieve their goals – both our clients and our team. When I've played a part in that growth and success I get personal satisfaction.'

Ms Beverley, who joined the CountPlus member firm in 2004 as part of a merger creating Evolution Advisers, says to keep our clients and team on the right track, we need to deliver the right systems and processes to support them.

'If we do this successfully and provide valuable advice to our clients the financial results will look after themselves' she says.

'The benefit of being part of something bigger, CountPlus, is the opportunity to access the support and experience of other firms, and also in being supported by a management team that shares the same values and client-centric principles.'

'These are the two 'people' attributes we value most: supporting and assisting our clients and being true mentors and role models for our team members.'



Kidmans Partners

A case study in revitalisation and growth

Three core attributes – strategy, governance and support – sit as proud cornerstone markers for the revitalisation and future growth of CountPlus member firm, Kidmans Partners.

Under new Managing Director (MD) Ross Hedrick (hired as a 14-year veteran from within a ‘tuck-in’ firm), and guided by senior Independent Chair Graham McGeagh (pictured, left) Kidmans Partners embarked on a ground-up refocus 12 months ago.

It began with a frank and unapologetic assessment: **things must change.**

‘Today, it is a very different story,’ says McGeagh. ‘The turnaround and purposeful direction of the firm has been swift, deliberate and already yielding results. The energy level and enthusiasm of the team is palpable, and the communication of the MD around five core principles (mirroring the CountPlus drivers of clients, people, focus, financial and community) has made a measurable difference to our staff and the quality of client experience.’

A small-scale, but deeply aligned version of CountPlus’ two-year revitalisation programme is now well in place.

However, one additional element was paramount – to negotiate refinancing of debt, improve the liquidity of shares, and refocus the management team as equity owners with the drive and purpose of being a partner to CountPlus, not 100% owned by it.

‘With the backing of CountPlus, we were able to reduce debt by 50%, but also recapitalise funding on long-term, strong commercial terms, and also enable the buy-back of shares,’ says Hedrick.

‘The Owner, Driver – Partner model is in action with a new senior team member taking equity in the last financial year alongside three other senior firm members. The combination, I believe, has helped contribute to the underlying turnaround in our financial performance,’ he says.

McGeagh concurs: ‘We have seen an immediate uplift. The alignment of values together with improved governance and drawing upon the support of CountPlus has delivered a platform for growth across the spectrum of the firm.’

‘Kidmans Partners clients, staff and key stakeholders will all benefit from the continued growth and maturity of our firm.’



Robson Partners

David Evers

Chartered Accountant, practice Director and wealth adviser David Evers understands the value of a fully integrated strategic investment.

'We spend a lot of time with clients – typically small to medium enterprises and self-managed super fund clients – working through the nuances of their overall strategy, and providing ongoing support to them as trusted advisers,' he says.

So, having recently decided to purchase back shares and participate in the Owner, Driver – Partner equity model, how does he characterise his own strategic investment in the firm?

'It's about financial stability, and having ownership in the business that we control. It's also about the capacity to introduce new equity partners to have their own 'skin in the game' and succession planning. But also, importantly, it provides the firm and its people greater continuity and purpose,' he says.

Mr Evers has garnered a lot of knowledge about purposeful decisions. Joining in 2001, he is today the Managing Director and Head of the Financial Services Division at NSW-based Robson Partners, another Member firm in the CountPlus national network.

The capital backing of CountPlus enabled the recent completion of equity purchase by the principals, together with the 'tuck-in' of accounting practice Walker & Andrews.

'The potential synergies of the two operations (Robson Partners and Walker & Andrews) are there to be realised, as well as elevating the level of growth and support for two firms, well beyond what existed as separate individual practices.'

'It's important when making these decisions to have the financial backing of a bigger balance sheet partner like CountPlus. The reality is we are only as strong as the weakest partner's individual balance sheet, so to have that additional financial support has been welcome,' he says.

A portrait of Mark Rantall, a middle-aged man with grey hair and glasses, wearing a dark suit, white shirt, and striped tie. He is sitting in a chair and smiling slightly. The background is a blurred office setting. The name 'Mark Rantall' is overlaid in large, bold, blue letters on the bottom left of the image.

Mark Rantall

Non-executive Director – Firm Boards

As an accomplished non-executive Director currently guiding firms in the CountPlus member network, Mark Rantall epitomises a relentless focus required to optimise company performance and cement immutable frameworks for the consistent delivery of client best interest outcomes.

Bringing a unique track record as champion of professionalism and higher ethical standards within the financial planning sector, Mr Rantall's appointment to the Boards of CountPlus firms TFS Australia, Twomeys, Advantage and Hood Sweeney speaks volumes of the significant investment the Company has made in guiding the grass roots renewal of its Member firms.

'Three specific focus areas really underpin my input,' says Mr Rantall. 'They include governance, accountability and leveraging the network or community of firms for mutual benefit.'

He says the simple act of introducing heightened governance structures within firms has a dual benefit: promoting an appropriate culture of transparency, and empowerment through applying the security of corporate-level checks and balances.

'Add accountability to the mix and the combination is incredibly powerful. The shift towards embracing a genuine focus within the firms is tangible, remembering that some of the firms are themselves small business operations.'

'And finally, by leveraging our network – adapting and sharing the learnings of our combined experience – builds an authentic pool of wisdom,' Mr Rantall says.

'CountPlus has the expression: generating a decent profit, decently. I have witnessed first-hand the flow-through benefits that our focus has generated, not least of which is the growth of the personal pride and integrity of the people within the companies I oversee.'

It doesn't get any more decent than that.

FINANCIAL SUMMARY

	2016 \$'000	2017* \$'000	2018 \$'000	2018 / 2017 change %
Total net revenue¹	87,617	82,381	74,386	(9.7)
Non-cash fair value adjustments ²	16,294	–	–	0
Other income	2,396	2,662	3,300	24
Total operating expenses³	(81,641)	(81,481)	(73,369)	(10)
EBITA before profit from associates	24,666	3,562	4,317	21.2
Share of profit from associates ⁴	1,111	892	828	(7.2)
Earnings before interest, tax and amortisation (EBITA)⁵	25,777	4,454	5,145	15.5
Interest expense ⁶	(1,293)	(1,157)	(463)	(60)
Amortisation ⁷	(2,673)	(2,728)	(2,070)	(24.1)
Profit before tax	21,811	569	2,612	359.1
Income tax expense ⁸	(7,831)	(769)	(300)	(61)
Net profit / (loss) from operations after income tax⁹	13,980	(200)	2,312	1,256
Profit / (loss) for the year from discontinued operations ¹⁰	–	1,075	(1,465)	(236.3)
Profit for the year	13,980	875	847	(3.2)
Profit attributable to owners of CUP	13,392	(106)	(176)	(66)
Profit attributable to non-controlling interest	588	981	1,023	4.3
Basic and diluted earnings per share (cents)	12.13	(0.10)	(0.16)	(60)
Current assets	29,061	31,588	26,566	(15.9)
Current liabilities	19,293	21,322	10,961	(48.6)
Current ratio	1.51	1.48	2.42	63.6
Non-current assets ¹¹	90,456	66,958	48,711	(27.3)
Non-current liabilities ¹²	37,469	19,474	3,528	(81.9)
Net assets	62,755	57,750	60,788	5.3
Net (debt) / cash ¹³	(19,277)	(5,294)	8,975	269.5

* **Note:** 2017 figures include a reallocation of a discontinued operation which occurred in the 2018 financial year.

Notes to Financial Summary

1. Net revenue

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

Accounting related revenue represents 73% of total net revenue and was down on the prior period by 9.7%. Financial planning revenue makes up 23% of total net revenue and was down 12%. Total net revenue was down on last year by 9.7% primarily due to exited firms.

2. Non-cash fair value adjustments

Non-cash fair value adjustment relates to the fair value gain on Class Limited shares held by the Company in FY16. During FY17 CountPlus Limited and its subsidiaries sold 5,205,540 Class Limited shares, and the balance of 1,122,000 shares were sold in FY18.

3. Operating expenses

Total operating expenses are down 10% on the prior period. This is primarily due to exited firms. Corporate office salary and employment expenses were higher by 17% due to restructure costs, changes in key positions and the Board.

4. Share of profits from associates

This item is made up of the Group's share of profits from two associates as disclosed in the Notes to the Financial Statements; namely Hood Sweeney and Hunter Financial.

5. EBITA

EBITA increased by 15.5%. Underlying EBITA is marginally lower than the prior year in a year of significant change and reorganisation.

6. Interest expense

The Company has a financing facility with Westpac Banking Corporation and will be used primarily to fund new investments. Interest expense decreased by 60% as a result of significant loan reductions following the sale of Class Limited shares, sale of member firms and a more methodical approach to working capital management.

7. Amortisation

Amortisation (non-cash) of \$2.1M (2017: \$2.7M) 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.

8. Income tax expense

Income tax expense for FY18 is relatively lower mainly due to a tax loss on the sale of the business unit of Pacific East Coast (KPEC).

9. Net profit / (loss) from operations after income tax

Net profit after tax was \$2.3M for the period as a result of non-cash impairment expense \$4.7M. Loss attributable to CUP shareholders was \$0.2M.

10. Profit / (loss) for the year from discontinued operations

The profit / (loss) on discontinued operations relates to the sale of the business unit KPEC.

11. Non-current assets

Non-current assets are down 27% over the prior period as a result of the sell down of Class shares, the non-cash impairment of Goodwill and firms exited.

12. Non-current liabilities

Non-current liabilities are down 82% over the prior period due to repayment of debt, reduction in deferred tax liabilities and firms exited.

13. Net (debt) / cash

Net Cash is up 270% over the prior period due to sale of non core firms, investments and a more methodical approach to working capital management.

COUNTPLUS BOARD



Ray Kellerman

Ray has over 30 years of experience in the financial services industry including in the funds management, financial advisory, life insurance and corporate and structured finance industries. Previous appointments include Independent Chairman of ClearView Wealth, an ASX listed life insurance and financial services company, and Independent Chairman of Credit Suisse Asset Management Australia. Prior to this he was with Perpetual Trustees Australia for 10 years before establishing his own financial services and compliance advisory business in 2001.

Ray is an owner and Executive Director of Quentin Ayers, an implemented asset advisor specialising in alternative private market investments. He holds qualifications in law, economics, investment securities and management.

Ray currently acts as a director for Goodman Funds Management Australia, Foundation Life New Zealand and Ryder Capital. He is also active in a number of governance related roles for some major fund managers operating in Australia.

Ray was appointed a Director of CountPlus in January 2017 and Chairman in April 2017.

Alison Ledger

Alison has more than 30 years of experience in the financial services industry. She has held senior operational and strategic roles in banking, funds management and insurance with Chase, Bankers Trust and IAG. As a Partner with McKinsey Company, Alison advised some of the leading global and Australian banks on strategy and organisational change.

Alison's more recent experience has been in digital transformation and customer experience (CX). As Executive General Manager of Product, Pricing and eBusiness, Alison ran IAG's digital business and CX for the consumer brands including NRMA, SGIO and SGIC.

Alison is Chair of CountPlus' Remuneration and Nominations Committee and a member of the Audit and Risk Committee. She is also a Non-Executive Director of Latitude Financial Services and Audinate Group Ltd.

Alison holds a Bachelor of Arts (Hons) in Economics from Boston College and an MBA from Harvard University. She is also a graduate of the Australian Institute of Company Directors.

CountPlus Board *left to right:*
Ray Kellerman, Alison Ledger, Kate Hill,
Andrew McGill and Matthew Rowe.

Kate Hill

Kate Hill is an independent Non-executive Director of CountPlus Limited, chairman of the Audit and Risk Committee and member of the Acquisitions Committee. She has over 20 years' experience as an audit partner with Deloitte Touche Tohmatsu, working with ASX listed and privately owned clients. She has worked extensively in regulated environments including assisting with Initial Public Offerings, capital raising and general compliance, as well as operating in an audit environment.

Kate is also an Independent Non-Executive Director of Elmo Software Limited (ASX:ELO) where she serves as Chair of the Audit and Risk Committee, and is a member of the Remuneration and Nominations Committee. She is the Company Secretary of Kazia Therapeutics Limited (ASX:KZA, Nasdaq: KZIA). She held a variety of leadership and executive roles in Deloitte and served for a period on the Board of Partners of the Australian firm.

Kate holds a Bachelor of Science (Hons) from Bristol University, is a member of the Institute of Chartered Accountants in Australia and New Zealand, and a graduate of the Australian Institute of Company Directors.

Andrew McGill

Andrew has more than 27 years' financial markets experience, including investment and management experience within the alternative asset sector and the funds management industry generally. He was previously Managing Director and CEO of ASX-listed Pacific Current Group Limited and in this capacity also served on the board of a number of affiliated companies. Prior to joining Pacific Current Group, he was a founding partner of Crescent Capital Partners, an independent mid-market private equity firm where he worked from 2000 to 2010. Earlier in his career, Andrew held executive roles within Macquarie Bank's Corporate Finance and Direct Investment teams. He was also a consultant with The LEK Partnership, an international firm of business strategy consultants.

Andrew is currently Chairman of PM Capital Global Opportunities Fund Limited and Non-Executive Director of PM Capital Asian Opportunities Fund Limited. He also serves as a member of the Council of Kambala Girls School.

Andrew holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales and a Graduate Diploma in Applied Finance (FinSIA). He is also a Fellow of the Financial Services Institute of Australasia.

Matthew Rowe

Matthew Rowe is the former Managing Director of Hood Sweeney, the 30th largest Accounting firm in Australia and twice a BRW top 10 fastest growing firm. Matthew successfully managed his transition and succession from the business to attend Harvard Business School. Matthew was also the longest serving Chairman in the history of the Financial Planning Association of Australia and represented Australia on the Global Standards Body.

In 2017, Matthew was appointed by the Minister for Revenue and Financial Services to the Board of the Financial Adviser Standards and Ethics Authority.

Matthew brings to CountPlus a track record in leading a high performing professional services organisation, strong corporate and regulatory experience, as well as being recognised as a successful change agent within financial services.

Matthew was appointed a Director of CountPlus in October 2016 and CEO in February 2017.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of CountPlus Limited ('Company', 'CUP') and the entities it controls, for the financial year ended 30 June 2018.

Board of Directors and Company Secretary

The following persons were Directors and Company Secretaries of CountPlus Limited during the financial year and up to the date of this report:

Name	Position	Date of Appointment / Resignation	
Ray Kellerman	Chairman	Appointed	27 April 2017
Matthew Rowe	Managing Director and CEO	Appointed	24 February 2017
Alison Ledger	Independent Non-Executive Director	Appointed	1 October 2016
Kate Hill	Independent Non-Executive Director	Appointed	26 June 2017
Andrew McGill	Independent Non-Executive Director	Appointed	4 December 2017
Laurent Toussaint	CFO and Company Secretary	Appointed	29 June 2018
Barry Lambert	Non-Executive Director	Retired	30 September 2017
Graeme Fowler	Independent Non-Executive Director	Retired	30 September 2017
Arlette Jubian	Company Secretary	Resigned	28 November 2017
Angus Finney	Company Secretary	Resigned	29 June 2018

Information on the current Directors including their experience, expertise and other current directorships (including former directorships) of publicly listed companies, is contained in the Board Profile Report on pages 18 and 19.

Meetings of Directors

The Board of Directors has an Audit and Risk Committee, an Acquisition Committee and a Remuneration and Nominations Committee. The Members acting on the Committees of the Board, the number of meetings held during the year ended 30 June 2018, and the number of meetings attended by each Director were:

Name	Directors' Meetings		Audit and Risk Committee		Acquisitions Committee		Remuneration and Nominations Committee	
	Position	Meetings Attended	Position	Meetings Attended	Position	Meetings Attended	Position	Meetings Attended
Ray Kellerman	Non-Executive Chair	5 / 5	Member	4 / 4	–	–	Member	2 / 2
Matthew Rowe	Managing Director and CEO	5 / 5	Attendee	4 / 4 ¹	Member	1 / 1	Attendee	2 / 2 ¹
Alison Ledger	Non-Executive Director	5 / 5	Member	4 / 4	–	–	Chair	2 / 2
Kate Hill	Non-Executive Director	5 / 5	Chair	4 / 4	Member	1 / 1	–	–
Andrew McGill	Non-Executive Director	2 / 2	Attendee	2 / 2 ¹	Chair	1 / 1	Member	1 / 2 ⁴
Barry Lambert²	Non-Executive Director	2 / 2	Member	0 / 1	–	–	–	–
Graeme Fowler³	Non-Executive Director	1 / 2	Member	–	–	–	–	–

¹ Non-Members in attendance

² Barry Lambert retired as a Director on 30 September 2017

³ Graeme Fowler retired as a Director on 30 September 2017

⁴ Andrew McGill was appointed as a Director on 4 December 2017

Principal Activities

The principal activities of the Company and its controlled entities (the Group) in the course of the financial year were:

- ▶ accounting, tax and audit services; and
- ▶ financial advice in relation to personal insurance, investment and superannuation.

Review of Operations and Financial Results

The Directors of CountPlus Limited report a consolidated net profit after tax of \$847,000 for the year ending 30 June 2018.

The new management team has been focussed on working with our firms to improve the key financial and strategic drivers within our partner firms which is reflected in financial results for the year ending 30 June 2018.

Capital Management

There is a significant reduction in interest-bearing debt from 30 June 2017 of \$13,578,000 to \$2,023,000 at 30 June 2018. This has been achieved through the sale of our shareholding in Class Limited as well as a result of the exit of some of our member firms resulting from our strategic review.

Firms that offer little or no capacity for strategic value enhancement by CountPlus will not form part of the Company's two-year renewal program. The sale of selected firms has recovered our initial cash outlay/ investment as well as contributing funds to reduce our debt.

Significant Changes in the State of Affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- ▶ On 1 July 2017, CountPlus Limited sold 100% of its interest in its subsidiary Audit Service Company Pty Ltd (CountPlus National Audits). The consideration for the sale was \$1,100,000, with the transaction settled on 31 July 2017.
- ▶ On 1 July 2017, CountPlus Limited sold 100% of its interest in its subsidiary Twomeys Accounting and Advice Pty Ltd. The consideration for the sale was \$1,350,000, with the transaction settled on 31 July 2017.
- ▶ On 1 July 2017, CountPlus Limited sold 100% of its interest in its subsidiary Twomeys Wagga Financial Planning Pty Ltd. The consideration for the sale was \$350,000, with the transaction settled on 31 July 2017.
- ▶ On 8 July 2017, CountPlus Limited's 100% owned subsidiary Total Financial Solutions Australia Ltd sold its 49% equity interest in McQueen Financial Group Pty Ltd (effective date was 1 July 2017). The consideration for the sale is \$2,396,000. 40% of the sale consideration was paid on 31 August 2017. The remaining 60% is to be paid as follows: 20% in August 2018, 20% in August 2019 and 20% in August 2020.
- ▶ On 15 September 2017, CountPlus Limited's 100% owned subsidiary Total Financial Solutions Australia Ltd sold its 30% equity interest in Nixon Financial Services Pty Ltd (effective date was 1 July 2017). The consideration for the sale is \$394,000. \$197,000 of the consideration was paid on completion. The remaining portion is payable over 4 equal instalments annually starting September 2018.
- ▶ On 27 February 2018, Pacific East Coast was sold for \$3,444,000 realising a loss for the year from discontinued operations of \$1,465,000.
- ▶ On 15 March 2018, the sale of a business unit of Achieve Corporation, the payroll processing business unit in our Canberra firm was completed for a total consideration of \$2,020,000.
- ▶ On 1 May 2018, CountPlus Limited's subsidiary Robson Partners Pty Ltd acquired 100% of the business assets of Walker & Andrews Pty Ltd.
- ▶ On 1 May 2018, CountPlus Limited's subsidiary Robson Partners Pty Ltd completed an equity buy-back program by its Principals for 30% of the firm's equity, under the CountPlus 'Owner, Driver – Partner' model.
- ▶ On 1 May 2018, CountPlus Limited's 100% owned subsidiary Mogg Osborne Pty Ltd completed an equity buy-back program by its Principals for 35% of the firm's equity, under the CountPlus 'Owner, Driver – Partner' model.
- ▶ On 1 June 2018, CountPlus Limited's subsidiary Kidmans Partners Pty Ltd conducted a capital raising of \$2,150,000. This sum was satisfied by issuing ordinary shares to CountPlus, with the remainder from other existing and new shareholders under the CountPlus 'Owner, Driver – Partner' model.
- ▶ On 21 June 2018, CountPlus Limited's subsidiary Specialised Business Solutions Pty Ltd completed a cash-backed share buy-back transaction pursuant to Section 257B of the Corporations Act for \$893,000.

Dividends

There were no dividends declared or paid during the 2018 financial year. Consistent with our renewed and disciplined approach to capital management we have revised our dividend policy to move from quarterly to half-yearly dividend payments, which will coincide with the Company's bi-annual financial reporting periods. It is also intended that dividends will be declared in the range of 40% to 70% of maintainable net profit after tax and minority interests, subject to market conditions and company performance. The declaration will be made after Board approval of the reporting results of CountPlus. After financial year end 30 June 2018, the Board has approved a final dividend of 1 cent per fully paid share to be paid on 17 October 2018 (Record date 28 September 2018). Further information is contained in the Chairman's Report and Chief Executive Officer's Report on pages 4 – 7.

Matters Subsequent to the End of the Financial Year

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial year;
- (b) the results of those operations in future financial year; or
- (c) the consolidated entity's state of affairs in future financial year.

Other than the following:

The details for the full year final dividend for FY18 are disclosed in note 32.

Likely developments, Business Strategies and Prospects

A letter has been sent to shareholders providing a report into the operational and strategic initiatives being driven by the Company. Due to decisive action on key matters that has been undertaken, growth in the Company's financial performance is anticipated. Our strategic pathway is endorsed by a refreshed CountPlus Board. As we re-position the Company we are building the capacity to undertake merger and acquisition opportunities at a time of unprecedented change in our core business segments.

Our Core Business

The Company's core business is Accounting, Business Advisory and Financial Planning services. Over the next year the Company will align, build, and grow its core business.

Material Business Risks

The main risks for the Group are classified into two categories, operational and legislative. Group risks are regularly assessed by the Board and the Board's Audit and Risk Committee. Risks are addressed in an appropriate manner and are reflected through changes in Group policies as required.

Operational Risk

The main operational risk for our Member Firms relates to potential loss of clients which may be triggered by either senior team departures or declining service levels. Member Firms have regular board and management meetings in which the performance of the firm and forecasts are analysed. Any operational issues are also addressed at those meetings. Member Firm Principals are subject to restraint clauses as part of their employment contracts. In addition, all Principals have succession plans in place.

Training and compliance monitoring have been implemented to ensure standards are being met.

A further operational risk relates to inappropriate or inadequate client advice. All firms are required to have quality assurance processes and appropriate professional indemnity insurance either directly or as part of the Group policy. Member Firms who are part of the Count Financial dealer group (a subsidiary of the Commonwealth Bank of Australia) are covered under Count Financial's professional indemnity insurance arrangements for their financial planning services.

Legislative Risk

In terms of legislative risk, any substantive changes that impact the provision of accounting/tax services or financial planning services in particular, could have a material impact on the Group. For accounting/tax related services, initiatives being considered by the Federal Government to further reduce the requirement for individuals to lodge tax returns may have some impact on the compliance-based work for some Member Firms. Legislative risk is not currently expected to significantly impact the profitability of accounting-based Member Firms and the Group, but it will continue to be closely monitored by the Board's Audit and Risk Committee.

In addition to the two main risk categories, the following are some of the additional risks assessed by the Board:

- ▶ **Turn-around risk:** risk relating to staff changes, policies changes and change management.
- ▶ **Expense management:** failure to control expenses such as staff costs would result in earnings for CountPlus not reflecting revenue performance by member firms.
- ▶ **Owner, Driver – Partner model:** the timing and implementation of this initiative will be subject to the underlying performance of the participating firms.

Remuneration Report (audited)

This report outlines the remuneration arrangements in place for the Company's Directors and Executives in accordance with requirements of the Corporations Act 2001 (the Act) and its regulations. This section of the Directors' Report has been audited by the Company's external auditors, Grant Thornton as required by section 308(3C) of the Act.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee of the Board of Directors of CountPlus Limited is responsible for determining and reviewing remuneration arrangements for the Directors and group executives.

The Committee's purpose is to:

- ▶ Make recommendations to the Board of Directors in relation to the remuneration of Executive and Non-Executive Directors;
- ▶ Review and approve Executive Directors and Senior Management remuneration policy for the parent entity; and
- ▶ Evaluate potential candidates for Executive positions, oversee the development of Executive succession plans and evaluate potential candidates for Non-Executive Director positions.

Any decision made by the Committee concerning an individual Executive's remuneration is made without the Executive being present at the meeting. No remuneration consultants were used during the year.

Voting and comments made at the Company's 2017 Annual General Meeting

At the 2017 AGM, 97.15% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2017. It is noted that only 2.39% of all securities voted against the remuneration report.

Remuneration Policy

Remuneration arrangements are based on an assessment of the appropriateness of the nature and amount of emoluments of the Directors and other Key Management Personnel, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

The objective of the consolidated entity's Executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The Board ensures that Executive reward satisfies the following key criteria for good reward governance practices:

- ▶ competitiveness and reasonableness;
- ▶ acceptability to shareholders; and
- ▶ performance linkage/alignment of executive compensation.

The Company has structured an Executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation. To assist in achieving these objectives, the Remuneration and Nominations Committee links the nature and amount of Executive Directors' and Officers' remuneration to the Company's financial and operational performance.

Remuneration Structure

The Board has established a Remuneration and Nominations Committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for Executive Directors, other senior executives and Non-Executive Directors.

Non-Executive Directors

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Non-Executive Directors of a high calibre, whilst incurring a cost which is acceptable to shareholders.

The ASX Listing Rules specify that any increase in the total aggregate remuneration of Non-Executive Directors shall be determined by a general meeting. Any increase in aggregate remuneration will be put to shareholders for approval.

Group Executives

The main principle underlying the Company's employee remuneration policy is to ensure rewards are commensurate with the Company's objectives and the results delivered.

Specifically, this is achieved by ensuring:

- ▶ Remuneration reflects each employee's position and responsibilities within the Company;
- ▶ The interests of all employees are aligned with those of shareholders;
- ▶ Rewards are linked with the strategic goals and performance of the Company; and
- ▶ Total remuneration is competitive by market standards.

Member Firm Principals

Remuneration packages of Member Firm Principals are determined by each Firm's Board of Directors in consultation with the Company. In determining remuneration levels consideration is given to the Member Firm's contribution to Group performance and comparative information to other Member Firms and the industry. Member Firm Principals may qualify for equity entitlements under the Group's loan funded share plan.

Member Firm Employees

Remuneration of employees of Member Firms is determined by the Executive Management of each Firm. As a minimum, each employee receives an annual performance review which includes a review of remuneration. Remuneration for employees is set with regard to their individual performance and contribution to the Firm, cost of living increases and market benchmarks for the relevant geographical area.

All employees are generally remunerated with a base salary and superannuation at the statutory rate. Annual cash bonuses may also be paid based on individual performance. Employees may qualify for equity entitlements under the Group's loyalty equity plan and loan funded share plan.

Contractual Arrangements

Non-Executive and Executive Directors

Non-Executive Directors do not have fixed-term contracts with the Company. On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation. Remuneration and other terms of employment for Group Executives are also formalised in service agreements. Each of these agreements provide for the provision of performance related cash bonuses and other benefits (which may include, car allowances, car parking and participation in any equity scheme). Other major provisions of the agreements relating to remuneration are set out below.

The CEO and Managing Director Matthew Rowe commenced his employment contract on 24 February 2017 (back-dated). Mr Rowe's appointment is for a five year period. Either party has the right to give notice per the terms of the employment agreement during the period.

Mr Rowe will receive an annual base salary of \$410,000 plus superannuation and has a short-term incentive up to 100% of his base salary commencing 1 July 2017 and assessed to 30th June 2018. Key performance metrics are set by the CountPlus Board and performance is assessed by the Board in its absolute discretion against these metrics.

Where Mr Rowe is eligible for payment of a short-term incentive, payment is as follows:

- ▶ 2/3rd cash payment within 30 days of the Approval Date;
- ▶ 1/6th cash payment 12 months from the Approval Date; and
- ▶ the remaining 1/6th cash payment 24 months from the Approval Date.

Long-Term incentive

Subject to both shareholder approval at the relevant Annual General Meetings held in or around November each year and the absolute discretion of the Board, on an annual basis, Mr Rowe may be granted a specific number of performance rights for shares in the Company. Performance Rights are an entitlement to be allocated a share in CountPlus at a future time, subject to the satisfaction of various performance and employment hurdles set out in page 32 of this report.

Member Firm Principals

The majority of Member Firm Principals do not have fixed-term contracts with the Company but can be terminated without cause with written notice between 12 weeks to 6 months depending on contract terms.

In the event of retrenchment, the Executives listed above, and Member Firm Principals are entitled to the written notice or payment in lieu of notice as provided in their service agreement. The contracts of Executives and Member Firm Principals include a restraint clause post-employment of up to 12 months, to ensure that valuable knowledge and experience is not accessed by competitors.

Company Performance and the Link to Remuneration

The Company's remuneration policy aims to achieve a link between the remuneration received by Key Management Personnel and the creation of shareholder wealth. This is attained via the inclusion of an EPS and ROE growth target criteria for the following performance linked initiatives: the entitlement to loan funded shares, future entitlements under the Company's share loyalty plan and cash bonuses for Group Executives.

Remuneration of Key Management Personnel

Details of the remuneration of the Directors and other Key Management Personnel of the Group (as defined in AASB 124 Related Party Disclosures) are set out below.

2018	Short Term Employee Benefits			Post Employment Benefits	Other Long Term Benefits	Termination Benefits	Share Based Payment	Total \$	% of Variable Remuneration
	Salary and Fees	Bonus	Other	Superannuation	Long Service Leave*	Termination Benefits	Performance Rights		
	\$	\$	\$	\$	\$	\$	\$		
Non-Executive Directors									
Alison Ledger	65,000	–	–	6,175	–	–	–	71,175	0%
Andrew McGill¹	37,500	–	–	3,562	–	–	–	41,062	0%
Barry Lambert²	16,250	–	–	1,544	–	–	–	17,794	0%
Kate Hill	65,000	–	–	6,175	–	–	–	71,175	0%
Graeme Fowler³	16,250	–	–	1,544	–	–	–	17,794	0%
Raymond Kellerman	91,324	–	–	8,676	–	–	–	100,000	0%
Executive Directors									
Matthew Rowe (Managing Director/CEO)	423,950	266,500	–	20,049	709	–	13,694	724,902	39%
Key Management Personnel									
John Collier (CFO)⁴	143,983	–	–	9,176	–	–	–	153,159	0%
Jonathon Mark Chapman (COO)⁵	17,456	–	–	1,658	179	–	–	19,293	0%
Laurent Toussaint (CFO/ Company Secretary) ⁶	134,209	25,000	–	9,230	246	–	–	168,685	15%
Total	1,010,922	291,500	–	67,789	1,134	–	13,694	1,385,039	

2017	Short Term Employee Benefits			Post Employment Benefits	Other Long Term Benefits	Termination Benefits	Share Based Payment	Total \$	% of Variable Remuneration
	Salary and Fees	Bonus	Other	Superannuation	Long Service Leave*	Termination Benefits	Employee Loyalty Share Plan		
	\$	\$	\$	\$	\$	\$	\$		
Non-Executive Directors									
Graeme Fowler	65,000	–	–	6,175	–	–	–	71,175	0%
Barry Lambert	86,734	–	–	8,259	–	–	–	94,993	0%
Alison Ledger	48,750	–	–	4,631	–	–	–	53,381	0%
Ray Kellerman	34,381	–	–	3,266	–	–	–	37,647	0%
Kate Hill	1,250	–	–	119	–	–	–	1,369	0%
Executive Directors									
Matthew Rowe (Managing Director/CEO)	158,548	–	1,018	26,607	242	–	–	186,415	0%
Philip Rix (Executive Director)	100,732	–	231	13,457	2,944	–	–	117,364	0%
Phillip Aris (Managing Director/CEO)	333,434	–	–	24,968	–	251,467	–	609,869	0%
Key Management Personnel									
John Collier (CFO)	295,851	–	–	34,967	687	–	7,353	338,858	2%
Total	1,124,680	–	1,249	122,449	3,873	251,467	7,353	1,511,071	

* This amount reflects the expense recognised in the financial statements in accordance with the Corporations Regulation and not the amount that is owing to these directors.

¹ Andrew McGill was appointed as a Director on 4 December 2017.

² Barry Lambert retired as a Director on 30 September 2017.

³ Graeme Fowler retired as a Director on 30 September 2017.

⁴ John Collier was appointed as the CFO on 19 October 2015 and resigned as the CFO on 29 November 2017.

⁵ Jonathon Chapman was appointed as the COO on 4 June 2018.

⁶ Laurent Toussaint was appointed as the CFO on 22 January 2018.

The elements of remuneration have been determined on the basis of the cost to the Company and the consolidated entity.

Directors' Interests

At the date of this report, the relevant interests of the Directors in the shares of CountPlus Limited, as notified to the Australian Securities Exchange in accordance with the Corporations Act 2001 (Cth), are:

Disclosures relating to shares:

Directors	Balance at the start of the year	Granted as remuneration during the year	Purchased in FY18 and until issuance of this report	Forfeited	Other*	Balance until issuance of this report
Barry Lambert	5,398,062	–	–	–	(5,398,062)	–
Graeme Fowler	18,595	–	–	–	(18,595)	–
Ray Kellerman	325,000	–	425,000	–	–	750,000
Matthew Rowe	563,048	–	144,729	–	–	707,777
Kate Hill	44,725	–	55,275	–	–	100,000
Alison Ledger	–	–	10,000	–	–	10,000
Andrew McGill	–	–	10,000	–	–	10,000
Other Key Management Personnel						
John Collier	178,791	–	–	(149,941)	–	28,850
Laurent Toussaint	–	–	20,000	–	–	20,000

* Other represents shares held at date of retirement, not necessarily a disposal of holding.

Equity plans

The Company operates three equity plans for employees. A loan funded share plan, an employee loyalty equity plan, and a long-term incentive plan. Two of these equity plans include key management personnel, these are the loan funded share plan and the long-term incentive plan. For further detail on the loan funded share plan, refer to note 35.

Loan funded share plan – key management personnel

On 21 November 2016 John Collier was granted 80,773 shares (valued at \$66,000). The shares for John Collier were fully excluded for FY18 following Mr Collier's departure from CountPlus.

All shares issued under the loan funded share plan expired or were forfeited, therefore there are no loan funded shares available for vesting.

Long-Term Incentive Plan

Performance Rights are issued by the Company to the Chief Executive Officer under its long-term incentive plan. The performance rights vest over three years on achievement of service conditions and non-market performance conditions.

Based on the 2017 long-term incentive award approved at the Annual General Meeting of 23 November 2017, the Chief Executive Officer has been granted the following Performance Rights:

Tranche 1	67,347 Rights
Tranche 2	67,346 Rights

Set out below is a table of the Performance Rights granted to the Chief Executive Officer.

Description	Grant date	Expiry date	Granted during the year	Exercised	Forfeited	Balance at end of the year
2017 LTI award	23 November 2017	22 November 2020	134,693	–	–	134,693

The performance conditions for tranche 1 are as follows:

Tranche 1 Performance Rights will vest if the Company's earnings per share (EPS) achieves a diluted compound earnings growth rate of between 10% and 12.5% per annum over three consecutive financial years commencing on 1 July 2017 (Diluted EPS Growth) as illustrated in the table below:

Diluted EPS Growth	% of Performance Rights in Diluted EPS Tranche that will vest
< 10% p.a.	0%
10% p.a.	20%
> 12.5% p.a.	100%

The performance conditions for tranche 2 are as follows:

Tranche 2 Performance Rights will vest if the Company's return on equity (ROE) is between 12% and 15% per annum over three consecutive financial years commencing on 1 July 2017 (Average ROE) as illustrated in the table below:

Diluted EPS Growth	% of Performance Rights in ROE Tranche that will vest
< 12% p.a.	0%
12% p.a.	20%
> 15% p.a.	100%

Both tranches vest on a straight line basis between 20% and 100%.

Other transactions with key management personnel

Managing Director and CEO Matthew Rowe is a Director and Investor in My Accounts Book Keeping (My Accounts). In FY18 CountPlus used the services of My Accounts for which it paid \$26,000 (excluding GST). CountPlus' 100% owned subsidiary countplus one Pty Ltd paid \$95,000 (excluding GST) in fees and disbursements to My Accounts. Mr Rowe did not participate or bear any kind of influence in decisions relating to transactions with My Accounts.

There are no other transactions which involved key management personnel during the financial year 2018.

End of audited Remuneration Report.

Indemnification and Insurance of Directors, Officers and Auditors

During the financial year, the Company paid premiums in respect of a contract insuring all the Directors and Officers of the Company against any claims and wrongful acts arising out of their conduct while acting in their capacity as Director or Officer of the Company. All Directors' and Officers' liability policies contain a Confidentiality Condition, which restricts the insured from disclosing certain information in regard to this insurance. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Company against a liability incurred as such by an officer or auditor.

Environmental Regulation

The consolidated entity is not regulated by any significant environmental regulations under the Laws of the Commonwealth, State or Territory.

Non-Audit Services

The auditors, Grant Thornton (including any other person or firm on the auditor's behalf) did not provide any non-audit services during the year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 (Cth) is on page 35.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, amounts in the financial report are rounded off to the nearest thousand Australian dollars unless otherwise indicated.

Corporate Governance Statement

The Company's Directors and management are committed to conducting the business of CountPlus Limited and its controlled entities (the Group) in an ethical manner. The Company has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) (Recommendations) to the extent appropriate to the size and nature of the Group's operations. The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.7.4 and 4.10.3, the Corporate Governance Statement will be available for review on CountPlus' website (www.countplus.com.au) (the Website) and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX. The Appendix 4G will identify each Recommendation that needs to be reported against by CountPlus and will provide shareholders with information as to where relevant governance disclosures can be found. The Company's corporate governance policies and charters and policies are all available on the Website.

This report is made in accordance with a resolution of the Directors.



Ray Kellerman

Director

Sydney

14 September 2018



AUDITOR'S INDEPENDENCE DECLARATION



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Auditor's Independence Declaration

To the Directors of Countplus Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Countplus Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

C F Farley
Partner – Audit & Assurance

Sydney, 14 September 2018

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Annual Report
Financial Statements **2018**

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Corporate Directory

DIRECTORS

Raymond Kellerman

Independent Non-Executive Director
Appointed 16 January 2017

Chairman

Appointed 27 April 2017

Alison Ledger

Independent Non-Executive Director
Appointed 1 October 2016

Kate Hill

Independent Non-Executive Director
Appointed 26 June 2017

Andrew McGill

Independent Non-Executive Director
Appointed 4 December 2017

Matthew Rowe

Non-Executive Director
From 1 October 2016 until 23 February 2017

Managing Director and Chief Executive Officer
Appointed 24 February 2017

Barry Lambert

Chairman
Until 26 April 2017

Non-Executive Director
Retired from Board 30 September 2017

Graeme Fowler

Independent Non-Executive Director
Retired from Board 30 September 2017

CHIEF FINANCIAL OFFICER

Laurent Toussaint

Appointed 22 January 2018

COMPANY SECRETARY

Arlette Jubian

Appointed 20 June 2012 and resigned 28 November 2017

Angus Finney

Appointed 28 November 2017 and resigned 29 June 2018

Laurent Toussaint

Appointed 29 June 2018

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 17, Suite 2
1 Margaret Street
Sydney NSW 2000
Telephone +61 2 8488 4500

SHARE REGISTRY

Computershare Investor Services Pty Ltd

Level 4, 60 Carrington Street
Sydney NSW 2000
Telephone 1300 855 080
+61 2 8234 5000
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INDEPENDENT AUDITORS

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BANKERS

Westpac Banking Corporation

STOCK EXCHANGE LISTINGS

CountPlus Limited shares are listed on the Australian Securities Exchange (ASX)

WEBSITE ADDRESS

www.countplus.com.au

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Total revenue from continuing operations	3,4	101,066	110,787
Fees, commissions and related costs	3,4	(26,680)	(28,406)
Total revenue from continuing operations		74,386	82,381
Other income			
Gain on deferred consideration adjustment		271	1,106
Gain on disposal of investments, business units and subsidiaries	4	2,258	802
Interest income		53	79
Other income		718	675
Total other income		3,300	2,662
Salaries and employee benefits expense	5	(52,207)	(56,744)
Amortisation expense		(2,070)	(2,728)
Depreciation expense		(842)	(837)
Premises expenses		(4,494)	(4,927)
Acquisition related expenses		(36)	(110)
Loss on disposals		–	(135)
Share based payment expense		(60)	(172)
Impairment of intangible assets	14	(4,700)	(5,001)
Fair value loss on investments		(2)	(337)
Fair value loss on disposal of investments		–	(1,125)
Finance costs		(463)	(1,157)
Other operating expenses	5	(11,028)	(12,093)
Total expenses		(75,902)	(85,366)
Share of net profit of associates accounted for using equity method	15	828	892
Profit from operations before income tax		2,612	569
Income tax expense	6	(300)	(769)
Net profit / (loss) from operations after income tax		2,312	(200)
(Loss) / profit for the year from discontinued operations	23	(1,465)	1,075
Profit for the year		847	875
Other comprehensive income, net of income tax			
Other comprehensive income, net of income tax		–	–
Other comprehensive income for the year, net of income tax		–	–
Total comprehensive income for the year, net of income tax		847	875
Net profit / (loss) attributable to:			
Owners of CountPlus Limited		(176)	(106)
Non-controlling interests		1,023	981
		847	875
Total comprehensive income / (loss) for the year is attributable to:			
Owners of CountPlus Limited		(176)	(106)
Non-controlling interests		1,023	981
		847	875
		Cents	Cents
Basic and diluted earnings / (loss) per share			
From continuing operations attributable to the ordinary owners of the company	34	1.17	(1.07)
From discontinued operations	34	(1.33)	0.97
Total basic and diluted loss per share attributable to the owners of the company	34	(0.16)	(0.10)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	10,998	8,284
Trade and other receivables	8	10,964	18,827
Loans and advances	9	205	115
Work in progress	10	4,340	4,362
Current tax receivable	12	59	–
TOTAL CURRENT ASSETS		26,566	31,588
NON-CURRENT ASSETS			
Loans and other receivables	8	1,300	2,554
Investments in associates	15	9,088	11,716
Other investments and financial assets	11	–	3,366
Deferred tax asset	12	390	–
Property, plant and equipment	13	3,705	4,328
Intangible assets	14	34,228	44,994
TOTAL NON-CURRENT ASSETS		48,711	66,958
TOTAL ASSETS		75,277	98,546
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	5,114	10,979
Interest bearing loans and borrowings	17	173	27
Current tax liabilities	12	–	3,590
Provisions	19	4,719	5,403
Other current liabilities	18	955	1,323
TOTAL CURRENT LIABILITIES		10,961	21,322
NON-CURRENT LIABILITIES			
Other payables	16	75	1,449
Interest bearing loans and borrowings	17	1,850	13,551
Deferred tax liabilities	10	–	1,640
Provisions	19	1,019	1,862
Other non-current liabilities	18	584	972
TOTAL NON-CURRENT LIABILITIES		3,528	19,474
TOTAL LIABILITIES		14,489	40,796
NET ASSETS		60,788	57,750
EQUITY			
Contributed equity	20	121,583	121,583
Reserves	21	(51,363)	(64,566)
Accumulated losses	22	(15,439)	(2,955)
Capital and reserves attributable to owners of CountPlus Limited		54,781	54,062
Non-controlling interests	24	6,007	3,688
TOTAL EQUITY		60,788	57,750

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2018

	Note	Attributable to owners of CountPlus Limited					Total \$'000	Non- controlling interests (NCI) \$'000	Total \$'000
		Issued Capital \$'000	Treasury Shares* \$'000	Accumulated Losses \$'000	Share Based Payment Reserve \$'000	Acquisition Reserve \$'000			
Balance at 1 July 2017		126,566	(4,983)	(2,955)	1,434	(66,000)	54,062	3,688	57,750
Profit for the year		–	–	(176)	–	–	(176)	1,023	847
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income for the year		–	–	(176)	–	–	(176)	1,023	847
Transactions with owners in their capacity as owners									
Transactions with non-controlling interests (NCI)	24	–	–	–	–	835	835	1,961	2,796
Share based payments for loan funded share plan (LFSP)		–	–	–	46	–	46	–	46
Share based payments for long term incentives		–	–	–	14	–	14	–	14
Application of dividends to LFSP		–	–	–	–	–	–	–	–
Transfer to accumulated losses [^]	22	–	–	(12,308)	–	12,308	–	–	–
Dividends provided for or paid ^{**}	24,25	–	–	–	–	–	–	(665)	(665)
Balance at 30 June 2018		126,566	(4,983)	(15,439)	1,494	(52,857)	54,781	6,007	60,788

	Note	Attributable to owners of CountPlus Limited					Total \$'000	Non- controlling interests (NCI) \$'000	Total \$'000
		Issued Capital \$'000	Treasury Shares* \$'000	Retained Earnings / (Accumulated Losses) \$'000	Share Based Payment Reserve \$'000	Acquisition Reserve \$'000			
Balance at 1 July 2016		126,496	(4,913)	2,783	1,122	(66,000)	59,488	3,267	62,755
Profit for the year		–	–	(106)	–	–	(106)	981	875
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income for the year		–	–	(106)	–	–	(106)	981	875
Transactions with owners in their capacity as owners									
Issue of shares ^{***}		70	(70)	–	–	–	–	–	–
Transactions with non-controlling interests (NCI)	24	–	–	–	–	–	–	(158)	(158)
Share based payments for loan funded share plan (LFSP)		–	–	–	204	–	204	–	204
Application of dividends to LFSP		–	–	–	177	–	177	–	177
Transfer to retained earnings / accumulated losses [^]	22	–	–	69	(69)	–	–	–	–
Dividends provided for or paid ^{**}	24,25	–	–	(5,701)	–	–	(5,701)	(402)	(6,103)
Balance at 30 June 2017		126,566	(4,983)	(2,955)	1,434	(66,000)	54,062	3,688	57,750

* The Company has formed a trust to administer a Loan Funded Share Plan. Shares held by the trust are disclosed as Treasury Shares and deducted from contributed equity.

** This amount includes the dividends applied to the loan funded share plan.

*** Issue of shares includes shares issued to employees of \$0 in 2018 (2017: \$70,000).

[^] This amount includes dividends relating to the loan funded share plan that did not meet vesting conditions.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers (inclusive of goods and services tax)		120,468	119,701
Payments to suppliers and employees (inclusive of goods and services tax)		(113,734)	(108,110)
		6,734	11,591
Dividends received		–	116
Interest received		53	79
Interest paid		(463)	(1,157)
Income taxes paid		(1,271)	(2,970)
<i>Net cash from continuing operating activities</i>		5,053	7,659
<i>Net cash from discontinued operating activities</i>		(259)	327
Net cash inflow from operating activities	33	4,794	7,986
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property, plant and equipment		294	–
Proceeds from sales under the Owner, Driver – Partner model		3,447	–
Proceeds from sale of shares in Class Limited		3,385	16,053
Proceeds from sale of KPEC	23	3,445	–
Proceeds from sale of subsidiaries, business units and associates		5,983	1,827
Purchase of property, plant and equipment		(493)	(1,053)
Payment for acquisition of subsidiaries / business assets	31	(750)	(3,011)
Income taxes paid on the sale of shares in Class Limited		(3,741)	–
Dividends / distributions received from associates entities		665	1,049
Payment for deferred consideration on acquisition of controlled entities and associates		(478)	(542)
<i>Net cash from continuing investing activities</i>		11,757	14,323
<i>Net cash from discontinued investing activities</i>		(83)	(161)
Net cash inflow from investing activities		11,674	14,162
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		38,333	27,635
Repayment of borrowings		(49,858)	(39,693)
Proceeds of borrowings / hire purchase and lease liabilities		(30)	21
Proceeds from repayment of loan in respect of dividends received on loan funded shares		–	223
Payment of dividends to equity holders		–	(7,992)
Payment of dividends by controlled subsidiaries to non-controlling interests		(1,305)	(402)
<i>Net cash from continuing financing activities</i>		(12,860)	(20,208)
<i>Net cash from discontinued financing activities</i>		–	–
Net cash outflow from financing activities		(12,860)	(20,208)
Net increase in cash and cash equivalents held		3,608	1,940
Cash and cash equivalents at beginning of year		8,284	6,344
<i>Included in disposal group</i>		(894)	–
Cash and cash equivalents at end of financial year	7	10,998	8,284

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

1 General information

CountPlus Limited ('the Company') is a listed public company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange ('ASX'). The consolidated financial report of the Company for the year ended 30 June 2018 ('the financial report') comprises the Company and its controlled entities ('the Group'). CountPlus Limited is the ultimate parent entity in the Group.

The Group's core business is to collaborate with leading accounting and advice firms for the long-term success of the clients, people and shareholders by the way of shared values, mutual success and sense of community.

The financial statements were authorised for issue in accordance with a resolution of Directors, on 14 September 2018.

2 Summary of significant accounting policies

The principle accounting policies adopted in the preparation of these Consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group / Consolidated entity consisting of CountPlus Limited and its subsidiaries.

(a) Basis of preparation

These consolidated general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. CountPlus Limited is a for-profit entity for the purpose of preparing the financial statements.

Both the functional and presentation currency of CountPlus Limited and its subsidiaries is Australian dollars (A\$) and the financial report is presented in Australian dollars (A\$). In accordance with ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016 / 191, amounts in the financial report are rounded off to the nearest thousand dollars unless otherwise indicated.

(i) Compliance with IFRS

These Consolidated financial statements of the CountPlus Limited Group also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

(ii) Accounting standards and interpretations issued but not yet effective

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Consolidated entity has decided against early adoption of these standards. Set out below is a summary of future requirements, and their impact on the Consolidated entity:

AASB 15 Revenue from Contracts with customers (Effective from 1 January 2018)

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations. The new standard seeks to:

- ▶ establish a new revenue recognition model;
- ▶ change the basis for deciding whether revenue is to be recognised over time or at a point in time;
- ▶ provide new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return warranties and licensing); and
- ▶ expand and improve disclosures about revenue.

When this standard is first adopted for the half year ended 31 December 2018 and year ended 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

AASB 16 Leases (Effective from 1 January 2019)

AASB 16 replaces AASB 117 Leases, and certain other lease related interpretations. The new standard:

- ▶ requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- ▶ provides new guidance on the application of the definition of lease and on sale and lease back accounting; and
- ▶ requires new and different lease disclosures.

When this standard is first adopted for the half-year ended 31 December 2019 and year ended 30 June 2020, there will be a number of material impacts on the transactions and balances recognised in the financial statement. The estimated likely impact on the financial statement as at June 2020, based on facts as at the date of the assessment are as follows:

- ▶ right of use of assets and finance lease liabilities will be added to the balance sheet. This will be partly offset by the derecognition of deferred lease liability balances. This will decrease net assets of the Group;
- ▶ Earnings before Interest and Tax in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in property lease payments for former off-balance sheet property leases will be presented as part of finance costs rather than being included in operating expenses; and
- ▶ operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

(iii) New and amended standards adopted by the Group

During the current year, the Group adopted all mandatory accounting standards. There were no standards adopted that have had a material impact on the Consolidated entity.

None of any other new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2017 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 39.

(v) Historical cost convention

The Consolidated financial statements have been prepared on an accrual basis and are based on historical costs modified by the revaluation of certain financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(vi) Changes to presentation

Wherever necessary, CountPlus Limited has regrouped and reclassified certain balances in the financial statements in order to provide more relevant information to our stakeholders. The comparative information has been reclassified accordingly. These reclassifications do not have any impact on the profit for the current year or prior year.

(b) Principles of consolidation

(i) Subsidiaries

The Consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CountPlus Limited ('Company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. CountPlus Limited and its subsidiaries together are referred to in this financial report as the Group or the Consolidated entity. Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated in full. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and consolidated statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of CountPlus Limited less any impairment charges.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill and other intangible assets identified on acquisition. Those other intangible assets have been amortised in the determination of profit.

The Group's share of its associates' post acquisition profits or losses is recognised in profit or loss and its share of post-acquisition other comprehensive income, is recognised in Other Comprehensive Income. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(iii) Employee share trust

The Group has formed a trust to administer the Group's Loan Funded Share Plan. This trust is consolidated as the substance of the relationship is that the trust is controlled by the Group.

Shares held by the trust are disclosed as Treasury Shares and deducted from contributed equity.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The Consolidated financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

(d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(e) Comparatives

The significant accounting policies adopted in the preparation of the financial statements have been consistently applied to the current year and the comparative period, unless otherwise stated. Where necessary, comparative information has been reclassified to be consistent with current period disclosures.

3 Segment information

The chief operating decision making function (CODM) viewed the Group's operations under the following separate reportable segments:

- ▶ **Accounting** which comprises the provision of accounting, audit and assurance, taxation and business and corporate advisory services.
- ▶ **Financial Services** which comprises of financial planning services which separates TFS, a holder of an Australian Financial Services licence (AFSL) and financial planning services offered by Partner firms.
- ▶ **Other** which mainly comprises of information technology related revenue, legal related revenue, conference and insurance related revenue.

The CODM primarily uses the measure of contribution margin (revenue less salaries and superannuation) to assess the performance of the operating segments.

No segment assets and liabilities are disclosed because there is no measure of segment assets and liabilities regularly reported to the CODM.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(a) Segment performance

	Continuing Operations										Discontinued operations total	
	Accounting		Financial Services				Other		Total			
			Financial Services (Ex TFS)		Financial Services (TFS)							
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Revenue	54,403	60,240	12,525	14,131	4,419	5,098	3,039	2,912	74,386	82,381	3,173	5,213
Segment contribution margin	23,726	23,411	6,319	8,453	2,394	3,084	1,940	(4)	34,379	34,944	1,846	2,839

(b) Reconciliation of segment contribution margin to profit from operations before income tax

	Continuing Operations		Discontinued Operations	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Total contribution margin	34,379	34,944	1,846	2,839
Other income	3,300	2,662	7	27
Share of net profit of associates	828	892	–	–
Amortisation and depreciation expense	(2,912)	(3,565)	(120)	(179)
Premises expenses	(4,494)	(4,927)	(152)	(220)
Finance costs	(463)	(1,157)	–	–
Impairment of intangible assets	(4,700)	(4,230)	–	–
Impairment of investment in associates	–	(771)	–	–
Other costs	(23,326)	(23,279)	(554)	(873)
Profit from operations before income tax	2,612	569	1,027	1,594

The segment revenue described above represents revenue generated from external customers.

Other costs include \$12,202,000 of salaries and employee benefit expense that are not included in contribution margin. In addition to that other operating expenses in amount of \$11,028,000, share based payment expense of \$60,000 and acquisition related expenses of \$36,000 have been included in other costs.

4 Revenue and other income

(a) Revenue from operating activities

	Continuing Operations		Discontinued Operations	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Accounting services revenue	54,403	60,240	–	–
Financial services revenue	43,624	47,635	–	–
Commission earned on property sales	–	–	5,507	8,655
Other property related income	–	–	342	661
Other operating revenue	3,039	2,912	179	278
	101,066	110,787	6,028	9,594
Fees, commissions and related costs				
Fees and related costs	(26,680)	(28,406)	–	–
Commission paid on property sales	–	–	(2,855)	(4,381)
	(26,680)	(28,406)	(2,855)	(4,381)
Total revenue from operating activities	74,386	82,381	3,173	5,213

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(b) Fees, commissions and related costs

Fees, commissions and related costs are made up primarily of two components: those payable by subsidiary, Total Financial Solutions Australia Ltd to financial advisers in accordance with their Authorised Representative Agreements, and referral fees payable by the Pacific East Coast Group ('PEC Group') to its affiliated members.

(c) Other Income

Gain on disposal of investments, business units and subsidiaries relates to following items:

- ▶ \$108,000 gain on sale of Bentleys Corporate Advisory (WA) Pty Ltd;
- ▶ \$1,261,000 gain on sale of Twomeys Accounting and Advice Pty Ltd, Twomeys Wagga Financial Planning Pty Ltd and Audits Service Company Pty Ltd;
- ▶ \$856,000 gain on sale of the business unit of Achieve Corporation, the payroll processing business unit; and
- ▶ \$33,000 gain on sale of Class shares.

(d) Significant accounting policy

Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Accounting revenue from the provision of accounting services is recognised on an accrual basis in the period in which the service is provided. Recognition is in accordance with the terms of the client services agreement or engagement letter, adjusted for any time that may not be recoverable with reference to the professional hours incurred.

Financial planning revenue from the provision of financial planning services, loans commission and leasing commission is recognised on an accrual basis in the period in which the service is provided.

Commission earned on property sales is recognised in the accounting period in which the services are rendered. Revenue is recognised after an estimation of the percentage of work completed, based on actual service provided as a proportion of the total services to be provided.

Interest revenue is recognised when there is control of the right to receive the interest payment.

Dividends received from associates are accounted for in accordance with the equity method of accounting.

Other revenue is recognised when the right to receive payment is established.

All revenue is stated net of the amount of goods and services tax (GST).

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

5 Expenses

The result for the year was derived after charging / (crediting) the following items:

	2018 \$'000	2017 \$'000
Professional, service and consulting fees		
Audit fees	384	302
Legal fees	802	677
Accounting and other professional fees	586	853
Remedial and other external costs (TFSA)	–	1,187
Total professional, service and consulting fees	1,772	3,019
Other expenses		
Bad and doubtful debts – trade receivables	333	145
Sales and marketing expenses	787	897
Administration expenses	2,790	2,949
Insurance expense	1,551	1,048
Technology expense	3,373	3,477
Net loss on disposal of property, plant and equipment	35	44
Other	387	514
Total other expenses	9,256	9,074
Total other operating expenses from continuing operations	11,028	12,093
Total other operating expenses from discontinued operations	416	643
Salaries and employee benefit expenses		
Wages, salaries and on-costs	43,286	46,832
Post-employment benefit expenses	3,885	4,182
Other employee benefit expenses	5,036	5,730
Total salaries and employee benefit expenses from continuing operations	52,207	56,744
Total salaries and employee benefit expenses from discontinued operations	1,465	2,571

6 Tax expense

(a) Income tax expense

	2018 \$'000	2017 \$'000
Current tax expense	1,835	6,187
(Over) / under provision – prior year	(8)	4
Deferred tax benefit	(1,527)	(5,422)
Income tax expense	300	769
Deferred income tax expense (revenue) included in income tax expense comprises:		
Increase in deferred tax assets (note 12(c))	(418)	(253)
Decrease in deferred tax liabilities (note 12(e))	(1,109)	(5,162)
Deferred tax liabilities in discontinued operations	–	(7)
Total	(1,527)	(5,422)

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(b) Reconciliation of income tax expense to prima facie tax payable

	2018 \$'000	2017 \$'000
Profit from continuing operations before income tax expense	2,612	569
Australian tax rate	30%	30%
Tax amount at the Australian tax rate	784	171
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible depreciation and amortisation	70	–
Gain on disposal of subsidiaries	(378)	–
Gain on disposal of investments	(10)	–
Gain on sale of business	(257)	–
Goodwill impairment expense	1,410	1,518
Non-deductible expenses	539	167
Non-taxable dividends	(200)	(309)
Non-taxable income	–	(30)
Gain on deferred consideration	(81)	(321)
Benefit on trail commission	(28)	(28)
Recognition of realisation of prior year reserve transaction	(45)	(135)
Taxable capital gain on sale of shares	107	–
Initial recognition of deferred tax asset on capital losses	(845)	–
Utilisation of capital losses not previously brought to account	(758)	–
Loss on disposal of subsidiary	–	(268)
	308	765
(Over) / under provision in prior years	(8)	4
Total income tax expense	300	769

The parent entity, CountPlus Limited and its subsidiaries in the Group continue to account for their own current and deferred tax amounts. The current and deferred tax amounts are measured in a systematic manner that is consistent with the principles in AASB 112 Income Taxes.

(c) Significant accounting policy

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered, or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- ▶ when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- ▶ when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Tax consolidation legislation

CountPlus Limited ('the Corporate Entity') and its 100% owned Australian subsidiaries formed an income tax consolidation group with effect from 5 November 2010. Subsidiaries joined the tax consolidation group from the date they became wholly owned. They would exit the tax consolidation group once they are less than 100% owned. The Corporate Entity and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

Members of the CountPlus tax consolidation group entered into a tax sharing and funding agreement. Under the terms of this agreement, each member in the tax consolidation group agreed to make a tax equivalent payment to the Corporate Entity based on their current tax liability or current tax asset. Deferred taxes are recorded by members of the tax consolidation group in accordance with the principles of AASB 112 Income Taxes.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

7 Cash and cash equivalents

	2018 \$'000	2017 \$'000
Cash at bank and in hand	10,998	8,284

(a) Reconciliation of cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the consolidated statement of cash flows.

(b) Risk exposure

The Group's exposure to interest rate risk is discussed in note 36. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of cash and cash equivalents mentioned above.

(c) Significant accounting policy

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

8 Trade and other receivables

(a) Current assets – Trade and other receivables

	2018 \$'000	2017 \$'000
Trade receivables	10,302	12,465
Provision for impairment of trade receivables (note 8(d))	(980)	(1,167)
	9,322	11,298
Prepayments	1,133	928
Other receivables	509	6,601
	10,964	18,827

(b) Ageing analysis of trade receivables

As at 30 June, the ageing analysis of receivables is as follows and represents overdue but not impaired receivables:

	2018 \$'000	2017 \$'000
0 to 1 month	1,322	7,616
1 to 3 months	1,620	2,584
3 to 6 months	722	757
Over 6 months	437	341
Other receivables	4,101	11,298

Trade receivables are non-interest bearing and are generally on 30-day terms. A provision for impairment is recognised when there is objective evidence that a trade receivable is impaired and is based on the Group provisioning policies. Bad and doubtful debts expense of \$333,000 (2017: \$145,000) has been recognised by the Group in the current year. These amounts have been included in other operating expenses.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(c) Significant accounting policy

Trade receivables

Trade receivables are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Recoverability of trade receivables is reviewed on an ongoing basis. Trade receivable balances which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised by applying a provision rate based on historic collection rates for overdue balances, which are reassessed each year, and adjusted specific debtors where management is aware of specific conditions which affect the likely recovery of outstanding balances. The loss allowance is the amount equal to the expected lifetime credit losses.

The provision for impairment of receivables is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate if the impact of discounting is considered material.

Significant accounting judgements, estimates and assumptions

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by considering the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

(d) Movements in provision for impairment

Movements in the provision for impairment of trade receivables are as follows:

	2018 \$'000	2017 \$'000
At 1 July	(1,167)	(1,394)
Bad and doubtful debts recognised during the year	(333)	(145)
Receivables written off during the year as uncollectable	520	372
At 30 June	(980)	(1,167)

The creation and release of the provision for impaired receivables has been included in 'other operating expenses' in the statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

The maximum exposure to credit risk at reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 36 for more information on the risk management policy of the Group.

(e) Non-current assets – Receivables

	2018 \$'000	2017 \$'000
Other receivables*	1,300	2,386
Interest bearing loans	–	168
	1,300	2,554

* Other receivables in prior year relate to commissions on sale of properties expected to be received when settlement of the properties occurs. In current year other receivables mostly relate to receivables in relation to consideration for the sale of associates owned by Total Financial Solutions Australia Ltd.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

9 Current assets – Loans and advances

	2018 \$'000	2017 \$'000
Loans and advances	205	115

10 Current assets – Work in progress

	2018 \$'000	2017 \$'000
Work in progress	4,340	4,917
Provision for write-off of work in progress	–	(555)
	4,340	4,362

(a) Significant accounting policy

Work in progress

Work in progress represents costs incurred and profit recognised on client assignments and services that are in progress and have not yet been invoiced at reporting date. Work in progress is valued at net realisable value after providing for any foreseeable losses. Work in progress is recognised in the statement of financial position and the movement recognised in the statement of profit or loss. Financial planning work in progress not representing fees for services, is not recognised in the statement of financial position and statement of comprehensive income until invoiced.

Significant accounting judgements estimates and assumptions

Provision for write off of work in progress

The recoverability of work in progress is assessed and reviewed by management on a regular basis. The provision for impairment of work in progress assessment requires a degree of estimation and judgement. The level of provision is assessed by considering the ageing of work in progress, historical billing and collection rates and specific knowledge of the individual customer's financial position.

11 Other investments and financial assets

Other investment and financial assets comprise

	2018 \$'000	2017 \$'000
Listed equity securities – fair value through profit and loss	–	3,366

During the year CountPlus Limited and its subsidiaries sold 1,122,000 Class Limited shares. At 30 June 2018, CountPlus Limited together with its subsidiaries do not hold any Class Limited shares (2017: 1,122,000 shares). Those investments were classified as financial assets designated as at fair value through profit or loss.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(a) Significant accounting policy

Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit and loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Financial liabilities

The Group's financial liabilities include trade and other payables, loans and borrowings, provision for cash bonus and other liabilities which include deferred cash consideration and deferred equity consideration for acquisition of subsidiaries and associates.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transaction costs.

Non-derivative financial liabilities (excluding financial guarantees and deferred consideration liabilities) are subsequently measured at amortised cost.

Financial guarantees

Where material, financial guarantees issued, which requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118 Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- ▶ the likelihood of the guaranteed party defaulting in a year period;
- ▶ proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- ▶ the maximum loss exposed if the guaranteed party were to default.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

12 Tax assets and liabilities

(a) Current tax assets and liabilities

	2018 \$'000	2017 \$'000
Provision for income tax	–	3,590
Current tax receivable	59	–

(b) Deferred tax assets

	2018 \$'000	2017 \$'000
The balance comprises temporary differences attributable to:		
Employee liabilities (annual leave and long service leave)	1,604	1,925
Bad and doubtful debts	294	350
Professional fees	32	265
Make good	87	97
Rent free period	23	37
Accruals	210	153
Depreciation	–	72
Loan establishment costs	8	38
Tax losses	1,063	275
Other	43	45
Total deferred tax assets	3,364	3,257
Set-off of deferred tax liabilities pursuant to set-off provisions	(2,974)	(3,257)
Net deferred tax assets	390	–

(c) Movements in Deferred tax assets

	Other \$'000	Total \$'000
At 1 July 2016	3,247	3,247
Credited to income tax expense	252	252
Transfer to current tax liabilities	(242)	(242)
At 30 June 2017	3,257	3,257
At 1 July 2017		
Credited to income tax expense	418	418
Deferred tax balance on acquisition / (disposal) of subsidiaries	(311)	(311)
At 30 June 2018	3,364	3,364

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(d) Deferred tax liabilities

	2018 \$'000	2017 \$'000
The balance comprises temporary differences attributable to:		
Work in progress	1,301	1,897
Prepaid expenses	10	17
Fair value intangible assets	1,634	2,036
Adjustment to carrying value of investment in associates	–	98
Adjustment to tax cost base on depreciation of asset due to tax consolidation	2	4
Revaluation of Other Investments	–	812
Other	27	33
Total deferred tax liabilities	2,974	4,897
Set-off of deferred tax assets pursuant to set-off provisions (refer note 12(b) above)	(2,974)	(3,257)
Net deferred tax liabilities	–	1,640

(e) Movements in Deferred tax liabilities

	Share of profit of associates \$'000	Fair valued intangible assets \$'000	Other \$'000	Total \$'000
At 1 July 2016	36	2,533	7,225	9,794
Net deferred tax balance on acquisition of subsidiaries*	–	455	–	455
Charged / (credited) to the income tax expense	–	(190)	–	(190)
Charged directly to equity (revaluation reserve)	62	(756)	(4,468)	(5,162)
At 30 June 2017	98	2,042	2,757	4,897
At 1 July 2017				
Net deferred tax balance on acquisition of subsidiaries*	–	(9)	(805)	(814)
Unwinding deferred tax liability / Overprovision	102	154	(256)	–
Charged / (credited) to the income tax expense	(200)	(553)	(356)	(1,109)
At 30 June 2018	–	1,634	1,340	2,974

* Includes business assets acquired by member firms.

(f) Significant accounting policy

Significant accounting judgements, estimates and assumptions

Deferred taxes

The Consolidated entity is subject to taxes in Australia. The application of tax law to the specific circumstances and transactions of the Consolidated entity requires the exercise of judgement by management. The tax treatments adopted by management in preparing the financial statements may be impacted by changes in legislation and interpretations or be subject to challenge by tax authorities.

Recognition of Deferred Tax Assets on Capital Losses

CountPlus has recognised a deferred tax asset on tax capital losses. CountPlus plans to continue with the successful Owner, Driver – Partner model which is expected to result in transactions with core firms over the next two to three years. A consequence of these transactions is likely to create taxable capital gains. The envisaged structure of the majority of the transactions, being share sale transactions, are subject to pre-defined financial hurdles being met by firms. Both the structure of the transactions and the potential increase in value in the firms are likely to give rise to taxable capital gains which the group has concluded will result in the deferred tax assets being utilised in the foreseeable future.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

13 Property, plant and equipment

	Office Equipment \$'000	Furniture, fixtures and fittings \$'000	Leasehold improvements \$'000	Other property, plant and equipment \$'000	Motor vehicle \$'000	Total \$'000
Year 30 June 2017						
Opening net book value	1,586	1,006	810	636	120	4,158
Additions	453	292	288	75	21	1,129
Deconsolidation of subsidiary	(9)	(9)	(11)	–	–	(29)
Disposals – written down value	–	–	–	(17)	(40)	(57)
Depreciation expense	(416)	(218)	(67)	(153)	(19)	(873)
Closing net book value	1,614	1,071	1,020	541	82	4,328
At 30 June 2017						
Cost	3,367	2,344	1,426	1,548	138	8,823
Accumulated depreciation	(1,753)	(1,273)	(406)	(1,007)	(56)	(4,495)
Net book value	1,614	1,071	1,020	541	82	4,328
Year 30 June 2018						
Opening net book value	1,614	1,071	1,020	541	82	4,328
Additions	405	141	59	176	14	795
Deconsolidation	(233)	(19)	(8)	(148)	(35)	(443)
Disposals – written down value	(97)	(13)	–	(8)	(15)	(133)
Depreciation expense	(375)	(231)	(85)	(143)	(8)	(842)
Closing net book value	1,314	949	986	418	38	3,705
At 30 June 2018						
Cost	3,011	2,413	1,476	1,567	101	8,568
Accumulated depreciation	(1,697)	(1,464)	(490)	(1,149)	(63)	(4,863)
Net book value	1,314	949	986	418	38	3,705

(a) Significant accounting policy

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term, as follows:

Leasehold improvements	15% – 20%
Office equipment	4% – 67%
Furniture, fixtures and fittings	8% – 37%
Make good	Over the estimated life of the lease
Motor vehicle	20% – 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Provision for make good

A provision has been made for the present value of anticipated costs of future restoration of various leased office premises. The provision includes future cost estimates associated with refurbishment to restore the leased premises to their original conditions. Provision recognised for each office is measured at management's best estimate of the expenditures where it is probable that an outflow of resources will be required. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting both the expense or asset (if applicable) and provision.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

14 Intangible assets

	Goodwill \$'000	Acquired client relationship / Adviser networks \$'000	Brands \$'000	IT software \$'000	Other intangible assets \$'000	Total \$'000
Year 30 June 2017						
Opening net book value	37,757	8,889	1,055	278	884	48,863
Additions	–	–	–	56	68	124
Additions through acquisition of subsidiaries / business assets	2,433	1,311	138	3	–	3,885
Disposals	–	–	–	(8)	(41)	(49)
Net revaluation increment / (decrement)	56	107	–	–	(48)	115
Deconsolidation	(753)	(87)	–	(3)	–	(843)
Amortisation	–	(2,567)	–	(110)	(194)	(2,871)
Impairment expense	(4,230)	–	–	–	–	(4,230)
Closing net book value	35,263	7,653	1,193	216	669	44,994
At 30 June 2017						
Cost	39,493	25,778	1,193	1,041	1,157	68,662
Accumulated amortisation and impairment	(4,230)	(18,125)	–	(825)	(488)	(23,668)
Net book value	35,263	7,653	1,193	216	669	44,994
Year 30 June 2018						
Opening net book value	35,263	7,653	1,193	216	669	44,994
Additions	–	–	–	33	–	33
Additions through business combinations	541	298	–	–	–	839
Disposals	(575)	–	–	(48)	(213)	(836)
Deconsolidation	(2,570)	(173)	(1,193)	(46)	(50)	(4,032)
Amortisation	–	(1,964)	–	(87)	(19)	(2,070)
Impairment expense	(4,700)	–	–	–	–	(4,700)
Closing net book value	27,959	5,814	–	68	387	34,228
At 30 June 2018						
Cost	36,889	25,565	1,193	525	408	64,580
Accumulated amortisation and impairment	(8,930)	(19,751)	(1,193)	(457)	(21)	(30,352)
Net book value	27,959	5,814	–	68	387	34,228

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(a) Impairment tests for Goodwill

Goodwill acquired through business combinations has been allocated to and is tested at the level of the respective cash generating units (CGU's), for impairment testing.

For the purpose of impairment testing, fourteen of the sixteen-member firms listed in note 30, are considered as separate CGU's, operating largely independently from other businesses in the Group. All member firms are separately identified in note 30. The carrying amount of goodwill and other intangibles allocated to CGU's is disclosed in the table below. Three of the fourteen CGU's are considered individually significant (2017: 3 CGU's) in comparison to the Group's total carrying amount. For the remaining eleven CGU's (2017: 14 CGU's) where the carrying amount of goodwill is not individually significant compared with the Group's total, they have been aggregated in the column 'Other'. The aggregate carrying amount of goodwill and other intangibles allocated to those other CGU's is significant in comparison with the entity's total carrying amount of goodwill and other intangibles.

Carrying amount of intangible assets allocated to each of the cash generating units:

	TFS Group		CP1		MBA Partnership		Other		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Goodwill	4,560	7,260	4,761	6,291	4,172	4,172	23,396	21,771	36,889	39,494
Acquired client relationships	7,291	7,291	2,692	2,773	2,428	2,428	13,154	13,286	25,565	25,778
IT software	165	159	29	29	-	-	331	854	525	1,042
Other intangibles	132	493	-	-	-	-	1,469	1,857	1,601	2,350
Impairment	(3,500)	(2,700)	-	(1,530)	-	-	(1,200)	-	(4,700)	(4,230)
Accumulated amortisation	(5,402)	(4,937)	(2,513)	(2,362)	(1,274)	(977)	(16,463)	(11,162)	(25,652)	(19,438)
Total	3,246	7,566	4,969	5,201	5,326	5,623	20,687	26,606	34,228	44,996

Entities within the TFS Group and MBA Partnership are shown in note 30.

The Company utilises a value in use calculation using cash flow projections from financial budgets approved by senior management covering a 5-year period to assess the recoverable amount of the CGU's. A pre-tax discount rate has been applied to cash flow projections and cash flows beyond the 5-year period have been extrapolated using a growth rate of 2.5%. This method is used to assess impairment for the individually significant CGU's. The same methodology of impairment testing is performed across all CGU's.

(b) Key assumptions used for value in use calculations

The calculation of value in use for the CGU's was most sensitive to the following assumptions:

- ▶ Revenue growth;
- ▶ Employment expense ratios;
- ▶ EBITA margin; and
- ▶ Discount rates.

Revenue growth is based on the budget for the next financial year as well as management assessment over the forecast period. Budget revenue for 2019 (2020 for TFS and CP1) is based on management expectations and the average annual revenue growth thereafter is assumed to be maintained at 0% – 5% p.a. over the remaining forecast period for all CGU's.

Employment expense ratios are based on the budget for the next financial year and management assessment over the forecast period. Employment expense ratio shows the employment cost as a percentage of net revenue. For the TFS Group, this is assumed to be maintained at 46% – 48% over the forecast period. For the other CGU's, this is assumed to be maintained between 47% and 72% over the forecast period.

Discount rates represent the current market assessment of the risks specific to the Group, considering the time value of money and specific risk of the underlying assets that have not been incorporated into the cash flow estimates. The discount rate is calculated using the weighted average cost of capital (WACC) and reflects management's estimation of the time value of money and specific risk estimated for the Group. The WACC considers both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. It incorporates a beta factor to reflect the specific risk associated with the industries in which the Group operates. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. A pre-tax discount rate of 18.57% p.a. was applied to all CGU's (13.00% post tax).

It is assumed for the purpose of the analysis that the long-term growth rate (terminal rate) will equate to the long-term average growth rate of the national economy. Management estimate this to be 2.5% p.a. which is in line with the long term expected Australian inflation rate. The sensitivity analysis concluded that changing this rate to reflect possible lower growth projections would not materially impact the valuations.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(c) Impairment of Goodwill

At 31 December 2017, an impairment loss of \$4,700,000 was recognised for the CGU's relating to Achieve Corporation Pty Ltd and CountPlus FS Holdings Pty Ltd (TFS Group). The recoverable amount for TFS was determined based on value in use calculations consistent with the methods used at 30 June 2017 and the recoverable amount for Achieve Corporation was determined on the fair value less cost to sell (FVLCTS) basis. Achieve payroll business which was part of Achieve Corporation was impaired by \$1,200,000 and was subsequently disposed of on 15 March 2018. The assessment of TFS resulted in an impairment of \$3,500,000 being recognised.

Our assessment indicated that TFS Group's revenue may be affected by a change in the operating model and internal restructure over the next few years and a tighter control in compliance and adviser quality. We are expecting revenue to reduce in the short term and increase over the next few years as the business reshapes and re-establishes itself over the medium term.

During the year ended 30 June 2018 management performed a detailed review of each cash generating unit (CGU) for impairment indicators. There have been no further impairments identified post 31 December 2017.

For the below CGU's where an indication of impairment existed, management calculated the recoverable amount of these CGU's in accordance with AASB 136: Impairment of Assets.

Key assumptions for this value in use calculation at 30 June 2018 were:

- ▶ Revenue growth of 0% – 5%
- ▶ Employment expense ratio 46% – 72%
- ▶ A pre-tax discount rate of 18.57%
- ▶ The long-term growth rate (terminal rate) was estimated to be 2.5% p.a.

The recoverable amount of the above CGU's was determined based on value-in-use calculations, consistent with the methods used in prior years.

(d) Sensitivity to changes in assumptions

A cash-generating unit is the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets. The concept is used by the international financial reporting standards in the determination of asset impairment.

Sensitivity has been tested for the following three CGU's based on management assessment that the assumptions in the value in use calculation for these CGU's were most sensitive to change.

For countplus one: The recoverable amount as determined by the value in use calculation exceeds the carrying value by \$2,400,000.

Reasonably possible changes in assumptions will not result in impairment except the following:

- ▶ Other things being equal, if the company's yearly revenue is 5% less than expected over the forecast period, the recoverable amount would exceed the carrying value by \$331,000.
- ▶ Other things being equal, if the pre-tax discount rate is increased from 18.57% to 20.00%, the recoverable amount would exceed the carrying value by \$1,713,000.
- ▶ If the company's employment cost margin (its single largest expense item) increases from 65% to 67% over the forecast period, the recoverable amount would exceed the carrying value by \$268,000.
- ▶ If the long-term average growth rate decreases from 2.5% to 2% p.a., the recoverable amount would exceed the carrying value by \$2,144,000.

For 360 Financial Advantage: the recoverable amount as determined by the value in use calculation exceeds the carrying value by \$940,000.

Reasonably possible changes in assumptions will not result in impairment except the following:

- ▶ Other things being equal, if the company's yearly revenue is 5% less than expected over the forecast period, an impairment of \$714,000 would result.
- ▶ Other things being equal, if the pre-tax discount rate is increased from 18.57% to 20.00%, the recoverable amount would exceed the carrying value by \$623,000.
- ▶ If the company's employment cost margin (its single largest expense item) increases from 72% to 74% over the forecast period, the recoverable amount would exceed the carrying value by \$124,000.

If the long-term average growth rate decreases from 2.5% to 2% p.a., the recoverable amount would exceed the carrying value by \$823,000.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

For TFS Group: the recoverable amount as determined by the value in use calculation exceeds the carrying value by \$277,000.

Reasonably possible changes in assumptions will not result in impairment except the following:

- ▶ Other things being equal, if the company's yearly gross profit is 5% less than expected over the forecast period, an impairment of \$62,000 would result.
- ▶ Other things being equal, if the pre-tax discount rate is increased from 18.57% to 20.00%, the recoverable amount would exceed the carrying value by \$67,000.
- ▶ If the company's operating expenses increases by 5% over the forecast period, an impairment of \$1,023,000 would result.
- ▶ If the long-term average growth rate decreases from 2.5% to 2% p.a., the recoverable amount would exceed the carrying value by \$199,000.

For the other CGU's:

- ▶ If the company's employment cost margin (its single largest expense item) increases by 2% (Ranges from 47% to 70%) over the forecast period, the recoverable amount would exceed the carrying value by \$50,256,000.
- ▶ If the long-term average growth rate decreases from 2.5% to 1.0% p.a., the recoverable amount would exceed the carrying value by \$50,873,000.

Across all CGU's over the forecast period, if revenue is 10% lower than expectations, an impairment of \$1,695,000 would result. Management believes that no other reasonable change in the key assumptions would cause the carrying value to materially exceed its recoverable amount.

(e) Amortisation period of intangible assets other than Goodwill

The remaining amortisation period for the intangible assets are as follows:

Acquired client relationships	4 – 10 years
Adviser networks	4 – 9 years
Software	1 – 4 years
Brand	Indefinite life*

* Brand was part of PEC Group which has been disposed during financial year 2018. PEC group is a property broker for new residential properties in Australia. Brands are recognised at cost of acquisition. Brands are considered to have indefinite useful lives and are not amortised on annual basis. They are tested for impairment at least annually and whenever there is an indication that the carrying value of the Brands may be impaired.

The factors that are considered in determining the useful life of an intangible asset are:

- ▶ the expected usage of the asset by the entity and whether the asset could be managed efficiently by another management team;
- ▶ typical product life cycles for the asset and public information on estimates of useful lives of similar assets that are used in a similar way;
- ▶ technical, technological, commercial or other types of obsolescence;
- ▶ the stability of the industry in which the asset operates and changes in the market demand for the products or services output from the asset;
- ▶ expected actions by competitors or potential competitors;
- ▶ the level of maintenance expenditure required to obtain the expected future economic benefits from the asset and the entity's ability and intention to reach such a level;
- ▶ the period of control over the asset and legal or similar limits on the use of the asset, such as the expiry dates of related leases; and
- ▶ whether the useful life of the asset is dependent on the useful life of other assets of the entity.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(f) Significant accounting policy

Significant accounting judgements, estimates and assumptions

Impairment of intangible assets

At each reporting date, the Group reviews the recoverable amount of its tangible and intangible assets to determine whether there is any indication that these assets may be impaired. If such an indication exists, the recoverable amount of the asset, assessed as the higher of its fair value less costs to sell and its value in use, is compared to its current carrying amount. Any excess of the asset's carrying value over its recoverable amount is expensed.

The Group determines whether goodwill is impaired at least on an annual basis. This requires estimation of the recoverable amount of the CGU by determining the value in use of each individual CGU.

Acquired client relationships are tested for impairment whenever there is an indication that the intangible asset may be impaired. This assessment is made at least on an annual basis. The net carrying value is compared with the expected future benefits from the relationships for each cash generating unit. If the carrying value of the relationships is higher than the expected future benefits an impairment loss is recorded for the difference.

(i) *Goodwill*

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's identified assets acquired and liabilities assumed, if this consideration transferred is lower than the fair value of the net identified assets of the subsidiary acquired, the difference is recognised in profit or loss.

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities acquired at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment, is allocated to cash generating units and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) *IT software*

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and / or cost reduction, are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project.

Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years. IT software is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount.

(iii) *Acquired client relationships and Adviser networks*

Acquired client relationships are intangible assets identified in the acquisition of businesses and represent that part of the purchase consideration that is attributable to and represented by the clients and customers with long term relationships with the business being acquired. These assets are capitalised at fair values at the date of acquisition. Acquired client relationships are amortised over their useful life and tested for impairment at least annually and whenever there is an indication that the carrying value of the intangible asset may be impaired. The useful life of these assets is 10 years and they are amortised and expensed using a declining balance method. This is in accordance with the expected pattern of future benefits based on the net cash flows expected from those relationships. The amortisation period and the amortisation method are reviewed at least annually as at 30 June to ensure the amortisation expense reflects the performance of the intangible asset.

Adviser networks are the intangible assets identified in the acquisition of the TFS Group and represent that part of the purchase consideration that is attributable to and represented by the advisers with long term relationships with that business. These assets were capitalised at fair value at the date of the acquisition, amortised over their useful life and tested for impairment at least annually and whenever there is an indication that the carrying value of the intangible asset may be impaired. The useful life of these assets is 10 years and are amortised and expensed using a declining balance method. This is in accordance with the expected pattern of future benefits based on the net cash flows expected from those networks. The amortisation period and the amortisation method are reviewed at least annually as at 30 June to ensure that the amortisation expense reflects the performance of the intangible asset.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(iv) Other intangible assets

Other intangible assets acquired are recognised at cost at acquisition. Following initial recognition, they are carried at cost less any accumulated amortisation and accumulated impairment losses. These assets are amortised over the useful economic life and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount.

This is in accordance with the expected pattern of future benefits based on the net cash flows expected from those assets. The amortisation period and the amortisation method are reviewed at least annually as at 30 June to ensure the amortisation expense reflects the performance of the intangible asset.

(v) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash flows from other assets or groups of assets (cash generating units). Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at the end of each reporting period.

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired, or more frequently if events or changes in circumstances indicate that they might be impaired. Where an indicator exists, the Group makes a formal estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered to be impaired and is written down to its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined in aggregate for the cash generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Non-financial assets, other than goodwill that suffer an impairment, are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

15 Interest in associates

(a) Details of associates

	Principal place of business / Country of Incorporation	Percentage Owned (%)* 2018	Percentage Owned (%)* 2017
Associates:			
One Hood Sweeney Pty Ltd	Australia	32	32
McQueen Financial Group Pty Ltd	Australia	0	49
Nixon Financial Services Pty Ltd	Australia	0	30
Hunter Financial Planning Pty Ltd	Australia	40	40

* The percentage of ownership interest held is equivalent to the percentage of voting rights for all associates.

On 8 July 2017, CountPlus Limited's 100% owned subsidiary Total Financial Solutions Australia Ltd sold its 49% equity interest in McQueen Financial Group Pty Ltd. The consideration for the sale was \$2,397,000. 40% of the sale consideration was paid on 31 August 2017. The remaining 60% is to be paid as follows: 20% in August 2018, 20% in August 2019 and 20% in August 2020.

On 15 September 2017, CountPlus Limited's 100% owned subsidiary Total Financial Solutions Australia Ltd sold its 30% equity interest in Nixon Financial Services Pty Ltd. The consideration for the sale is \$394,000. \$197,000 of the consideration was paid on completion. The remaining portion is payable over 4 equal instalments annually starting September 2018.

Both sales effectively occurred as at 1 July 2017.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

Summary of associates held during the year

One Hood Sweeney Pty Ltd

One Hood Sweeney is a South Australian professional services firm with over 110 staff located across Adelaide, Whyalla and Kadina. It provides accounting, business advisory, financial planning, finance and technology services to its clients. The transaction with Hood Sweeney represents CountPlus' Owner, Driver – Partner program. The model allows Principals to retain a direct interest and can more easily facilitate the entry of new Principals into an equity position, as well as reducing acquisition risk for CountPlus. This investment by CountPlus is strategic to the Group's activities.

Hunter Financial Planning Pty Ltd

Hunter Financial is a financial planning specialist in Newcastle, which has been licensed with Total Financial Solutions since 1 July 2014. Hunter Financial offers a consultative approach to wealth management particularly in the area of wealth creation budgeting, insurance, estate planning and SMSF. In August 2015, CountPlus member firm, ADVICE389 acquired a 40% equity stake in Hunter Financial.

McQueen Financial Group Pty Ltd

McQueen Financial Group is a financial services firm based in Melbourne, Victoria. McQueen have expertise in all aspects of wealth management, including financial advice, investments, savings plans, budgeting, superannuation, insurance and estate planning. CountPlus member firm, Total Financial Solutions (TFS) had a 49% equity stake in McQueen which CountPlus disposed of as at 1 July 2017.

Nixon Financial Services Pty Ltd

Nixon Financial Services is a financial services firm based in regional Victoria. Nixon have expertise in all aspects of financial planning, investment advice, superannuation, pensions, self-managed superannuation funds, insurances, investments and income protection plans. CountPlus member firm, Total Financial Solutions (TFS) had a 30% equity stake in Nixon which CountPlus disposed of as at 1 July 2017.

(b) Associates

All associates have the same year end as the parent entity (30 June).

There are no significant restrictions on the ability of associates to transfer funds in the form of cash dividends or to repay loans or advances to the consolidated entity.

(c) Material associates

The following information is provided for associates that are material to the Consolidated entity. Figures are as per the associate's financial statements:

Name of Associate	One Hood Sweeney Pty Limited		Financial Momentum Vic Pty Ltd		McQueen Financial Group Pty Ltd		Nixon Financial Services Pty Ltd		Hunter Financial Planning Pty Ltd	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Summarised Consolidated Statement of Financial Position										
Current assets	3,621	3,405	-	-	-	986	-	158	514	523
Non-current assets	6,693	6,089	-	-	-	2,101	-	756	7,316	7,031
Current liabilities	(6,539)	(3,405)	-	-	-	(745)	-	(70)	(313)	(610)
Non-current liabilities	(148)	(3,331)	-	-	-	(1,897)	-	(4)	(325)	(135)
Net assets / equity	3,627	2,758	-	-	-	445	-	840	7,192	6,809
Percentage of Group's ownership	32%	32%	0%	0%	0%	49%	0%	30%	40%	40%
Summarised Consolidated Statement of Profit or Loss and Other Comprehensive Income										
Revenue	19,294	22,559	-	1,516	-	2,997	-	768	3,126	3,085
Profit / (loss) from continuing operations	2,580	2,903	-	309	-	(191)	-	156	614	646
Total comprehensive income / (loss)	2,580	2,903	-	309	-	(191)	-	156	614	646
Group's share of profit / (loss) for the year	835	939	-	124	-	(93)	-	47	245	258
Acquired client relationship (ACR) amortisation accounted in parent	(157)	(104)	-	(32)	-	(124)	-	(20)	(95)	(104)
Group share of profit / (loss) for the year after ACR	678	835	-	92	-	(217)	-	27	150	154

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

Associates

Reconciliation of carrying amount of interest in associates to summarised financial information for associates accounted for using the equity method:

	2018 \$'000	2017 \$'000
Hunter Financial Planning Pty Ltd		
Opening balance	2,619	2,712
Share of profit	245	258
Dividends and distributions	(145)	(247)
Carrying amount based on share in net assets of associate	2,719	2,723
Acquired Client Relationship (ACR) amortisation accounted in Parent	(95)	(104)
Carrying value as at 30 June	2,624	2,619

	2018 \$'000	2017 \$'000
One Hood Sweeney Pty Limited		
Opening balance	6,305	6,007
Share of profit	835	939
Dividends and distribution	(520)	(537)
Carrying amount based on share in net assets of associate	6,620	6,409
Acquired Client Relationship (ACR) amortisation accounted in Parent	(156)	(104)
Carrying value as at 30 June	6,464	6,305

	2018 \$'000	2017 \$'000
Financial Momentum Vic Pty Ltd		
Opening balance	–	950
Share of profit	–	124
Dividends and distributions	–	(136)
Carrying amount based on share in net assets of associate	–	938
Acquired Client Relationship (ACR) amortisation accounted in Parent	–	(31)
Disposal of associate	–	(907)
Carrying value as at 30 June	–	–

	2018 \$'000	2017 \$'000
McQueen Financial Group Pty Ltd		
Opening balance	2,398	3,250
Disposal of associate	(2,398)	–
Share of profit	–	(93)
Dividends and distributions	–	(100)
Carrying amount based on share in net assets of associate	–	3,057
Acquired Client Relationship (ACR) amortisation accounted in Parent	–	(123)
Impairment	–	(536)
Carrying value as at 30 June	–	2,398

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

	2018 \$'000	2017 \$'000
Nixon Financial Services Pty Ltd		
Opening balance	394	633
Disposal of associate	(394)	–
Share of profit	–	47
Dividends and distributions	–	(31)
Carrying amount based on share in net assets of associate	–	649
Acquired Client Relationship (ACR) amortisation accounted in Parent	–	(20)
Impairment	–	(235)
Carrying value as at 30 June	–	394
Total carrying value of investments in associates as at 30 June	9,088	11,716

The associates had no contingent liabilities or capital commitments as at 30 June 2018 or 30 June 2017.

16 Trade and other payables

(a) Current payables

	2018 \$'000	2017 \$'000
Trade payables	985	1,791
GST payable	1,497	1,798
Sundry payables and accrued expenses	2,526	3,893
Other payables	106	3,497
	5,114	10,979

(b) Non-current payables

	2018 \$'000	2017 \$'000
Other payables*	75	1,449

* Other payables in prior year relate to referral fees payable by the PEC Group subsidiaries to its affiliated members and employees.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

17 Interest bearing loans and borrowings

(a) Current interest-bearing loans and borrowings

	2018 \$'000	2017 \$'000
Secured		
Hire purchase liabilities	20	27
Other loans	153	–
Total current loans and borrowings	173	27

	2018 \$'000	2017 \$'000
Overdraft facility	5,000	–
Banker's undertaking (Lease guarantees)	(549)	–
Available at balance sheet date	4,451	–

A guarantee and charge as security for the facility is provided by CountPlus.

There are no restrictions placed upon the borrower by entering into the transactions above. Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 36.

(b) Non-current interest-bearing loans and borrowings

	2018 \$'000	2017 \$'000
Secured		
Bank loans – funding facility and other loans	1,850	13,535
Hire purchase liabilities	–	16
Total secured non-current loans and borrowings	1,850	13,551

(c) Financing arrangements

Unrestricted access was available at balance sheet date to the following lines of credit:

	2018 \$'000	2017 \$'000
Bilateral funding facility	22,000	20,000
Total facilities	22,000	20,000
Used at balance sheet date	(2,003)	(13,535)
Unused at balance sheet date	19,997	6,465

The interest-bearing loans and borrowings balance is made up of \$2,003,000 (Non-current: \$1,850,000 Current: \$153,000) (2017: \$13,535,000) borrowings from Westpac Bank (2017: Macquarie Bank). The limit for the revolving line of credit with Westpac Bank is currently \$20,000,000 (2017: \$20,000,000 with Macquarie Bank) and is charged with a variable rate. This 5-year facility with Westpac started on 1 December 2017. The rate is determined with reference to the Bank Bill Swap Bid Rate (BBSY). Reference Rates are published in the Australian Financial Review plus a margin.

A guarantee and charge as security for the facility is provided by CountPlus.

The limit for the bank loan is \$2,000,000 repayable over 10 years. In addition, there is a line fee on this facility. A guarantee and charge as security for the facility is provided by Kidmans Partners Pty Ltd.

(d) Defaults and breaches

During the current and prior year, there were no defaults or breaches on any of the loans.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(e) Significant accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings, using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent whereby there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(f) Changes in liabilities arising from financing activities

	2017 \$'000	Cash flow \$'000	Non-cash changes		2018 \$'000
			Reclassification to short-term \$'000	Other changes \$'000	
Long-term borrowings	13,535	(11,532)	(153)	–	1,850
Short-term borrowings	–	–	153	–	153
Hire purchase short-term liabilities	27	(7)	–	–	20
Hire purchase long-term liabilities	16	(16)	–	–	–
Total liabilities from financing activities	13,578	(11,555)	–	–	2,023

18 Other liabilities

(a) Other current liabilities

	2018 \$'000	2017 \$'000
Deferred cash consideration for acquisition of subsidiaries*	364	810
Other current liabilities	591	513
	955	1,323

* Deferred cash and equity consideration for acquisition relates to the acquisitions and investments made by the subsidiaries. Please refer to note 31 for further information in relation to Business combinations.

(b) Movements in Deferred cash consideration for acquisition of subsidiaries

	Deferred consideration for acquisition of subsidiaries
Current	
At 1 July 2017	810
(Gain) / loss on deferred consideration	(271)
Transferred from non-current liabilities	304
Payment made / shares issued during the year	(479)
At 30 June 2018	364
2018	
Current	364
Non-current	–
Total	364
2017	
Current	810
Non-current	304
Total	1,114

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(c) Other non-current liabilities

	2018 \$'000	2017 \$'000
Deferred cash consideration for acquisition of subsidiaries	–	304
Security deposits and bonds	61	–
Lease make good provision	523	668
	584	972

Movements in other non-current liabilities

Movements in each category of other non-current liabilities during the financial year, are set out below:

	Deferred cash consideration for acquisition of subsidiaries \$'000	Security Deposits and Bonds \$'000	Lease make good provision \$'000	Total \$'000
At 1 July 2017	304	–	668	972
Acquisition of subsidiary / Addition in the year	–	61	–	61
Payment / adjustment during the year	–	–	(145)	(145)
Transferred to current liabilities	(304)	–	–	(304)
At 30 June 2018	–	61	523	584

(d) Significant accounting policy

Other non-current liabilities

Significant accounting judgements, estimates and assumptions

Some acquisitions involve the payment of deferred consideration to vendors. This consideration is determined based on a multiple of actual earnings over a fixed period of time and is dependent on revenue or client retention. Consideration payable to the vendors in relation to acquisitions is recognised at fair value based on expected financial performance over the applicable future financial years. The component of deferred consideration not expected to be settled within 12 months after the end of the reporting period is measured as the present value of expected future payments to be made in respect of this deferred consideration, using a risk adjusted discount rate.

19 Provisions

(a) Current provisions

	2018 \$'000	2017 \$'000
Employee benefits – annual leave	2,081	2,492
Employee benefits – long service leave	2,245	2,029
Remediation provision – refer note 39	85	882
Bonus provision	308	–
	4,719	5,403

(b) Non-current provisions

	2018 \$'000	2017 \$'000
Employee benefits – long service leave	1,019	1,862
	1,019	1,862

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(c) Significant accounting policy

Significant accounting judgements, estimates and assumptions

Employee benefits

Further disclosures relating to key management personnel are set out in the remuneration report which starts on page 25 of the Directors' Report.

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All short-term employee benefit obligations are presented as payables and as provisions.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience, adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events. It is probable that a future sacrifice of economic benefits will be required, and a reliable estimate can be made of the amount of the obligation.

20 Contributed equity

(a) Share capital

	2018 Shares	2017 Shares	2018 \$'000	2017 \$'000
Fully paid – ordinary shares	110,408,752	110,408,752	125,219	125,219
Treasury shares – Issued capital held by loan funded share plan (LFSP)	3,813,807	3,813,807	(4,983)	(4,983)
Capital contribution	–	–	1,968	1,968
ASX listing cost	–	–	(586)	(586)
Loan funded share plan establishment costs	–	–	(35)	(35)
	114,222,559	114,222,559	121,583	121,583

(b) Fully paid ordinary shares on issue

Date	Details	Number of shares	Issue price \$	\$'000
1 July 2016	Opening balance	114,136,787		125,149
21 November 2016	Shares issued for employee share plan	85,772	0.82	70
30 June 2017	Closing balance	114,222,559		125,219
30 June 2018	Closing balance	114,222,559		125,219

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Employee share scheme

The Company has an equity scheme, under which an entitlement to loan funded shares are granted to certain employees (refer to Directors' report page 20).

(e) Capital risk management

When managing capital, the Board's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management monitors the capital structure to ensure that the Company is positioned to take advantage of favourable costs of capital or higher expected returns on assets. The Company currently has a facility of \$20,000,000, with the Westpac Bank, which has not been drawn as at 30 June 2018. In addition, there is a \$2,000,000 bank loan in a member firm which has been drawn down by \$1,850,000. Future acquisitions and investments will be funded from existing and future cash flows as well as funds received under the Group's Owner, Driver – Partner model.

In the long term, the Company expects to maintain a dividend payout ratio of between 40% and 70% of maintainable net profit after tax and minority interests, subject to market conditions and Company performance. The Company is not subject to any externally imposed capital requirements.

(f) Significant accounting policy

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

21 Reserves

(a) Reserves

	2018 \$'000	2017 \$'000
Acquisition reserve	(52,857)	(66,000)
Share based payment reserve	1,494	1,434
	(51,363)	(64,566)

(b) Movements in reserves

	2018 \$'000	2017 \$'000
Acquisition reserve		
At 1 July	(66,000)	(66,000)
Effect on reserves on account of OD-P	835	-
Transfer to accumulated losses	12,308	-
At 30 June	(52,857)	(66,000)
Share based payment reserve		
At 1 July	1,434	1,122
Share based payment for loan funded share plan	60	204
Application of dividends to loan funded share plan	-	177
Transferred to accumulated losses	-	(69)
At 30 June	1,494	1,434
Total reserves	(51,363)	(64,566)

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(c) Nature and purpose of reserves

(i) Acquisition reserve

The acquisition reserve arises on the acquisition of the non-controlling interests of subsidiaries. On 1 July 2010, the Company's interests in 15 associates were consolidated with the non-controlling interest being measured as the present ownership's proportionate share of identifiable net assets. The acquisition of these non-controlling interests as part of the public listing was not a business combination but was an equity transaction between owners. Accordingly, in 2011, the difference between the consideration paid and fair value of the identifiable net assets of the non-controlling interests has been accounted for in the acquisition reserve.

(ii) Share based payment reserve

The share-based payments reserve records the value of shares issued to employee share trust on behalf of employees under the loan funded share plan and the value of dividends on those shares applied to the balance of employee loans under the plan.

In addition, the reserve is used to recognise the value of equity benefits provided to Chief Executive Officer as part of his remuneration. For further details see Directors' report on page 31.

22 Accumulated losses

	2018 \$'000	2017 \$'000
At 1 July	(2,955)	2,783
Net loss for the year	(176)	(106)
Transfers in*	(12,308)	69
Dividends paid	-	(5,701)
At 30 June	(15,439)	(2,955)

* For the year ended 30 June 2018, amounts transferred into accumulated losses relate to acquisition reserve for sold subsidiaries.

23 Discontinued operations and current assets and liabilities included in disposal group held for sale

The amounts presented in the Statement of Profit or Loss and Other Comprehensive Income under discontinued operations relate to Kidmans PEC Pty Ltd (PEC Group). In December 2017, the Board decided to sell the PEC Group, a property broker for new residential properties in Australia. This decision was taken in line with the Group's strategy to focus on its core business. The sale was finalised at the end of February 2018 and total consideration less costs to sell amounted to \$3,444,000. Consequently, assets and liabilities allocable to Kidmans PEC Pty Ltd and subsidiaries were classified as a disposal group. Revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the statement of profit or loss and other comprehensive income (loss for the year from discontinued operations).

(a) Loss for the year from discontinued operations

	2018 \$'000	2017 \$'000
Profit from operations before income tax	1,027	1,594
Tax	(98)	(519)
Net profit from operations after income tax	929	1,075
Loss on remeasurement to fair value less costs to sell	(2,500)	-
Income tax benefit on sale	106	-
Total	(2,394)	-
(Loss) / profit for the year from discontinued operations	(1,465)	1,075

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

24 Owner, Driver – Partner and Non-controlling interest

(a) Owner, Driver – Partner (OD-P)

The OD-P allows our member firms to buy back equity in their business. We believe this will better align principals and senior managers to share directly in their own business and drive improved performance. During the year ended 30 June 2018, the following firms participated in the OD-P scheme and acquired shares in their subsidiaries. Details of the transactions are as follows:

On 1 May 2018 CountPlus Limited's subsidiary Robson Partners Pty Ltd completed an equity buy-back program by its Principals for 30% of the firm's equity, under the CountPlus 'Owner, Driver – Partner' model.

On 1 May 2018, CountPlus Limited's 100% owned subsidiary Mogg Osborne Pty Ltd completed an equity buy-back program by its Principals for 35% of the firm's equity, under the CountPlus 'Owner, Driver – Partner' model.

On 1 June 2018, CountPlus Limited's subsidiary Kidmans Partners Pty Ltd conducted a capital raising of \$2,150,000. This sum was satisfied by issuing ordinary shares to CountPlus, with the remainder from other existing and new shareholders under the CountPlus 'Owner, Driver – Partner' model.

On 21 June 2018, CountPlus Limited's subsidiary Specialised Business Solutions Pty Ltd completed a cash-backed share buy-back transaction pursuant to Section 257B of the Corporations Act for \$893,000.

The accounting effect of the share buyback was represented by recognising an amount for value of non-controlling interests to the extent of the share of net assets and adjusting the balance against acquisition reserve. The movements table for non-controlling interest is included on the next page.

(b) Non-controlling interest

(i) Reconciliation of non-controlling interest in controlled entities

	2018 \$'000	2017 \$'000
Reconciliation of non-controlling interest in controlled entities		
At 1 July	3,688	3,267
Additional capital issued to / buy back from NCI during the year	(346)	–
Disposals	(294)	(158)
Value attributed to non-controlling interest on implementation of direct equity plan for three subsidiaries*	2,601	–
Share of operating profit	1,023	981
Dividends paid by subsidiaries to non-controlling interests	(665)	(402)
At 30 June	6,007	3,688

* Represents non-controlling interest acquired in financial year 2018: Mogg Osborne: \$1,053,000, Robson Partners: \$1,171,000 and Kidmans Partners: \$377,000.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

	2018 \$'000	2017 \$'000
The MBA Partnership Pty Ltd		
The proportion of ownership interests (and voting rights) held by NCI	40.00%	40.00%
Opening NCI at 1 July	1,732	1,232
Additions	–	–
Disposals	–	–
The profit allocated to NCI for the period	667	694
Dividends paid	(482)	(194)
Closing NCI at 30 June	1,917	1,732
Specialised Business Solutions Pty Ltd		
The proportion of ownership interests (and voting rights) held by NCI	38.70%	38.70%
Opening NCI at 1 July	1,114	1,124
Additions	–	–
Disposals	(346)	–
The profit allocated to NCI for the period	155	124
Dividends paid	(145)	(134)
Closing NCI at 30 June	778	1,114
Kidmans Partners Pty Ltd		
The proportion of ownership interests (and voting rights) held by NCI	36.96%	40.00%
Opening NCI at 1 July	842	764
Additions	378	–
Disposals	(294)	–
The profit allocated to NCI for the period	150	152
Dividends paid	–	(74)
Closing NCI at 30 June	1,076	842
Robson Partners Pty Ltd		
The proportion of ownership interests (and voting rights) held by NCI	30.00%	0.00%
Opening NCI at 1 July	–	–
Additions	1,170	–
Disposals	–	–
The profit allocated to NCI for the period	41	–
Dividends paid	–	–
Closing NCI at 30 June	1,211	–
Mogg Osborne Pty Ltd		
The proportion of ownership interests (and voting rights) held by NCI	35.00%	0.00%
Opening NCI at 1 July	–	–
Additions	1,053	–
Disposals	–	–
The profit allocated to NCI for the period	10	–
Dividends paid	(38)	–
Closing NCI at 30 June	1,025	–
Total NCI at 30 June	6,007	3,688

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

The following information is provided for non-controlling interests that are material to the Consolidated entity. Figures are as per the subsidiaries' financial statements:

	2018 \$'000	2017 \$'000
The MBA Partnership Pty Ltd		
Assets	9,966	12,225
Liabilities	3,376	6,197
Revenue	10,212	8,956
Net profit	1,366	765
Specialised Business Solutions Pty Ltd		
Assets	5,102	6,062
Liabilities	398	455
Revenue	1,889	2,027
Net profit	361	203
Kidmans Partners Pty Ltd		
Assets	9,291	9,140
Liabilities	3,526	5,733
Revenue	7,393	7,425
Net profit	215	229
Robson Partners Pty Ltd		
Assets	4,594	4,089
Liabilities	563	1,169
Revenue	3,154	3,328
Net profit	475	324
Mogg Osborne Pty Ltd		
Assets	4,996	5,090
Liabilities	1,077	1,967
Revenue	4,531	4,475
Net profit	429	500

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

25 Dividends

(a) Dividends paid or proposed during the year on ordinary shares declared in current period

	2018 \$'000	2017 \$'000
Dividends paid during the year		
Interim dividend fully franked based on tax paid @ 30%, ordinary dividend paid for the year ended	–	5,701
Dividends proposed and recognised as liability		
Final dividend fully franked based on tax paid @ 30%, ordinary dividend for the year	–	–
Total dividends paid or provided for during the year	–	5,701

(b) Franking account balance

	2018 \$'000	2017 \$'000
The franking credits available for subsequent financial years at a tax rate of 30%	6,452	5,310

The above available balance is based on the dividend franking account as at year end of reporting period, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the end of each reporting period.

26 Remuneration of Auditors

	2018 \$	2017 \$
Grant Thornton		
Audit and review of financial reports	384,000	302,000
Total remuneration of Grant Thornton	384,000	302,000

27 Contingencies

(a) Contingent liabilities

Guarantees

Guarantees given in respect of leases and premises amounted to \$637,000 (2017: \$1,088,000) for the Group. No material losses are anticipated in respect of these guarantees.

(b) Contingent assets

Following the departure of countplus one Pty Ltd previous senior managers, \$102,000 is recognised as a contingent asset regarding such fees to be received for the transfer of clients as per the deed of separation agreement. The amount is receivable upon new terms of engagement that are signed between the new firm and clients in the deed of separation agreement.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

28 Commitments

(a) Capital commitments

The Group has no capital commitments as at 30 June 2018.

(b) Lease commitments

(i) Operating leases

The Group has entered into commercial property leases for various offices under non-cancellable lease contracts. These leases are expiring at different times up to nine years from the reporting date. The leases are subject to different terms and conditions and rent renewals. The Group also leases various office equipment under non-cancellable operating leases.

	2018 \$'000	2017 \$'000
Minimum lease payments under non-cancellable operating leases:		
Within one year	3,647	3,924
Between two and five years	6,535	8,694
Later than five years	1,956	3,675
	12,138	16,293

(ii) Finance leases

As at the reporting date, the Group has no material finance lease liabilities (2017: \$43,000).

(c) Significant accounting policy

Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Other operating lease payments are charged to profit or loss in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(d) Hire purchase commitments

The Group leases various office equipment, motor vehicles and leasehold improvements under hire purchase arrangement. The future commitments under these categories are as follows:

	2018 \$'000	2017 \$'000
Commitments in relation to hire purchase are payable as follows:		
Within one year	7	32
Between one and five years	8	16
Minimum payments	15	48
Future finance charges	–	(5)
Total liabilities	15	43

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

29 Related party transactions

(a) Parent entities

The parent entity within the Group is CountPlus Limited.

Count Financial Limited has an ownership interest in CountPlus Limited of 35.85% as at 30 June 2018 (2017: 35.85%). Count Financial Limited is fully owned by the Commonwealth Bank of Australia.

(b) Subsidiaries

The Group consists of the Company and its controlled entities (subsidiaries). Details of these subsidiaries are set out in note 30. Transactions between the Company and its subsidiaries during the year consisted of:

- ▶ the loans advanced by the Company to subsidiaries;
- ▶ the payment of dividends to the Company by subsidiaries; and
- ▶ the remittance of profits to the Company by subsidiaries.

At year end, all loan balances, payment of dividends and the remittance of profits between the Company and these subsidiaries were eliminated on consolidation.

(c) Key Management Personnel

	2018 \$	2017 \$
Short-term employee benefits	1,302,422	1,125,929
Post-employment benefits	67,789	122,449
Long-term benefits	1,134	3,873
Termination benefits	–	251,467
Share-based payments	13,694	7,353
	1,385,039	1,511,071

For further disclosures relating to key management personnel are set out in the Directors' report page 28.

(d) Transactions with related parties

The following transactions occurred with related parties:

	2018 \$'000	2017 \$'000
Sales of goods and services		
Net fees and commissions received from Count Financial Limited	13,313	14,633

Thirteen of the fourteen subsidiaries of the Group were franchisees of Count Financial during the period and operate under their Australian Financial Services Licence. Fees and commissions received from Count Financial for the provision of financial planning services are either paid by Count Financial to these subsidiaries or paid by investment platform operators who are authorised by Count Financial to pay directly to these subsidiaries. Included in the net fees and commission received from Count Financial is income received by CountPlus Limited under a 'Relationship Deed' agreement.

CountPlus Limited entered into a 'Relationship Deed' agreement with Count Financial on 4 November 2010. Count Financial granted CountPlus 'Most Favoured Nation Status' (MFN Status). This means that in relation to an existing or new Count Product or Service, except for Platform and Asset Financing Revenue, Count will offer the CountPlus Group the best terms for the existing or new Count Product or Service which is available by the Count Group to any other member of the Count Group. Count will pay CountPlus 50% of the Platform Revenue received by Count from a Preferred Platform Provider in respect of CountPlus FUM with that Platform Provider. Count will pay CountPlus 50% of any revenue received from an Asset Financier in relation to Asset Financing for CountPlus' clients, customers and associates. CountPlus received fees and commissions of \$1,280,000 (2017: \$1,406,000) from Count Financial in accordance with the terms set out in the Relationship Deed. On 22 December 2015, an amendment to the 'relationship Deed' was signed. The purpose of this amendment was to clarify and ensure compliance with the FOFA provisions set out in the Corporations Act.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

	2018 \$'000	2017 \$'000
Premises expenses¹		
Catalyst Finance Pty Ltd ²	206	200
The Southport Unit Trust ³	345	269
Rosebead Pty Ltd ⁴	59	58
Brinfields Superannuation Fund ⁵	38	70
Mark and Bronwyn Kenmir Superannuation Fund ⁶	28	28
Bronwyn Kenmir ⁷	40	41
ASCA Nominees Pty Ltd	–	19
Cummings and West Super Fund ⁸	63	62
	779	747

- 1) Premises expenses with related parties are set and maintained at commercial rates, with reviews carried out per the terms of standard contracts.
- 2) Catalyst Finance Pty Ltd is an unlisted entity controlled by Mr D Glover, Mr C Bartlett and Ms J Beverley. Mr D Glover, Mr C Bartlett and Ms J Beverley are also the principals of Evolution Advisers Pty Ltd, a wholly owned subsidiary of the parent entity.
- 3) Mr M Beddoes and Mr G Missen are directors of MBA Bookkeeping Pty Ltd, the trustee for the Southport Unit Trust. Both Mr M Beddoes and Mr G Missen are principals of The MBA Partnership Pty Ltd, is a 60% owned subsidiary of the parent entity.
- 4) Rosebead Pty Ltd is an unlisted entity and the trustee for the Muttama Superannuation Fund. Mr M Twomey, Mr G Twomey, Ms R Twomey, and Ms M Twomey are joint beneficiaries of the Muttama Superannuation Fund. Mr M Twomey is a principal of Twomeys Pty Ltd, a wholly owned subsidiary of the parent entity. Mr G Twomey and Ms M Twomey are employees of Twomeys Pty Ltd.
- 5) Brinfields Superannuation Fund is the 80% building owner which is the SMSF of principal of our subsidiary 360 Financial Advantage Pty Ltd, Jonathan Ritchie and Wendy Ritchie. The SMSF also owns 100% of the issued units in a Trust which owns the other 20%. Jonathan Ritchie finished his employment agreement with 360 Financial Advantage Pty Ltd in December 2017 in which he is no longer considered a related party thereafter.
- 6) The Mark and Bronwyn Kenmir Superannuation Fund is the SMSF of Mr Mark Kenmir, the principal of Cooma Accounting and Financial Services.
- 7) Ms Bronwyn Kenmir is wife of Mr Mark Kenmir, the principal of subsidiary, Cooma Accounting and Financial Services Pty Ltd.
- 8) Cummings and West Super Fund is an unlisted entity controlled by Ms Julie West. Ms Julie West is a principal and part owner of subsidiary The MBA Partnership (NSW) Pty Ltd.

(e) Outstanding balances arising from transactions with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2018 \$'000	2017 \$'000
Current receivables		
– Receivable from Count Financial Limited	229	280
Current payables		
– Payable to Count Financial Limited	–	283

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

30 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of entity	Principal place of business / Country of Incorporation	Percentage Owned (%) 2018	Percentage Owned (%) 2017
1 The MBA Partnership Pty Ltd*	Australia	60	60
▶ Digital O2 Pty Ltd	Australia	100	100
▶ MBA FS (Rawsons) Pty Ltd	Australia	70	70
▶ The MBA Partnership (NSW) Pty Ltd	Australia	51	51
2 Twomeys Pty Ltd*	Australia	100	100
▶ Audit Service Company Pty Ltd (CountPlus National Audits)	Australia	0	100
▶ Twomeys Accounting and Advice Pty Ltd	Australia	0	100
▶ Twomeys Wagga Financial Planning Pty Ltd	Australia	0	100
3 Bentleys (WA) Pty Ltd*	Australia	100	100
4 Addvantage Financial Freedom Pty Ltd*(c)	Australia	100	100
▶ Addvantage Accountants Pty Ltd	Australia	100	100
▶ Cooma Accounting and Financial Services Pty Ltd	Australia	100	100
5 Specialised Business Solutions Pty Ltd*	Australia	61.3	61.3
6 Mogg Osborne Pty Ltd*(a)	Australia	65	100
7 Crosby Dalwood Pty Ltd*	Australia	100	100
8 Cooper Reeves Pty Ltd*	Australia	100	100
9 countplus one Pty Ltd*	Australia	100	100
10 Evolution Advisers Pty Ltd*	Australia	100	100
11 Robson Partners Pty Ltd*(b)	Australia	70	100
▶ Walker & Andrews Pty Ltd	Australia	100	0
12 Kidmans Partners Pty Ltd*	Australia	63.04	60
13 360 Financial Advantage Pty Ltd*	Australia	100	100
14 CountPlus FS Holdings Pty Ltd (TFS Group)*	Australia	100	100
▶ Total Financial Solutions Australia Ltd	Australia	100	100
▶ TFS Operations Pty Limited	Australia	100	100
▶ TFS Advice Pty Limited	Australia	100	100
15 Kidmans PEC Pty Ltd*(d)	Australia	100	100
16 BLUE789 Pty Ltd	Australia	100	100
17 ADVICE389 Pty Ltd	Australia	100	100

* These subsidiaries (member firm Groups) are separate cash generating units.

These entities are consolidated into the respective cash generating units (CGU's) identified above. The class of shares acquired for all the subsidiaries is ordinary shares.

(a) Mogg Osborne Pty Ltd participated in the Owner, Driver – Partner (OD-P) program effective 1 May 2018.

(b) Robson Partners Pty Ltd participated in the Owner, Driver – Partner (OD-P) program effective 1 May 2018. Robson Partners Pty Ltd acquired 100% of the business assets Walker & Andrews Pty Ltd on 1 May 2018.

(c) Addvantage Financial Freedom Pty Ltd is formerly known as Achieve Corporations Pty Ltd. The entity changed its trading name following the disposal of Achieve payroll business in March 2018.

(d) Kidmans PEC Pty Ltd is the holding company of PEC Group which was disposed in February 2018. CountPlus Ltd still holds 100% ownership of the holding company as at 30 June 2018.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(a) Significant restrictions relating to subsidiaries

There are no statutory, contractual or regulatory restrictions on any of the subsidiary's ability to access or transfer or use its assets and settle the liabilities of the Group.

There are no guarantees given or other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid to (or from) other entities within the Group.

(b) Consolidated structured entities

The Company or the Group does not have any consolidated structured entities other than the ones which are consolidated in these financial statements and listed as subsidiaries above.

(c) Disposal of a subsidiary that results in loss of control

On 1 July 2017 CountPlus Limited sold 100% of its interest in its subsidiary Audit Service Company Pty Ltd (CountPlus National Audits or CNA). The consideration for the sale was \$1,100,000, with the transaction settled on 31 July 2017.

On 1 July 2017 CountPlus Limited sold 100% of its interest in its subsidiary Twomeys Accounting and Advice Pty Ltd (TAA). The consideration for the sale was \$1,350,000, with the transaction settled on 31 July 2017.

On 1 July 2017 CountPlus Limited sold 100% of its interest in its subsidiary Twomeys Wagga Financial Planning Pty Ltd (TWFP). The consideration for the sale was \$350,000, with the transaction settled on 31 July 2017. An accounting profit which is disclosed in below table was attributable to members of the parent from the disposal and is recorded in the other income line in the consolidated statement of profit or loss and other comprehensive income.

On 27 February 2018 CountPlus Limited sold 100% of its interest in its subsidiary PEC Group. As this was a separate reportable segment, the sale has been classified as discontinued operations and further disclosures are available in note 23.

(d) Disposal of a subsidiary – carrying amount of net assets

The carrying amount of the net assets of the below at the date of disposal were:

	2018 TAA \$'000	2018 TWFP \$'000	2018 CNA \$'000	2017 CBC \$'000
Cash and cash equivalents	269	12	68	47
Receivables	394	34	340	109
Work in progress	89	–	117	–
Total current assets	752	46	525	156
Property, plant and equipment	151	23	80	31
Intangible assets	284	63	179	843
Deferred tax assets (net)	94	12	2	16
Total non current assets	529	98	261	890
Trade payables	156	42	86	4
Provisions	137	28	56	19
Total current liabilities	293	70	142	23
Other payables	–	–	–	–
Interest bearing loans and borrowings	–	–	14	–
Provisions	82	12	58	16
Total non current liabilities	82	12	72	16
Net assets	906	62	572	1,007
Total consideration				
– Received in cash	1,350	350	1,100	1,827
– Net assets	(906)	(62)	(572)	(1,007)
Profit on disposal of subsidiary (pre-tax)	444	288	528	820

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

31 Business combinations

(a) Significant accounting policy

Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Business combinations are initially accounted for on a provisional basis until either the earlier of (i) 12 months from the date of acquisition or (ii) the finalisation of fair value. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date through profit or loss.

The excess of the consideration transferred and the amount of any non-controlling interests in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

The Company has measured the non-controlling interest at the acquirees' share of the identifiable net assets. Accordingly, goodwill arising on consolidation represents only CountPlus' proportionate share of goodwill at the date of acquisition. Key factors contributing to goodwill are synergies existing within the acquired businesses, superior management and superior service offerings. None of the goodwill recognised is expected to be deductible for tax purposes.

Contingent consideration is classified as financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(b) Current period

Summary of acquisitions

On 1 May 2018, CountPlus subsidiary Robson Partners Pty Ltd acquired 100% of the business assets of Walker & Andrews Pty Ltd. A cash consideration of \$750,000 was paid on settlement.

	Walker & Andrews Fair value \$'000
Contribution since acquisition	
Gross revenue	74
Net profit	(29)
Net assets acquired	
Acquired Client Relationships	298
Goodwill arising on acquisition	452
	750
Acquisition date fair value	
Cash paid	750
Contingent cash consideration	-
Total Consideration	750

(c) Contribution of entities acquired during the period

The above listed acquisition made during financial year 2018 contributed gross revenue of \$74,000 and a net loss of \$29,000 respectively, to the Consolidated Profit or Loss and Statement of Other Comprehensive Income. Had the acquisition occurred at the beginning of the reporting period, the Consolidated Profit or Loss and Statement of Other Comprehensive Income would have included gross revenue and net profit of approximately \$815,000 and \$300,000 respectively.

(d) After the reporting period

No business combinations were completed after the end of the reporting period. In instances where this does happen, during the measurement period, these acquisitions will be provisionally accounted for until purchase price accounting is finalised, at which point the financial effects of these business combinations will be fully disclosed.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

32 Events occurring after the reporting date

No matter or circumstance has arisen since 30 June 2018 other than the final dividend for the financial year 2018 which was approved by the Board after financial year end 30 June 2018, that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or consolidated entity;
- (b) the results of those operations in future financial years; or
- (c) the Group's state of affairs consolidated entity in future financial years.

Other than the following:

On 24 August 2018, the Directors resolved to declare a full year final dividend for FY18 of 1 cent (fully franked) to be paid on 17 October 2018 (Record date 28 September 2018).

33 Reconciliation of profit after income tax to net cash inflow from operating activities

	2018 \$'000	2017 \$'000
Net profit from operations after income tax for the year	847	875
Non-cash items in profit:		
Depreciation and amortisation	2,912	3,744
TFS write back of provision	(729)	–
Share based payments	60	204
Bad debt expense / (benefit)	333	(227)
Loss on disposal of PEC group	2,394	–
Gain on deferred consideration	(271)	(1,106)
Investment Income	(2,225)	–
Share of associates net (profit) / loss	(828)	157
Net loss on disposal of assets	36	116
Write-offs and impairment of non-current assets	4,700	5,001
(Gain) / loss on revaluation of Class Limited shares	(33)	337
Changes in operating assets and liabilities		
Decrease / (Increase) in trade and other receivables	9,027	(684)
Decrease in work in progress	23	772
(Decrease) / Increase in trade and other payables	(7,987)	749
Decrease in income taxes payable	92	3,085
(Decrease) in net deferred taxes liabilities	(2,030)	(4,907)
(Decrease) in employee and other provisions	(1,527)	(130)
Net cash inflow from operating activities	4,794	7,986
Add / (minus) net cash inflow from operating activities from discontinued operations	259	(327)
Net cash inflow from operating activities from continuing operations	5,053	7,659

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

34 Earnings per share

(a) Earnings per share

	Cents	Cents
Basic and diluted earnings / (loss) per share		
From continuing operations attributable to the ordinary owners of the company	1.17	(1.07)
From discontinued operations	(1.33)	0.97
Total basic and diluted loss per share attributable to the owners of the company	(0.16)	(0.10)

(b) Reconciliation of earnings to profit or loss from continuing operations and discontinued operations

	2018 \$'000	2017 \$'000
Profit / (loss) from continuing operations	2,312	(200)
Profit attributable to non-controlling equity interest in respect of continuing operations	(1,023)	(981)
Earnings / (loss) used to calculate basic and diluted EPS from continuing operations	1,289	(1,181)

	2018 \$'000	2017 \$'000
(Loss) / profit from discontinued operations	(1,465)	1,075
Profit attributable to non-controlling equity interest in respect of continuing operations	-	-
(Loss) / earnings used to calculate basic and diluted EPS from discontinued operations	(1,465)	1,075

(c) Earnings used to calculate overall earnings per share

	2018 \$'000	2017 \$'000
Loss attributable to the ordinary owners of the Company used in calculating basic and diluted EPS	(176)	(106)

(d) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	2018 Number	2017 Number
Number of ordinary shares outstanding	114,222,559	114,222,559
Loan funded share plan	(3,813,807)	(3,813,807)
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	110,408,752	110,408,752

(e) Significant accounting policy

Basic earnings per share is calculated by dividing

- ▶ the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; and
- ▶ by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to consider

- ▶ the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- ▶ the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

35 Loan funded share plan

Long-term incentive awards are delivered to employees in the form of a loan funded share plan (LFSP). Under the plan, employees who have contributed to Group performance may be granted an allocation of loan-funded shares which are held on their behalf by an employee share trust.

A summary of the Company shares issued up to the year ended 30 June 2018 are as follows:

Description	Grant date	Expiry date	Exercise price	Start of the year	Granted during the year	Exercised during the year	Forfeited / expired	Balance at end of the year	Vested and exercisable at end of the year
LFSP 2013	15 January 2013	14 January 2016	1.50	486,889	-	-	(486,889)	-	-
LFSP 2014	15 January 2014	14 January 2017	1.87	693,017	-	-	(693,017)	-	-
LFSP 2015	2 March 2015	1 March 2018	1.12	1,789,044	-	-	(1,789,044)	-	-
LFSP 2016	21 December 2015	20 December 2018	0.95	69,168	-	-	(69,168)	-	-
LFSP 2017	16 November 2016	15 November 2019	0.82	80,773	-	-	(80,773)	-	-

36 Financial risk management

The Group's principal financial assets and liabilities, which arise directly from its operations, comprise of cash and cash equivalents, trade and other receivables, work in progress, investment in associates, interest bearing loans, borrowings, trade and other payables.

The main risks arising from the Group's financial instruments (financial assets and liabilities) are market risk (including price risk and interest rate risk), liquidity risk and credit risk. The Group has not entered into any derivative contracts as means to hedge against these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

(a) Market risk

(i) Price risk

During the year, the Group disposed of all of its equity securities (refer note 11). As a result, the Company has no market risk exposure following the sale of these securities. The last securities were sold on 5 September 2017.

(ii) Interest rate risk

The Group's risk exposure to changes in market interest rates relates primarily to long term borrowings under a variable rate arrangement. In December 2017, CountPlus entered into a variable rate, 5-year revolving line of credit facility with a limit of \$20,000,000. As at reporting date, \$20,000,000 of the facility remains undrawn. In addition, there is a \$2,000,000 bank loan in a member firm which has been drawn down by \$1,850,000. These facilities are with the Westpac Bank. The Group has not entered into any hedging or other contracts to mitigate this risk.

Lease liabilities and hire purchase liabilities are guaranteed or indemnified by the relevant Directors, the subsidiary or CountPlus Limited. The Group's borrowings are backed with guarantees.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

At 30 June 2018, the effect on profit as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2018 \$'000	2017 \$'000
Change in profit		
+1% (100 basis points)	(65)	(30)
-1% (100 basis points)	65	30

(b) Credit risk

The Group is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its investing and financing activities (primarily, investment in associates, other investments and guarantees held by financial institutions, as disclosed in notes 11, 15 and 27 respectively).

The Group trades only with creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of counterparties to spread the risk of default of counterparties.

The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments, as indicated in the consolidated statement of financial position. The maximum credit risk exposure does not consider the value of any collateral or other security held, in the event other entities / parties fail to perform their obligations under the financial instruments in question. In addition, receivable balances are monitored on an ongoing basis. The Group observes its provision policy.

Investments in associates and Other Investments are undertaken only with approved counterparties after the due diligence process. The investment decisions are reviewed at a high level by Group's acquisition committee. The Group's maximum exposure to credit risk is the carrying amount of these investments, as indicated in the consolidated statement of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its debt obligations, or other cash outflows, as they fall due because of lack of liquid assets or access to adequate funding on acceptable terms. The Group monitors its liquidity position on a regular basis to ensure that there is adequacy to meeting obligations.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of each reporting period:

	2018 \$'000	2017 \$'000
Floating rate		
Expiring within one year	-	-
Expiring beyond one year	28,803	6,465
Total	28,803	6,465

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

37 Fair value measurement

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and borrowings approximate their fair value.

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1** the fair value is calculated using quoted prices in active markets.
- Level 2** the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3** the fair value is estimated using inputs for the asset or liability that are not based on observable market data. The fair value of the financial instruments held by the Group are summarised in the table below.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2018				
Financial assets				
Other investments – FVTPL	–	–	–	–
	–	–	–	–
Financial liabilities				
Contingent cash consideration	–	–	(364)	(364)
Total	–	–	(364)	(364)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2017				
Financial assets				
Other investments – FVTPL	3,366	–	–	3,366
	3,366	–	–	3,366
Financial liabilities				
Contingent cash consideration	–	–	(1,114)	(1,114)
Total	3,366	–	(1,114)	2,252

The fair value of the financial assets and liabilities represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair values.

Fair value of other investments held at fair value through profit and loss is determined based on observable market transactions. Observable market transactions considered are those transactions which occurred on 30 June 2018, excluding new issue of shares. The fair value is calculated by multiplying the total number of shares outstanding by the market price.

Fair value of contingent cash consideration is derived from management expectations of the performance of the acquired businesses and assets.

Fair value of deferred equity consideration is derived from management expectations of the performance of the acquired businesses and assets.

Financial liabilities – sensitivity to changes in assumptions

If the fees achieved by DFK Crosbie Gold Coast in the 12 months after the date of completion declines by 10% compared to the contracted amount, a reduction of \$113,750 in contingent consideration would result.

If the fees achieved by DFK Crosbie Gold Coast in the 12 months after the date of completion increases by 10% compared to the contracted amount, an increase of \$67,498 in contingent consideration would result.

The maximum potential payment for deferred consideration is \$431,548 (2017: \$1,227,099).

Other than the above scenarios, management believes no reasonable change in any other key assumptions would have a material impact on the fair value of other investments and contingent consideration.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

Level 3 measurements

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

	2018 \$'000
Balance at beginning of year	(1,114)
Total gains or losses for the year	
Gain / (loss) on deferred consideration recognised in profit or loss	271
Other movements	
Additions to deferred cash and equity consideration for acquisitions of assets, subsidiaries and associates during the year	–
Cash paid for settlement of deferred cash consideration	479
Balance at end of year	(364)

38 Parent entity

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2018 \$'000	2017 \$'000
Statement of financial position		
Current assets	6,465	1,495
Non-current assets	52,928	107,290
Total assets	59,393	108,785
Current liabilities	(993)	(1,310)
Non-current liabilities	(113)	(17,007)
Total liabilities	(1,106)	(18,317)
Net assets	58,287	90,468
Equity		
Contributed equity	126,552	126,552
Share based payment reserve	1,494	1,434
Accumulated losses	(69,759)	(37,518)
	58,287	90,468
Statement of Profit or Loss and Other Comprehensive Income		
Loss for the year	(32,242)	(9,210)
Total comprehensive loss	(32,242)	(9,210)

(b) Guarantees entered into by parent entity

The parent entity has not provided any financial guarantees in respect of bank overdrafts or loans of subsidiaries.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

(d) Contractual commitments for acquisition of property, plant and equipment

The parent entity did not have any commitments as at 30 June 2018 or 30 June 2017.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(e) Parent entity financial information

The financial information for the parent entity, CountPlus Limited, disclosed above have been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at the lower of cost and recoverable value in the financial statements of CountPlus Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

CountPlus Limited ('the Corporate Entity') and its 100% owned Australian subsidiaries formed an income tax consolidation group with effect from 5 November 2010. Subsidiaries joined the tax consolidation group from the date they became wholly owned. The Corporate Entity and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

Members of the CountPlus tax consolidation group entered into a tax sharing and funding agreement. Under the terms of this agreement, each member in the tax consolidation group agreed to make a tax equivalent payment to the Corporate Entity based on their current tax liability or current tax asset. Deferred taxes are recorded by members of the tax consolidation group in accordance with the principles of AASB 112 Income Taxes.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

The Company currently has banking facilities with Westpac Banking Corporation. These comprise a \$5,000,000 revolving line of credit facility and a \$20,000,000 Bank Bill Business Loan. These were undrawn at year end except for the bank undertaking for property leases of \$549,000. A subsidiary of CountPlus Limited, Kidmans Partners Pty Ltd currently has an overdraft facility of \$2,000,000 with Westpac Banking Corporation. This loan was drawn down by \$1,850,000 at 30 June 2018.

(iv) Share based payments

The grant by the Company of options over its equity instruments to the employees of a subsidiary in the Group is treated as a capital contribution to the relevant subsidiary. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries, with a corresponding credit to equity.

39 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The result may be different from the estimated amounts.

The estimates and assumptions that have a significant risk of causing a material misstatement which would result in an adjustment to the carrying amounts in the Statement of Financial Position are as follows:

(a) Impairment

At each reporting date, the Group reviews the recoverable amount of its tangible and intangible assets to determine whether there is any indication that these assets may be impaired. If such an indication exists, the recoverable amount of the asset, assessed as the higher of its fair value less costs to sell and its value in use, is compared to its current carrying amount. Any excess of the asset's carrying value over its recoverable amount is expensed.

The Group determines whether goodwill is impaired at least on an annual basis. This requires estimation of the recoverable amount of the CGU by determining the value in use of each individual CGU.

Acquired client relationships are tested for impairment whenever there is an indication that the intangible asset may be impaired. This assessment is made at least on an annual basis. The net carrying value is compared with the expected future benefits from the relationships for each cash generating unit. If the carrying value of the relationships is higher than the expected future benefits an impairment loss is recorded for the difference.

(b) Provision for impairment of receivables

Where receivables are outstanding beyond the normal trading terms, the recovery likelihood of these receivables is assessed and reviewed by management. Outstanding debts that are deemed to be uncollectable are written off when identified. Historical experience and information of the Group's client base are considered when determining the provision for impairment loss.

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

(c) Provision for write-off of work in progress

The recoverability of work in progress is assessed and reviewed by management on a regular basis. Any amounts in excess of net recoverable value are written off when identified. Historical experience and information of the Group's client base are considered when determining the provision for impairment loss.

(d) Provision for make good

A provision has been made for the present value of anticipated costs of future restoration of various leased office premises. The provision includes future cost estimates associated with refurbishment to restore the leased premises to their original conditions. Provision recognised for each office is measured at management's best estimate of the expenditures where it is probable that an outflow of resources will be required. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting both the expense or asset (if applicable) and provision.

(e) Contingent consideration

Some acquisitions involve the payment of contingent consideration to vendors. This consideration is determined based on a multiple of actual earnings over a fixed period of time and is dependent on revenue or client retention. Consideration payable to the vendors in relation to acquisitions is recognised at fair value based on expected financial performance over the applicable future financial years. The component of contingent consideration not expected to be settled within 12 months after the end of the reporting period is measured as the present value of expected future payments to be made in respect of this contingent consideration, using a risk adjusted discount rate.

(f) Loan funded share plan

Loan funded shares are assessed as substantively similar to options for the purposes of valuation as the loan is non-recourse and the shares are subject to vesting conditions. The fair value is calculated using a binomial model at grant date and require the use of assumptions which have been disclosed in Directors' report page 20.

(g) Deferred taxes

The Consolidated entity is subject to taxes in Australia. The application of tax law to the specific circumstances and transactions of the Consolidated entity requires the exercise of judgement by management. The tax treatments adopted by management in preparing the financial statements may be impacted by changes in legislation and interpretations or be subject to challenge by tax authorities.

CountPlus has recognised a deferred tax asset on tax capital losses. CountPlus plans to continue with the successful Owner, Driver – Partner model which is expected to result in transactions with core firms over the next two to three years. A consequence of these transactions is likely to create taxable capital gains. The envisaged structure of the majority of the transactions, being share sale transactions, are subject to pre-defined financial hurdles being met by firms. Both the structure of the transactions and the potential increase in value in the firms are likely to give rise to taxable capital gains which the group has concluded will result in the deferred tax assets being utilised in the foreseeable future.

(h) Provision for TFSA client remediation and costs

A total provision of \$1,717,000 was made in relation to the Dobinson remediation matter during the financial years ending 30 June 2016 (\$530,000) and 2017 (\$1,187,000). Given extensive further reviews and the status of outstanding remediation claims assessed, TFS has written back the provision made during the financial year ending 30 June 2018 after costs incurred. The total write back was \$729,000 and a small provision has been retained.

Directors' Declaration

1. In the opinion of the Directors of CountPlus Limited:
 - a. The consolidated financial statements and notes of CountPlus Limited are in accordance with the Corporations Act 2001, including
 - i Giving a true and fair view of its financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
 - ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
 - b. There are reasonable grounds to believe that CountPlus Limited will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2018.
3. Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Board of Directors.



Ray Kellerman
Chairman
Sydney
14 September 2018

Independent Auditor's Report

To the members of CountPlus Limited



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Independent Auditor's Report

To the Members of Countplus Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Countplus Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent Auditor's Report

To the members of CountPlus Limited



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Recoverable amount of intangible assets (Note 14)</p> <p>As at 30 June 2018, the Group's intangible assets of \$34,228,000 consist of goodwill, acquired client relationships/advisor networks, brands, IT software and other intangible assets. An impairment expense of \$4,700,000 has been recognised during the year.</p> <p>AASB 136: <i>Impairment of Assets</i> requires that, for the purposes of impairment testing, goodwill acquired in a business combination be allocated to each of the Group's cash-generating units (CGU). Each CGU to which goodwill has been allocated must be tested for impairment annually.</p> <p>Management has assessed that the group has 14 CGUs, and has allocated the goodwill and other intangible assets to these CGUs.</p> <p>Management has tested the CGUs for impairment by comparing their carrying amounts with their recoverable amounts. The recoverable amounts were determined using value-in-use models.</p> <p>We have determined this is a key audit matter due to the judgements and estimates required in determining the appropriate CGUs and calculating the recoverable amount.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Enquiring with management to obtain and document an understanding of their processes and controls related to the assessment of impairment, including identification of CGUs and the calculation of the recoverable amount for each CGU; • Obtaining management's value-in-use calculations to: <ul style="list-style-type: none"> - Test the mathematical accuracy; - Evaluate management's ability to perform accurate estimates by comparing historical forecasting to actual results; - Test forecast cash inflows and outflows to be derived by the CGUs' assets; and - Agree discount rates applied to forecast future cash flows; • Evaluating the value-in-use models against the requirements of AASB 136, including consultation with our valuations experts; • Performing sensitivity analysis on the significant inputs and assumptions made by management in preparing its calculation; and • Assessing the adequacy of financial report disclosures.
<p>Trade receivables and work in progress (Notes 8 and 10)</p> <p>The Group has trade receivables of \$10,302,000 at 30 June 2018, against which a provision for impairment of \$980,000 has been recognised. The Group has work in progress of \$4,340,000 at 30 June 2010, against which no provision has been recognised.</p> <p>We have determined this is a key audit matter due to the fact that there is significant management judgment in estimating the appropriate level of any provision for impairment.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Challenging management's assumptions regarding the level of provisioning against the ageing of trade receivables and work in progress, along with evaluating the consistency and appropriateness of provisioning, with reference to subsequent cash received in respect of trade receivables and subsequent invoicing in respect of work in progress; • Critically assessing the recoverability of overdue trade receivables, including those which have been and have not been provided against; and • Assessing the adequacy of financial report disclosures.

Independent Auditor's Report

To the members of CountPlus Limited



Key audit matter	How our audit addressed the key audit matter
<p>Tax treatment of equity transactions (Notes 6, 12, 23, 24 and 30)</p> <p>The Group has undertaken a number of equity transactions during the year, disposing of one the Group's reportable segments (Property Segment), selling a further three subsidiaries, and undertaking equity buy backs with four firms participating in the "Owner, Driver – Partner" model.</p> <p>The taxation treatment of these equity transactions is complex and has resulted in a number of taxable capital gains and losses. As part of this accounting, the Group has also recognised a deferred tax asset of \$1,063,000 in respect of capital losses at 30 June 2018.</p> <p>We have determined this is a key audit matter due to the number of equity transactions, the complexity of the tax treatment, and the significant judgement required in determining the recoverability of the deferred tax asset which is dependent on the generation of sufficient future taxable capital gains to utilise these capital losses.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Testing the accounting for appropriateness and compliance with AASB 10: <i>Consolidated Financial Statements</i> and AASB 12: <i>Disclosure of Interests in Other Entities</i>, including assessing management's accounting entries with reference to the relevant agreements; • Reviewing the tax calculations prepared by management's expert, including involving our taxation specialists to assess the tax positions adopted for each equity transaction; • Evaluating the competence, capability and objectivity of the management's expert and performing a detailed review of their work to understand the scope of their engagement and any limitations in the work performed; • Evaluating the assessment of the recoverability of the deferred tax assets through the availability of future taxable capital gains; • Discussing with management's expert the key elements of their work when applying AASB 112: <i>Income Taxes</i>; and • Assessing the adequacy of financial report disclosures.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report

To the members of CountPlus Limited



Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 25 to 32 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Countplus Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized signature of Grant Thornton in blue ink.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in blue ink, appearing to be "C F Farley".

C F Farley
Partner – Audit & Assurance

Sydney, 14 September 2018

ASX Additional Information

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows:

(a) Distribution of Equity Securities

The number of shareholders, by size of holding, in each class of shares as at the date of this report are:

	Ordinary Shares	
	Number of Holders	Number of Shares
1 – 1,000	425	259,023
1,001 – 5,000	819	2,307,940
5,001 – 10,000	395	3,153,517
10,001 – 100,000	712	21,925,720
100,001 – and over	115	86,576,359
Total	2,466	114,222,559

Holding less than a marketable parcel – 309 holders.

(b) Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares as at the date of this report are:

	Listed Ordinary Shares – Fully Paid	
	Number	Percentage
1 Count Financial Limited	40,945,747	35.85%
2 Pacific Custodians Pty Limited (Employee Share Tst A/C)	3,813,807	3.34%
3 Mr Barry Martin Lambert	3,300,000	2.89%
4 Citicorp Nominees Pty Limited	3,292,328	2.88%
5 J P Morgan Nominees Australia Limited	2,449,545	2.14%
6 Santos L Helper Pty Ltd (Sbs Van Paassen A/C)	2,100,000	1.84%
7 Mrs Joy Wilma Lillian Lambert	1,333,333	1.17%
8 Capital H Management Pty Ltd (Capital H A/C)	1,276,056	1.12%
9 National Nominees Limited	1,233,197	1.08%
10 Avanteos Investments Limited (6619047 Jonathan A/C)	1,162,528	1.02%
11 Harvey Investment Company Pty Ltd (Seastar Investment A/C)	835,561	0.73%
12 Mr Michael Allan Beddoes (Beddoes Practice A/C)	800,000	0.70%
13 Mr Barry Martin Lambert	764,729	0.67%
14 RK Sydney Pty Ltd (RK Family A/C)	750,000	0.66%
15 Rowe Heaney Super Fund Pty Ltd (Rowe Heaney Super Fund A/C)	707,777	0.62%
16 Mr Joseph Zanca and Mrs Szerenke Zanca (Zanacorp Super Fund A/C)	680,000	0.60%
17 Bartlett Investment Holdings Pty Ltd	583,024	0.51%
18 Mr John William Officer and Mrs Jennifer Catherine Officer (Officer Super Fund A/C)	535,199	0.47%
19 Supergeneration Pty Ltd (Supergeneration A/C)	533,600	0.47%
20 Zanacorp Financial Group Pty Ltd	510,000	0.45%
Totals: Top 20 holders of issued capital (total)	67,606,431	59.19%

(c) Substantial Shareholders

As at the date of this report, the substantial shareholder is:

	Listed Ordinary Shares – Fully Paid	
	Number	Percentage
Ordinary shareholder		
Count Financial Limited	40,945,747	35.85%

Investors' Information

Share Trading

CountPlus Limited's fully paid ordinary shares are listed on the Australian Stock Exchange (ASX) and are traded under the code CUP.

Shareholders' Enquiries

Investors seeking information regarding their shareholding or wishing to change their address, should contact our share registry:

Computershare Investor Services Pty Ltd

Address	Level 4, 60 Carrington Street Sydney NSW 2000
Telephone	1300 850 505 +61 2 8234 5000
Fax	+61 2 8235 8150

Any other enquiries relating to CountPlus Limited can be directed to CountPlus at:

Postal Address	GPO Box 1453 Sydney NSW 2001
Telephone	+61 2 8488 4500
Email	info@countplus.com.au

Voting Rights

At a General Meeting, every member present in person or by proxy or attorney, or in the case of a corporation by a representative duly authorised under the seal of that corporation, has one vote on a show of hands and in the event of a poll, one vote for each fully paid ordinary share held by the member. Options carry no voting rights.





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