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CountPlus
Quality Partnerships, Leading Advice

18

Financial Statements
For the Half-Year Ended
31 December 2017

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For the Half-Year Ended 31 December 2017

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Corporate Directory

For the Half-Year Ended 31 December 2017

DIRECTORS

Raymond Kellerman
Chairman

Matthew Rowe
Managing Director and Chief Executive Officer

Alison Ledger
Independent Non-Executive Director

Kate Hill
Independent Non-Executive Director

Andrew McGill
Independent Non-Executive Director

Barry Lambert
Non-Executive Director – Resigned 30 September 2017

Graeme Fowler
Independent Non-Executive Director – Resigned 30 September 2017

CHIEF FINANCIAL OFFICER

Geoff Missen
Laurent Toussaint

COMPANY SECRETARY

Angus Finney
Arlette Jubian – Resigned 28 November 2017

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SOLICITORS

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BANKERS

Macquarie Bank Limited
Commonwealth Bank of Australia
Westpac Banking Corporation

STOCK EXCHANGE LISTINGS

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

WEBSITE ADDRESS

www.countplus.com.au

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Directors' Report

For the Half-Year Ended 31 December 2017

The directors submit the financial report on the consolidated entity consisting of CountPlus Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

Directors

The name of each person who has been a director during the half-year and to the date of this report are:

Raymond Kellerman Chairman

Matthew Rowe Managing Director and Chief Executive Officer

Alison Ledger Independent Non-Executive Director

Kate Hill Independent Non-Executive Director

Andrew McGill Independent Non-Executive Director (*Appointed 4 December 2017*)

Barry Lambert Non-Executive Director (*Resigned 30 September 2017*)

Graeme Fowler Independent Non-Executive Director (*Resigned 30 September 2017*)

During the half-year reporting period ended 31 December 2017 there were changes in the internal organisation of the Group, which included the appointment of Mr Andrew McGill as Independent Non-Executive Director on 4 December 2017, and resignation of Mr Barry Lambert as Non-Executive Director and Mr Graeme Fowler as Independent Non-Executive Director, both occurring on 30 September 2017. Ms Arlette Jubian resigned as Company Secretary on 28 November 2017.

Operating and financial review

The Company reported consolidated net loss after tax for the half-year ending 31 December 2017 of \$3,281,000 (2016: profit of \$2,070,000) of which a loss of \$3,804,000 (2016: profit of \$1,494,000) was attributable to the shareholders of CountPlus Limited (CUP).

The CountPlus management team focuses on a range of key metrics when assessing the performance of the Company.

A central measure is the "same firm" analysis, where key operating metrics for our core business units is calculated. In this "same firm" scenario we have removed impairments, revaluation of investments, gains on sale of investments, gains on deferred consideration, non-recurring restructuring costs and all the business units we have sold.

	31 December 2017 \$'000	31 December 2016 \$'000
Profit from continuing operations before income tax	144	1,803
Impairments of intangible assets	4,700	780
Revaluation of investments	0	2,298
Gain on sale of investments	(1,402)	(256)
Gain on deferred consideration	0	(925)
Profit from Associates	328	230
Termination and redundancy costs on restructure	613	45
Results from exited firms	0	(378)
Adjusted profit (same firm analysis)	4,383	3,597

Directors' Report

For the Half-Year Ended 31 December 2017

Notes

- ▶ The underlying profitability of core business units in the same firm analysis result shows an increase over the prior period of 22%.
- ▶ Income from associates improved by 43%. Included in the prior period result are firms sold being Financial Momentum Vic Pty Ltd, McQueen Financial Group Pty Ltd and Nixon Financial Services Pty Ltd. The current period result comprises results from One Hood Sweeney Pty Ltd and Hunter Financial Pty Ltd.
- ▶ Impairment of intangible assets of \$4,700,000 is comprised of the impairment of CountPlus FS Holdings Pty Ltd (TFS) in the amount of \$3,500,000 and Achieve Corporation Pty Ltd in the amount of \$1,200,000.
- ▶ The prior period revaluation of investments relates to the revaluation of Class Ltd shares held.

Significant items in Financial Report within the half-year period ending on 31 December 2017 are as follows:

- ▶ An impairment of goodwill in the carrying value of Total Financial Solutions (TFS) of \$3,500,000.
- ▶ A write-back of \$247,000 against the provision made at 30 June 2017 for the Dobinson remediation program.
- ▶ On 27 February 2018 a binding sale agreement was signed to sell Achieve Corporation, the payroll processing business unit in our Canberra firm for a total consideration of \$2,020,000. The sale of this business unit and the restructure of our Canberra office will result in a loss on disposal of \$1,200,000 which has been recognised as an impairment in the half-year period ending 31 December 2017.
- ▶ A loss from discontinued operations in relation to the Pacific East Coast business of \$2,055,000 (*after tax*).
- ▶ Gain on sale of investment includes \$108,000 gain on sale of Bentleys Corporate Advisory (WA) Pty Ltd, \$1,261,000 gain on sale of Twomeys Accounting & Advice Pty Ltd, Twomeys Wagga Financial Planning Pty Ltd, and Audits Service Company Pty Ltd and \$33,000 gain on sale of Class shares.

Accounting revenue decreased by 7% for the half-year ended 31 December 2017 and net financial planning revenue decreased by 14% for the half-year ended 31 December 2017 in comparison to half-year ended 31 December 2016.

Total expenses excluding goodwill impairment decreased by 13%.

Dividends

The CountPlus Board set a dividend policy at a range of between 40% and 70% of net profit after tax.

Further impairments during the current reporting period resulted in a \$3,281,000 reported loss after tax and the Board has decided that it is currently premature to resume payment of dividends.

All at CountPlus are disappointed this has happened and acknowledge the impact this has on shareholders. Decisions have been made that, while tough, the CountPlus Board believes are the right decisions for the long-term benefit of all stakeholders.

Underlying "same firm" profitability is solid and encouraging. If this trend continues, with no further significant impairments or material change, resumption of dividends should take place at the full year end 30th June 2018.

Directors' Report

For the Half-Year Ended 31 December 2017

Total Financial Solutions (TFS) remediation update

On the 27th February 2018 ASIC wrote to TFS and acknowledged the positive engagement and constructive approach taken by TFS to this matter and noted the considerable improvements made to the TFS business practice and compliance culture over the past 12 months.

TFS will now submit a final application to ASIC to remove the additional licence conditions on or before the 14th April 2018. ASIC has noted that the progress made by TFS to date would indicate that remaining actions will be completed in a timely manner and that removal of the licence conditions could be actioned promptly once the application is received.

Once the licence condition is lifted this will draw a line under this matter for TFS, allowing us to focus on rebuilding TFS as a licensee of the future.

The Boards of CountPlus and TFS would like to extend their appreciation to ASIC for their work in this matter.

This remediation program saw TFS contact over 520 clients, undertake extensive reviews of advice given and made good those clients that had been financially impacted because of the advice provided by Brian Dobinson.

This has been a very difficult time for those clients impacted by the advice of Mr Brian Dobinson and for TFS. Our overriding focus in this remediation project was to do the right thing by our clients. Independently verified governance standards and reporting disciplines have been implemented to ensure that the problems of the past, like the TFS Dobinson matter, will not be repeated. A new Head of Risk and Compliance, Shannon Durrant, has been recently appointed to TFS as part of key reforms. Independent counsel has also led an exhaustive review of the governance and compliance standards within TFS.

A total provision of \$1,717,000 has been made in relation to the Brian Dobinson remediation matter. Given extensive further reviews and the status of outstanding remediation claims still being assessed, TFS has written back \$247,000 of the provision made.

Significant changes have been made to the TFS operating model, reflecting management's desire to build a high-quality licensee offering compliant, ethical financial advice and a sustainable business.

These changes have been far-reaching and will demonstrably benefit clients, and the advisers that serve them.

However, the new operating model for TFS will deliver a lower profit contribution to CountPlus in the near term, as a result it has been necessary to impair the carrying value of TFS by \$3,500,000.

Pacific East Coast

On February 27, 2018 a binding sale agreement was signed with the current Principals of Pacific East Coast for \$3,450,000. The sale of this business unit produced a loss of \$2,055,000.

The sale of Pacific East Coast resulted from our strategic review of all firms. CountPlus has taken a view it is a non-core asset. The operating model of this business unit has a different remuneration structure to our core business units. The revenue drivers are highly leveraged to the property market and we feel it is an appropriate time to exit this business unit.

Pacific East Coast was purchased in 2012 for \$6,900,000. In August 2015 a part of the business was sold for \$3,050,000 and a parcel of approximately \$300,000 in Accounting fees operated by the business was transferred to our then subsidiary firm Kidmans Partners.

CountPlus and Total Financial Solutions will continue to collaborate with Pacific East Coast under a new referral arrangement, post the sale of the business.

Directors' Report

For the Half-Year Ended 31 December 2017

Achieve Corporation

On February 27, 2018 a binding sale agreement was signed to sell Achieve Corporation, the payroll processing business unit in our Canberra firm for total consideration of \$2,020,000. After the sale of the payroll business unit and the restructure of our Canberra Office an impairment of \$1,200,000 has been made.

The restructure follows a review of the Canberra business units – Achieve, Addvantage and Mark Kenmir & Co. It has been agreed to sell the payroll business unit and focus on our core service offerings in Accounting and Advice.

Mark Kenmir has been appointed Managing Principal of the restructured firm. The highly-respected Mark Rantall has been appointed as the Firm Chairman.

Owner-Driver Partner Model

To win in the market in 2018 and beyond, the Company is evolving its value proposition to carve out a new industry niche. Our vision remains unchanged – to become Australia's leading network of professional accounting and advice firms, aligned through shared values, mutual success and our sense of community.

We have been focused on aligning, building and growing our core business. As part of this, we have re-examined our traditional value proposition which saw us offer ownership of these firms and in return, the provision of intellectual and investment capital. From our review, we know that a 100% ownership model can lead to misalignment of interests between our people, firms and our shareholders.

Additionally, CountPlus is competing with a group of consolidators and aggregators that run similar types of business models which, to the market, appear largely the same ... leaving us without a strong competitive advantage and a potentially diluted market position.

It is time for change.

To compete and succeed, we need to step up and out of this ownership model and move to one where our principals **own and drive** their firms without loss of identity, while **partnering** with CountPlus using agreed team rules, shared processes and controls, improved funding and economies of scale.

This 'best of both worlds' approach, will ground firms with a strong notion of perpetuity and custodianship, as well as a renewed strength to overcome the myriad challenges that operating and growing a successful practice brings.

We call this the "**Owner-Driver, Partner**" Model and its rollout will set us apart from industry aggregators and consolidators.

A detailed commentary on these results is included in the ASX release dated 27 February 2018.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2017 has been received and can be found on page 7 of this financial report.

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Directors' Report

For the Half-Year Ended 31 December 2017

Rounding of amounts

In accordance with Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 amounts in the financial reports are rounded off to the nearest thousand dollars unless otherwise indicated.

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



Raymond Kellerman

Director
Sydney
27 February 2018

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001



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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 review of Countplus Limited for the half-year ended 31 December 2017, 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton Audit Pty Ltd
Chartered Accountants

C F Farley
Partner – Audit & Assurance

Sydney, 27 February 2018

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**Consolidated Statement of Profit or Loss
and Other Comprehensive Income**
For the Half-Year Ended 31 December 2017

	Note	Half-Year	
		31 December 2017 \$'000	31 December 2016 \$'000
Revenue from operating activities	4	52,401	56,347
Fees, commissions and related costs	4	(13,641)	(14,118)
Total revenue		38,760	42,229
Other income			
Interest income		35	37
Other income		456	560
Gain on deferred consideration		–	925
Gain on sale of investments	4	1,402	256
Total other income		1,893	1,778
Salaries and employee benefits expense		(26,447)	(28,274)
Depreciation expense		(432)	(402)
Premises expenses		(2,274)	(2,468)
Acquisition related expenses		(13)	(95)
Amortisation expense		(1,108)	(1,263)
Share based payment expense		(73)	(87)
Impairment of goodwill	6	(4,700)	(780)
Fair value loss on revaluation of listed shares		–	(2,298)
Fair value loss on investments		(2)	–
Finance costs		(278)	(569)
Other operating expenses	5	(5,510)	(6,198)
Total expenses		(40,837)	(42,434)
Share of net profits of associates accounted for using equity method		328	230
Profit from operations before income tax		144	1,803
Income tax expense	17	(1,370)	(616)
Net (loss)/profit for the period from continuing operations		(1,226)	1,187
(Loss)/profit for the period from discontinued operations	16	(2,055)	883
(Loss)/profit for the period		(3,281)	2,070
Other comprehensive income			
Other comprehensive income (net of tax)		–	–
Total comprehensive (loss)/income for the half-year		(3,281)	2,070
(loss)/profit attributable to:			
Owners of CountPlus Limited		(3,804)	1,494
Non-controlling interests		523	576
		(3,281)	2,070
Earnings per share			
From continuing operations:			
Basic earnings per share (cents)		(1.53)	0.55
Diluted earnings per share (cents)		(1.53)	0.55

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 31 December 2017

		31 December	30 June
	Note	2017 \$'000	2017 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		4,585	8,284
Trade and other receivables		12,109	18,827
Loans and advances		565	115
Work in progress		6,439	4,362
		23,698	31,588
Assets and disposal group classified as held for sale	16	7,759	–
TOTAL CURRENT ASSETS		31,457	31,588
NON-CURRENT ASSETS			
Loans and other receivables		1,300	2,554
Investments in associates	15	8,868	11,716
Other investments and financial assets	3	–	3,366
Property, plant and equipment		3,923	4,328
Intangible assets		34,976	44,994
TOTAL NON-CURRENT ASSETS		49,067	66,958
TOTAL ASSETS		80,524	98,546
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		5,927	10,979
Interest bearing loans and borrowings		4,227	27
Current tax liabilities		2,407	3,590
Provisions		5,002	5,403
Other current liabilities	7	1,561	1,323
		19,124	21,322
Liabilities included in disposal group held for sale	16	4,309	–
TOTAL CURRENT LIABILITIES		23,433	21,322
NON-CURRENT LIABILITIES			
Other payables		85	1,449
Interest bearing loans and borrowings		–	13,551
Deferred tax liabilities		834	1,640
Provisions		1,336	1,862
Other non-current liabilities	7	507	972
TOTAL NON-CURRENT LIABILITIES		2,762	19,474
TOTAL LIABILITIES		26,195	40,796
NET ASSETS		54,329	57,750
EQUITY			
Contributed equity	8	121,583	121,583
Reserves		(64,493)	(64,566)
Accumulated losses		(6,759)	(2,955)
Capital and reserves attributable to owners of CountPlus Limited		50,331	54,062
Non-controlling interests	9	3,998	3,688
TOTAL EQUITY		54,329	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 Half-Year Ended 31 December 2017

	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
(Loss)/Profit for the period		–	–	(3,804)	–	–	(3,804)	523	(3,281)
Other comprehensive income for the period		–	–	–	–	–	–	–	–
Total comprehensive income for the period		–	–	(3,804)	–	–	(3,804)	523	(3,281)
Transactions with owners in their capacity as owners									
Shares based payments for Loan Funded Share Plan (LFSP)		–	–	–	73	–	73	–	73
Dividends provided for or paid **	10, 9(ii)	–	–	–	–	–	–	(213)	(213)
Balance at 31 December 2017		126,566	(4,983)	(6,759)	1,507	(66,000)	50,331	3,998	54,329

	Note	Attributable to owners of CountPlus Limited					Total \$'000	Non- controlling interests (NCI) \$'000	Total \$'000
		Issued Capital \$'000	Treasury Shares \$'000	Retained Earnings \$'000	Share Based Payment Reserve \$'000	Acquisition Reserve \$'000			
Balance at 1 July 2016		126,496	(4,913)	2,791	1,122	(66,000)	59,496	3,267	62,763
Profit for the period		–	–	1,494	–	–	1,494	576	2,070
Other comprehensive income for the period		–	–	–	–	–	–	–	–
Total comprehensive income for the period		–	–	1,494	–	–	1,494	576	2,070
Transactions with owners in their capacity as owners									
Issue of shares***		70	(70)	–	–	–	–	–	–
Share based payments for loan funded share plan (LFSP)		–	–	–	105	–	105	–	105
Application of dividends to LFSP		–	–	–	101	–	101	–	101
Dividends paid	10	–	–	(4,567)	–	–	(4,567)	(272)	(4,839)
Balance at 31 December 2016		126,566	(4,983)	(282)	1,328	(66,000)	56,629	3,571	60,200

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

* 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 (2016: \$70,000).

Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2017

	Note	Half-Year	
		31 December 2017 \$'000	31 December 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers (inclusive of goods and services tax)		59,315	63,713
Payments to suppliers and employees (inclusive of goods and services tax)		(55,278)	(59,483)
		4,037	4,230
Dividends received		–	116
Interest received		35	36
Interest paid		(278)	(569)
Income taxes paid (net)		(4,000)	(1,047)
<i>Net cash from continuing operations</i>		(206)	2,766
<i>Net cash from discontinued operations</i>		376	230
Net cash inflow from operating activities		170	2,996
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of subsidiaries		2,800	–
Purchase of equipment and other non-current assets		(750)	(501)
Dividends/distributions received from associates		385	578
Proceeds from sale of Class Limited shares		3,385	3,883
Payment of acquisition of subsidiaries/business assets		–	(2,376)
Payment for deferred consideration on acquisition of controlled entities and associates		(108)	(270)
<i>Net cash from continuing investing activities</i>		5,712	1,314
<i>Net cash from discontinued investing activities</i>		(3)	(159)
Net cash inflow from investing activities		5,709	1,155
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		3,091	15,815
Repayment of borrowings		(12,442)	(15,976)
Repayment of borrowings/hire purchases and lease liabilities		(15)	4
Proceeds from repayment of loan in respect of dividends received on loan funded shares		–	206
Payments of dividends to equity holders		–	(4,559)
Payments of dividends by controlled subsidiaries to non-controlling interests		(213)	(272)
<i>Net cash from continuing financing activities</i>		(9,579)	(4,782)
<i>Net cash from discontinued financing activities</i>		–	–
Net cash outflow from financing activities		(9,579)	(4,782)
Net decrease in cash and cash equivalents held			
Cash and cash equivalents at beginning of half-year		(3,700)	(631)
<i>Included in disposal group</i>		7,049	5,274
Cash and cash equivalents at end of the half-year		1,236	1,070
		4,585	5,713

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

Notes to the Consolidated Financial Statements

For the Half-Year Ended 31 December 2017

1 Basis of Preparation of half-year report

These general purpose condensed consolidated interim financial statements for the half-year reporting period ended 31 December 2017 have been prepared in accordance with the requirements of the Australian Accounting Standard AASB 134: Interim Financial Reporting and Corporations Act 2001 (Cth).

These condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this financial report be read in conjunction with the annual report for the year ended 30 June 2017, and considered together with any public announcements made by CountPlus Limited in respect of the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

New and revised accounting standards and interpretations

The consolidated financial statements have been prepared using the same accounting policies and methods of computation as those adopted in the general purpose financial report for the year ended 30 June 2017. There are no new or revised Australian Accounting Standards that have taken effect since 1 July 2017 that materially impact the Group's financial statements.

2 Segment information

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

Accounting	which comprises the provision of accounting, audit and assurance, taxation and business & corporate advisory services.
Financial Services	which comprises of financial planning, lending and corporate recovery & insolvency solutions.
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.

(i) Segment performance

	Continuing Operations								Discontinued Operations	
	Accounting		Financial Planning		Other		Total		31 Dec 2017 \$'000	31 Dec 2016 \$'000
	31 Dec 2017 \$'000	31 Dec 2016 \$'000	31 Dec 2017 \$'000	31 Dec 2016 \$'000	31 Dec 2017 \$'000	31 Dec 2016 \$'000	31 Dec 2017 \$'000	31 Dec 2016 \$'000		
Revenue	28,714	30,951	8,602	10,029	1,444	1,249	38,760	42,229	2,223	2,773
Salaries	(15,912)	(18,716)	(4,179)	(3,602)	(4,496)	(4,053)	(24,587)	(26,371)	(1,084)	(1,056)
Segment contribution margin	12,802	12,235	4,423	6,427	(3,052)	(2,804)	14,173	15,858	1,139	1,717

Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2017

2 Segment information (continued)

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

	Continuing Operations		Discontinued Operations	
	31 December 2017 \$'000	31 December 2016 \$'000	31 December 2017 \$'000	31 December 2016 \$'000
Total contribution margin	14,173	15,858	1,139	1,717
Other income	1,893	1,778	5	4
Share of net profit of associates	328	230	–	–
Amortisation and depreciation expense	(1,540)	(1,665)	(90)	(88)
Premises expenses	(2,274)	(2,468)	(117)	(108)
Finance costs	(278)	(569)	–	–
Impairment of intangible assets	(4,700)	(780)	–	–
Impairment of investment in associates	–	–	–	–
Other costs	(7,458)	(10,581)	(850)	(441)
Profit from operations before income tax	144	1,803	87	1,084

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

3 Other investments and financial assets

	31 December 2017 \$'000	30 June 2017 \$'000
Listed equity securities – fair value through profit and loss	–	3,366

At 31 December 2017, following the sale of 1,122,000 shares, CountPlus Limited together with its subsidiaries held nil (30 June 2017: 1,122,000) shares in Class Limited.

4 Revenue and other income

(i) Revenue from operating activities

	Continuing Operations		Discontinued Operations	
	31 December 2017 \$'000	31 December 2016 \$'000	31 December 2017 \$'000	31 December 2016 \$'000
Revenue from operating activities				
Accounting services revenue	28,714	30,951	–	–
Financial services revenue	22,243	24,147	–	–
Commission earned on property sale	–	–	4,478	5,089
Other property related income	–	–	256	150
Other operating revenue	1,444	1,249	133	304
	52,401	56,347	4,867	5,543
Fees, commissions and related costs	(13,641)	(14,118)	–	–
Property commission	–	–	(2,644)	(2,770)
	(13,641)	(14,118)	(2,644)	(2,770)
Total revenue	38,760	42,229	2,223	2,773

Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2017

4 Revenue and other income (continued)

(ii) Fees, commissions and related costs

Fees, commissions and related costs are made primarily up 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") subsidiaries to its affiliated members.

(iii) Other income

Gain on sale of investment includes:

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

5 Expenses

	Half-Year	
	31 December 2017 \$'000	31 December 2016 \$'000
Profit before income tax includes the following specific expenses		
Professional, service and consulting fees		
Audit fees	136	150
Legal fees	358	362
Accounting and other professional fees	218	218
Remedial and other provision (TFS)	–	1,073
Total professional, service and consulting fees	712	1,803
Other expenses		
Bad and doubtful debts/trade receivables	195	96
Sales and marketing expenses	404	296
Administration expenses	1,470	1,553
Insurance expenses	592	528
Technology expenses	1,907	1,663
Other	230	259
Total other expenses	4,798	4,395
Total other operating expenses from ordinary activities from continuing operations	5,510	6,198
Total other operating expenses from ordinary activities from discontinued operations	791	331

Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2017

6 Impairment of assets

At 31 December 2017 management performed a review of each cash generating unit (CGU) for impairment indicators. Management calculated the recoverable amount of the CGUs in accordance with AASB 136: Impairment of Assets at 31 December 2017 using a pre-tax discount rate of 19.29% (30 June 2017: 19.29%). An impairment loss of \$4,700,000 was recognised for the CGUs relating to Achieve Corporation Pty Ltd and CountPlus FS Holdings Pty Ltd (TFS Group). The recoverable amount of the CGUs was determined based on value in use calculations, consistent with the methods used at 30 June 2017, see note 12 of our 2017 Annual Report for details. The recoverable amount of the Achieve Corporation Pty Ltd CGU was determined on the fair value less cost to sell (FVLCTS) basis. This is a result of Group being in the process of negotiating to sell this business, and whilst this has yet to be completed, the recoverable amount is based on the expected sale price. As a result of this assessment, an impairment loss of \$1,200,000 was recognised. The group considers this assessment of the fair value to fall into the Fair Value Hierarchy Level 2 as defined in AASB 13, with market corroborated inputs being the expected sales price.

Assessment of TFS Group's recoverable amount resulted in impairment loss of \$3,500,000. Our assessment indicated that TFS Group's revenue may be affected by a change in the operating model and internal business restructure over the next few years and a tighter control in compliance and adviser quality. We are expecting revenue to reduce over the next few years as the business reshapes and re-establishes itself over the medium term.

7 Other liabilities

(i) Other current liabilities

	31 December	30 June
	2017 \$'000	2017 \$'000
Deferred cash consideration for acquisition of subsidiaries	975	810
Other current liabilities	586	513
	1,561	1,323

(ii) Other non-current liabilities

	31 December	30 June
	2017 \$'000	2017 \$'000
Deferred cash consideration for acquisition of subsidiaries	31	304
Lease make good provision	476	668
	507	972

8 Contributed equity

(i) Share capital

	31 December	30 June	31 December	30 June
	2017 Shares	2017 Shares	2017 \$'000	2017 \$'000
Ordinary shares	114,222,559	114,222,559	125,219	125,219
Capital contribution	–	–	1,968	1,968
ASX listing cost	–	–	(586)	(586)
Issued capital held by loan funded share plan (LFSP)	–	–	(4,983)	(4,983)
Loan funded share plan establishment costs	–	–	(35)	(35)
	114,222,559	114,222,559	121,583	121,583

Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2017

9 Non-controlling interest and direct equity plan (DEP)

(i) Details of direct equity plan (DEP)

The DEP allows our member firms to buy back up to 60% equity in their business with initial equity stakes being offered between 30% and 40%. We believe this will better align principals and senior managers to share directly in their own business and drive improved performance. During the period ending 31 December 2017 no new firms participated in the DEP initiative.

The accounting effect of share buy backs are represented by recognising an amount for value of non-controlling interest to the extent of the share of net assets and adjusting the balance against acquisition reserve.

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

	31 December 2017 \$'000	30 June 2017 \$'000
Opening balance	3,688	3,267
Disposals	–	(158)
Share of operating profit	523	981
Dividends paid by subsidiaries to non-controlling interest	(213)	(402)
Closing balance	3,998	3,688

10 Dividends

(i) Dividends paid during the half-year on ordinary shares declared in prior period

	31 December 2017 \$'000	31 December 2016 \$'000
No Interim dividend was paid during the half-year period on ordinary shares declared in the prior period.	–	2,282
	–	2,282

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

No Interim dividend was paid or proposed for the half-year period ended 31 December 2017.	–	2,283
	–	2,284
	–	4,567

(iii) Dividends proposed but not recognised at the end of the half-year

No Interim dividend was proposed but not recognised at the end of half-year period ended 31 December 2017.	–	1,141
	–	1,141

11 Contingencies

Remediation program payments

As a result of the additional licence conditions imposed on Total Financial Solutions Australia Limited (TFS) effective 25 September 2015, TFS is now finalising a review of financial product advice provided by one of its authorised representatives for the period commencing 1 January 2013 to 11 December 2015.

The review and remediation program involves approximately 520 small retail clients. The objective of the program was to assess the appropriateness of the advice provided and if the advice is found to be inaccurate, incomplete or inappropriate then TFS is to restore the clients financial position.

A total provision of \$1,717,000 has been made in relation to the Brian Dobinson remediation matter.

12 Related parties

(i) Parent entity

The parent entity within the Group is CountPlus Limited.

(ii) Subsidiaries

The Group consists of the Company and its controlled entities (subsidiaries). There have been no acquisition of any new subsidiaries during this period.

Transactions between the Company and its subsidiaries during the year consisted of:

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

Interest is payable at 8.0% p.a. on the loans advanced by the Company to subsidiaries. At the half-year end, all loan balances, payment of dividends and the remittance of profits between the Company and these subsidiaries were eliminated on consolidation.

(iii) Transactions with related parties

The following transactions occurred with related parties.

Thirteen of the fifteen subsidiaries of the Group were franchisees of Count Financial (Count) 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 commissions received from Count Financial are income received by CountPlus Limited under a 'Relationship Deed' agreement.

CountPlus Limited entered into a 'Relationship Deed' agreement with Count Financial Ltd 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 funds under management (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 \$674,000 (December 2016: \$779,000) 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.

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Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2017

12 Related parties (continued)

Sales of goods and services

	31 December 2017 \$'000	31 December 2016 \$'000
Total net fees and commissions received from Count Financial Ltd	6,902	7,495

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

	31 December 2017 \$'000	30 June 2017 \$'000
Current Receivables		
–Receivable from Count Financial Ltd	29	280
Current Payable		
–Payable to Count Financial Ltd	–	283

Current receivables

The above current receivable from Count Financial Ltd as at 31 December 2017 was \$29,000 whilst as at 30 June 2017 the receivable was \$280,000.

Directors' interest in other investments

There was no change to directors' interest in other investments in the half-year period ended on 31 December 2017.

13 Commitments

There have been no significant changes to commitments during the period.

14 Control gained over entities/loss of control over entities

Acquisition of businesses and controlled entities

There was no new acquisition of business in the half-year.

Disposal of businesses and controlled entities

In the half-year period ending 31 December 2017 the Company sold Audits Service Company Pty Ltd (CountPlus National Audits), Twomeys Accounting and Advice Pty Ltd and Twomeys Wagga Financial Planning Pty Ltd. In the same period the Company disposed its equity interest in associates McQueen Financial Group Pty Ltd and Nixon Financial Services Pty Ltd.

Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2017

15 Investment in associates

(i) Carrying amounts

Name of company	Principal activity	Ownership interest		Interest in associates	
		31 December 2017 %	30 June 2017 %	31 December 2017 \$'000	30 June 2017 \$'000
One Hood Sweeney Pty Ltd	Business services	32	32	6,318	6,305
McQueen Financial Group Pty Ltd	Financial planning	–	49	–	2,398
Nixon Financial Services Pty Ltd	Financial planning and wealth management	–	30	–	394
Hunter Financial Pty Ltd	Financial planning	40	40	2,550	2,619
				8,868	11,716

(ii) Movements during the year in equity accounted investment in associated companies

	31 December 2017 \$'000	30 June 2017 \$'000
Balance at the beginning of the financial half-year	11,716	13,552
Share of associate company's profit after income tax	457	1,275
Dividends and distributions	(385)	(1,051)
ACR amortisation accounted in parent's book	(128)	(382)
Disposals	(2,792)	(907)
Impairment	–	(771)
Total	8,868	11,716

16 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, management 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. 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 (see loss for the year from discontinued operations).

(i) Loss for the year from discontinued operations

	31 December 2017 \$'000	31 December 2016 \$'000
Profit from operations before income tax	87	1,083
Tax	(43)	(200)
Net profit from operations after income tax	44	883
Consideration receivable	3,450	–
Carrying amount of net assets sold	(5,503)	–
Income tax on sale	(46)	–
Loss on sale after income tax	(2,099)	–
Loss for the year from discontinued operations	(2,055)	883

Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2017

16 Discontinued operations and current assets and liabilities included in disposal group held for sale (continued)

(ii) **Assets and liabilities of disposal group classified as held for sale**

	31 December 2017 \$'000	30 June 2017 \$'000
Cash and cash equivalents	1,074	1,236
Trade and other receivables	2,096	2,885
Loans and other receivables	2,335	2,364
Property, plant and equipment	74	66
Intangible assets	2,180	3,243
Assets and disposal group classified as held for sale	7,759	9,794
Trade and other payables	3,051	4,157
Current tax liabilities	140	356
Provisions	504	429
Other current liabilities	77	1
Deferred tax liabilities	537	650
Liabilities included in disposal group held for sale	4,309	5,593

17 Income tax expense

Income tax expense for the half-year ended 31 December 2017 amounted to \$1,370,000 and was \$754,000 higher than the tax expense of \$616,000 for the half-year ended 31 December 2016. This increase is primarily attributable to the impairment of goodwill of \$4,700,000 (2016: \$780,000) which is non-tax deductible.

Income tax paid in the half-year ended 31 December 2017 amounted to \$4,000,000. This is largely due to a payment of tax on the capital gain realised on sale of Class shares in the 2017 financial year.

	31 December 2017 \$'000	31 December 2016 \$'000
Current tax expense	2,177	2,313
Deferred tax benefit	(807)	(1,697)
	1,370	616

Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2017

18 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 instrument held by the Group are summarised in the table below.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2017				
Financial liabilities				
Deferred cash consideration	–	–	(1,006)	(1,006)
Total	–	–	(1,006)	(1,006)
At 30 June 2017				
Financial assets				
Other investments – FVTPL	3,366	–	–	3,366
Financial liabilities				
Deferred cash consideration	–	–	(1,114)	(1,114)
Total	3,366	–	(1,114)	2,252

Sensitivity to changes in assumptions

The fair value of contingent consideration may change as a result of changes in the projected future financial performance of the acquired assets and entities. Reasonable possible changes in assumptions will not change fair value significantly, with the exception of:

If the fees achieved by DFK Crosbie Gold Coast in the 12 months after the date of completion declines by 10% compared to the current forecast, a reduction of \$181,000 in contingent consideration would result.

If the fees achieved by DFK Crosbie Gold Coast in the 13–24 months after the date of completion declines by 10% compared to the current forecast, a reduction of \$116,000 in contingent consideration would result.

If the fees achieved by Brooks Accountants in the 12 months after the date of completion declines by 10% compared to the current forecast, a deduction of \$101,000 in contingent consideration would result.

The maximum potential payment for contingent consideration is \$1,119,000 (June 2017: \$1,227,000). 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 deferred consideration.

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Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2017

18 Fair value measurement (continued)

Level 3 measurements

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

	31 December 2017 \$'000
Balance at beginning of half-year	1,114
Total gains or losses for the half-year	-
Gain on deferred consideration recognised in profit or (loss)	-
Other movements	-
Acquired other investments during the half-year	-
Cash paid for settlement of deferred cash consideration	(108)
Balance at end of half-year	1,006

19 Events Occurring After the Reporting Date

The financial report was authorised for issue on 27 February 2018 by the Board of Directors.

On 27 February 2018 a binding sale agreement was signed with the current Principals of Pacific East Coast for \$3,450,000. The sale of this business unit produced an accounting loss of \$418,000 (after tax).

On 27 February 2018 a binding sale agreement was signed to sell Achieve Corporation, the payroll processing business unit in our Canberra firm for a total consideration of \$2,020,000. The sale of this business unit and the restructure of our Canberra office will result in a loss on disposal of \$1,200,000 which has been recognised as an impairment in the half-year period ending 31 December 2017.

On 27 February 2018 a binding sale agreement was signed to sell 35% of CountPlus equity in Mogg Osborne Pty Ltd to Principals and Senior team members of Mogg Osborne.

No other matters or circumstances have arisen since the end of the financial half-year which significantly affected or could significantly affect:

- the Group's operations in future financial years, or consolidated entity.
- the results of those operations in future financial years, or
- the Group's state of affairs consolidated entity in future financial years.

Directors' Declaration

For the Half-Year Ended 31 December 2017

1. The consolidated half-year financial statements and notes, as set out on pages 8 to 22 are in accordance with the *Corporations Act 2001*, including:
 - (a) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulation 2001* (Cth) and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
2. There are reasonable grounds to believe that CountPlus Limited will be able to pay its debts as and when they become due and payable.

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

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



Raymond Kellerman
Director
Sydney
27 February 2018

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Independent Auditor's Review Report to the members of CountPlus Limited



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Independent Auditor's Review Report To the Members of Countplus Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Countplus Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Countplus Limited does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at

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**Independent Auditor's Review Report
to the members of CountPlus Limited**



31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Countplus Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads "Grant Thornton".

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, 27 February 2018

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