Countplus Limited

ABN 11 126 990 832

Half-Year Financial Statements

For the Half-Year Ended 31 December 2016

Countplus Limited

ABN 11 126 990 832

Contents

For the Half-Year Ended 31 December 2016

Directors	Barry Lambert *Chairman* Phillip Aris *Managing Director and Chief Executive Officer* Graeme Fowler *Independent Non-Executive Director* Alison Ledger *Independent Non-Executive Director* Matthew Rowe *Non-Executive Director* Raymond Kellerman *Independent Non-Executive Director*
Chief Financial Officer	John Collier
Company Secretary	Arlette Jubian
Principal Registered Office in Australia	Level 17, Suite 02 1 Margaret Street Sydney NSW 2000 Telephone: +61 2 8488 4500
Share Registry	Computershare Investor Services Pty Ltd Level 3, 60 Carrington Street Sydney NSW 2000 Telephone: 1300 855 080 +61 2 8234 5050 Facsimile: +61 2 8234 5050
Independent Auditors	Grant Thornton Level 17, 383 Kent Street Sydney NSW 2000. Telephone: +61 2 8297 2400 Facsimile: +61 2 9299 4445
Solicitors	Addisons Lawyers Level 12, 60 Carrington Street Sydney NSW 2000 Telephone: +61 2 8915 1000 Facsimile: +61 2 9916 2000
Bankers	Macquarie Bank Limited Commonwealth Bank of Australia
Stock Exchange Listings	Countplus Limited shares are listed on the Australia Securities Exchange (ASX)
Website Address	www.countplus.com.au

Directors' Report

For the Half-Year Ended 31 December 2016

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 2016.

Directors

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

Barry Lambert	Chairman
Phillip Aris	Managing Director and Chief Executive Officer (Resigned 23 February 2016)
Graeme Fowler	Independent Non-Executive Director
Philip Rix	Executive Director (Resigned 10 November 2016)
Alison Ledger	Independent Non-Executive Director (Appointed 1 October 2016)
Matthew Rowe	Non-Executive Director (Appointed 1 October 2016)
Raymond Kellerman	Independent Non-Executive Director (Appointed 16 January 2017)

Operating and Financial Review

The Company reported consolidated net profit after tax for the half-year ending 31 December 2016 of $2.07m (2015: $6.23m) of which $1.49m (2015: $5.99m) was attributable to the shareholders of Countplus Limited (CUP). This represented a decrease of 75% due to the fair value loss of $1.61m (after tax) in Class Limited shares, an impairment of goodwill associated with the investment in a subsidiary firm of $0.8m and review and remedial provision of $0.75m (net of tax).

Excluding the financial impact of the fair value revaluation of the investment in Class Limited and a gain on deferred consideration (2015: nil) our profit from operations (before income tax) increased by 9% ifor the half-year ended 31 December 2016.

CUP subsidiary TFSA is managing a review and remediation program with ASIC in relation to a former adviser. TFSA is currently working with its insurers to obtaining indemnity in the event that any detriment that may have been caused to any client as a result of the advice provided is rectified. The objective of the remediation program is to evaluate the appropriateness of the advice provided and if the advice is found to be inaccurate, incomplete or inappropriate then TFSA is to restore clients' financial position back to the position they would have been but for the advice. As we are currently unable to determine the quantum of the detriment for unassessed clients, the Board believes that it is prudent at this point in time to reduce the dividend. The Board has previously advised the market that the dividends will be reviewed every 6 months in conjunction with our financial results.

Accounting revenue was up 1.6%, compared to last year, and net financial planning revenue was down 3.6% over the period.

Total expenses (excluding fair value loss on revaluation of listed shares and goodwill impairment) decreased by 1.5%.

During the period Countplus subsidiaries completed three acquisitions as detailed in note 15. A further acquisition was completed in January 2017 as detailed in note 18.

A detailed commentary on these results is included in the ASX release dated 23 February 2017.

Directors' Report

For the Half-Year Ended 31 December 2016

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 2016 has been received and can be found on page 4 of the financial report.

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.

Barry Martin Lambert
Director

Sydney
23 February 2017

Grant Thornton

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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 2016, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 23 February 2017

Countplus Limited

ABN 11 126 990 832

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2016

	Note	Half-Year 31 December 2016 $'000	31 December 2015 $'000
Revenue from operating activities	5	61,890	62,028
Fees, commissions and related costs	5	(16,888)	(16,509)
Total revenue		45,002	45,519
Other income			
Interest income		40	37
Other income		560	530
Gain on deferred consideration		925	-
Fair value gain/(loss) on investments		256	6,758
Total other income		1,781	7,325
Salaries and employee benefits expense	6	(29,422)	(29,906)
Depreciation expense	6	(419)	(479)
Premises expenses		(2,576)	(2,607)
Acquisition related expenses		(95)	(166)
Amortisation expense	6	(1,334)	(1,346)
Share based payment expense		(105)	(169)
Impairment of goodwill	7	(780)	(1,000)
Loss on deferred consideration		-	(46)
Fair value loss on revaluation of listed shares		(2,298)	-
Finance costs		(569)	(683)
Other operating expenses	6	(6,529)	(6,255)
Total expenses		(44,127)	(42,657)
Share of net profits of associates accounted for using equity method		230	471
Profit from operations before income tax		2,886	10,658
Income tax expense		(816)	(4,426)
Net profit from operations after income tax		2,070	6,232
Other comprehensive income			
Other comprehensive income (net of tax)		-	-
Total comprehensive income for the half-year		2,070	6,232
Profit attributable to:			
Owners of Countplus Limited		1,494	5,992
Non-controlling interests		576	240
		2,070	6,232
Earnings per share			
From continuing operations:			
Basic earnings per share (cents)		1.35	5.43
Diluted earnings per share (cents)		1.35	5.43

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Countplus Limited

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Consolidated Statement of Financial Position
As at 31 December 2016

	Note	31 December 2016 $'000	30 June 2016 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		5,713	6,344
Trade and other receivables		16,769	17,324
Loans and advances		316	259
Work in progress		7,275	5,134
TOTAL CURRENT ASSETS		30,073	29,061
NON-CURRENT ASSETS			
Loans and other receivables		2,731	3,002
Investments in associates	16	13,204	13,552
Other investments and financial assets	4	14,936	20,881
Property, plant and equipment		4,238	4,158
Intangible assets		50,720	48,863
TOTAL NON-CURRENT ASSETS		85,829	90,456
TOTAL ASSETS		115,902	119,517
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		9,426	10,845
Interest bearing loans and borrowings		22	18
Current tax liabilities		1,417	240
Provisions		4,560	4,043
Other current liabilities	8	3,965	4,147
Other current provisions		1,240	-
TOTAL CURRENT LIABILITIES		20,630	19,293
NON-CURRENT LIABILITIES			
Other payables		1,462	1,652
Interest bearing loans and borrowings		25,443	25,603
Deferred tax liabilities		5,139	6,547
Provisions		1,801	2,300
Other non-current liabilities	8	1,227	1,367
TOTAL NON-CURRENT LIABILITIES		35,072	37,469
TOTAL LIABILITIES		55,702	56,762
NET ASSETS		60,200	62,755
EQUITY			
Contributed equity	9	121,583	121,583
Reserves		(64,672)	(64,878)
(Accumulated losses)/retained earnings		(282)	2,783
Capital and reserves attributable to owners of Countplus Limited		56,629	59,488
Non-controlling interest	10	3,571	3,267
TOTAL EQUITY		60,200	62,755

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 2016

		Attributable to owners of Countplus Limited								
	Note	Issued Capital $'000	Treasury Shares * $'000	Retained Earnings $'000	Share Based Payment Reserve $'000	Available for Sales (AFS) Reserve $'000	Acquisition Reserves $'000	Total $'000	Non-controlling Interests (NCI) $'000	Total $'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 period		-	-	1,494	-	-	-	1,494	576	2,070
Other comprehensive income for the period		-	-	-	-	-	-	-	-	-
Other 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)	-	-	-	-	-	-	-
Transfers from AFS reserve to retained earnings		-	-	-	-	-	-	-	-	-
Transactions with non-controlling interest (NCI)		-	-	-	-	-	-	-	-	-
Effect on the reserves on account of Direct Equity Plan (DEP) opted for by 3 subsidiaries.		-	-	-	-	-	-	-	-	-
Shares based payments for Loan Funded Share Plan (LFSP)		-	-	-	105	-	-	105	-	105
Application of dividends to LFSP		-	-	-	101	-	-	101	-	101
Dividends provided for or paid **	11	-	-	(4,559)	-	-	-	(4,559)	(272)	(4,831)
Balance at 31 December 2016		126,566	(4,983)	(282)	1,328	-	(66,000)	56,629	3,571	60,200

* 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 dividend applied to the loan funded share plan.

*** Issue of shares includes shares issued to employees of $70,084 (2015: 384,489)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the Half-Year Ended 31 December 2016

		Attributable to owners of Countplus Limited								
	Note	Ordinary Shares $'000	Treasury Shares $'000	Retained Earnings $'000	Share Based Payment Reserve $'000	Available for Sale(AFS) Reserve $'000	Acquisition Reserve $'000	Total $'000	Non-controlling Interests (NCI) $'000	Total $'000
Balance at 1 July 2015		126,082	(4,528)	(1,899)	637	420	(68,127)	52,585	665	53,250
Profits for the period		-	-	5,992	-	-	-	5,992	240	6,232
Total comprehensive income for the period		-	-	-	-	-	-	-	-	-
Total comprehensive income for the period		-	-	5,992	-	-	-	5,992	240	6,232
Transactions with owners in their capacity as owners										
Issue of shares		385	(385)	-	-	-	-	-	-	-
Transfer from AFS reserve to retained earnings		-	-	420	-	(420)	-	-	-	-
Transaction with non-controlling interests (NCI)		-	-	-	-	-	-	-	2,790	2,790
Effect on the reserves on account of Direct Equity Plan (DEP) opted for by 3 subsidiaries		-	-	-	-	-	2,127	2,127	-	2,127
Share based payments for Loan Funded Share Plan (LFSP)		-	-	-	169	-	-	169	-	169
Application of dividends to LFSP		-	-	-	96	-	-	96	-	96
Dividends paid	11	-	-	(4,557)	-	-	-	(4,557)	(174)	(4,731)
Balance at 31 December 2015		126,467	(4,913)	(44)	902	-	(66,000)	56,412	3,521	59,933

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Countplus Limited

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Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2016

	Note	Half-Year 31 December 2016 $'000	31 December 2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers (inclusive of goods and services tax)		69,153	69,236
Payments to suppliers and employees (inclusive of goods and services tax)		(64,697)	(61,094)
		4,456	8,142
Dividends received		116	81
Interest received		40	37
Interest paid		(569)	(683)
Income taxes paid (net)		(1,047)	(1,535)
Net cash inflow from operating activities		2,996	6,042
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of Direct Equity Plan to 3 subsidiaries		-	4,917
Proceeds from sale of MyAccounts		-	325
Proceeds from sale of investment property		-	2,984
Proceeds from sale of fees		-	277
Purchase of equipment and other non-current assets		(660)	(572)
Proceeds from sale of PPE		-	9
Dividends / distributions received from associates		578	384
Proceeds from sale of Class Limited shares		3,883	-
Payment of acquisition of subsidiaries / business assets		(2,376)	(2,039)
Payments to acquire other financial assets (Class Limited)		-	(952)
Acquisition of associates		-	(2,747)
Payment for deferred consideration on acquisition of controlled entities and associates		(270)	(1,143)
Net cash inflow from investing activities		1,155	1,443
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		15,815	15,993
Repayment of borrowings		(15,976)	(19,057)
Repayment of borrowings / hire purchases and lease liabilities		4	58
Proceeds from repayment of loan in respect of dividends received on loan funded shares		206	96
Payments of dividends to equity holders		(4,559)	(4,549)
Payments of dividends by controlled subsidiaries to non-controlling interests		(272)	(174)
Net cash outflow from financing activities		(4,782)	(7,633)
Net decrease in cash and cash equivalents held		(631)	(148)
Cash and cash equivalents at beginning of year		6,344	6,087
Cash and cash equivalents at end of the half-year		5,713	5,939

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Notes to the Consolidated Financial Statements
31 December 2016

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 2016 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 2016, and considered together with any public announcements made by Countplus Limited in respect of the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX listing rules.

Tax consolidation legislation

Countplus Limited ('the Head Entity' or 'the Group') 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 Head 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 agrees to make a tax equivalent payment to the Head 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.

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 2016. There are no new or revised Australian Accounting Standards that have taken affect since 1 July 2016 that materially impact the Group's financial statements

2 Accounting Policies applied from 1 July 2016

There were no new standards.

(i) *Classification*

From 1 July 2015, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (through other comprehensive income or through profit or loss) and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss.

For investments in equity instruments, the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through profit or loss.

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction cost that are directly attributable to the acquisition of the financial assets. Transaction cost of the financial assets carried at fair value through profit or loss are expensed in profit or loss.

Equity Instruments

The Company subsequently measures all equity investments at fair value. Changes in fair value of financial assets at fair value through profit or loss are recognised in other gains/(losses) in the statement of profit or loss as applicable.

3 Segment information

The Group treats their operations as the one business segment and reports accordingly. Management and the Board of Directors view and assess the Group as one business segment. All assets are held and revenue are sourced in Australia.

4 Other investments and financial assets

	31 December 2016 $'000	30 June 2016 $'000
Financial assets at fair value through profit and loss (Listed shares)	14,936	20,881
Total	**14,936**	20,881

At 31 December 2016, following the sale of 1,105,000 shares, Countplus Limited together with its subsidiaries held 5,222,540 (2015: 6,339,540) shares in Class Limited (4.47%) (2015: 5.43%).The closing share price at 31 December 2016 was $2.86.

5 Revenue

(i) Revenue from operating activities

	Half-Year	
	31 December 2016 $'000	31 December 2015 $'000
Revenue from operating activities		
Accounting services revenue	31,012	30,519
Financial services revenue	23,993	24,181
Commission earned on property sale	5,088	4,903
Other property related income	304	364
Other operating revenue	1,493	2,061
	61,890	62,028
Fees, commissions and related costs	(14,097)	(13,914)
Property commission	(2,791)	(2,595)
	(16,888)	(16,509)
Total revenue	**45,002**	45,519

(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.

6 Expenses

	Half-Year	
	31 December 2016 $'000	31 December 2015 $'000
Profit before income tax includes the following specific expenses		
Salaries and employee benefit expenses		
Wages, salaries and other on-costs	26,324	26,644
Other employee benefit expenses	3,098	3,262
Total salaries and employee benefit expenses	**29,422**	29,906
Depreciation		
Office equipment	206	225
Leasehold improvements	33	42
Furniture & fixtures	112	133
Motor vehicles	9	10
Make good	28	34
Other	31	35
Total depreciation	**419**	479

6 Expenses

	Half-Year	
	31 December 2016 $'000	31 December 2015 $'000
Amortisation		
Acquired client relationships / advisor networks	1,184	1,215
Software	53	65
Other	97	66
Total amortisation	**1,334**	1,346
Total depreciation and amortisation	**1,753**	1,825
Professional, service and consulting fees		
Audit fees	158	142
Legal fees	365	263
Accounting and other professional fees	218	147
Remedial and other provision (TFSA)	1,073	-
Total professional, service and consulting fees	**1,814**	552
Other expenses		
Bad and doubtful debts - trade receivables	93	756
Sales and marketing expenses	338	576
Administration expenses	1,717	1,773
Insurance expenses	590	538
Technology expenses	1,701	1,574
Net loss on disposal of property, plant and equipment	17	158
Other	259	328
Total other expenses	**4,715**	5,703
Total other operating expenses from ordinary activities	**6,529**	6,255

7 Impairment of assets

At 31 December 2016 management performed a review of each cash generating unit (CGU) for impairment indicators. It was identified that following the departure of a principal from one of our accounting practice Wearne & Co Pty Ltd in Sydney, and the subsequent client loss and business reorganisation an indication of impairment existed. Management calculated the recoverable amount of this CGU in accordance with AASB 136: Impairment of Assets at 31 December 2016 using a pre-tax discount rate of 19.26% (30 June 2016:17.66%). An impairment loss of $780,000 was recognised for this CGU, reducing the carrying amount of its goodwill to $2,894,197.

The recoverable amount of this CGU was determined based on value-in-use calculations, consistent with the methods used at 30 June 2016, see note 14(b) of our Annual Report for details.

Notes to the Consolidated Financial Statements
31 December 2016

8 Other liabilities

(i) Other current liabilities

	31 December 2016 $'000	30 June 2016 $'000
Provision for dividend	2,284	2,291
Deferred cash consideration for acquisition of subsidiaries	806	647
Deferred cash consideration for acquisition of associates	121	533
Other current liabilities	754	676
	3,965	4,147

(ii) Other non-current liabilities

	31 December 2016 $'000	30 June 2016 $'000
Deferred cash consideration for acquisition of subsidiaries	546	654
Deferred cash consideration for acquisition of associates	24	82
Lease make good provision	657	631
	1,227	1,367

9 Contributed equity

(i) Share capital

	31 December 2016 Shares	30 June 2016 Shares	31 December 2016 $'000	30 June 2016 $'000
Ordinary shares	114,222,559	114,136,787	125,219	125,149
Capital contribution	-	-	1,968	1,968
ASX listing cost	-	-	(586)	(586)
Issued capital held by loan funded share plan (LFSP)	-	-	(4,983)	(4,913)
Loan funded share plan establishment costs	-	-	(35)	(35)
	114,222,559	114,136,787	121,583	121,583

10 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 40% 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 period ending 31 December 2016 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. Details of acquisition reserve is shown below.

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

	31 December 2016 $'000	30 June 2016 $'000
Opening balance	(66,000)	(68,127)
Effect of reserves on account of DEP opted for by 3 subsidiaries	-	2,127
Closing balance	**(66,000)**	(66,000)

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

	31 December 2016 $'000	30 June 2016 $'000
Opening balance	3,267	665
Additional capital issued to/buy back NCI during the year	-	(289)
Value attributed to non-controlling interest on implementation of direct equity plan for 3 subsidiaries	-	2,790
Share of operating profit	576	588
Dividends paid by subsidiaries to non-controlling interest	(272)	(487)
Closing balance	**3,571**	3,267

11 Dividends

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

	31 December 2016 $'000	31 December 2015 $'000
Final fully franked dividend based on tax paid at 30%, for the year ended 30 June 2016 of 2.0 cents (2015 - 2.0 cents) per share paid on 15 August 2016	2,282	2,274
	2,282	2,274

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

Interim dividend fully franked based on tax paid at 30% ordinary dividend paid for the year ended 30 June 2017 of 2.0 cents (2015 - 2.0 cents) per share paid on 15 November 2016	2,283	2,282
Interim dividend fully franked based on tax paid at 30% ordinary dividend paid for the year ended 30 June 2017 of 2.0 cents (2015 - 2.0 cents) per share paid on 15 February 2017	2,284	2,282
	4,567	4,564

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

Interim fully franked dividend based on tax paid at 30% for the year ended 30 June 2017 of 1.0 cents (2016 - 2.0 Cents) per share to be paid on 15 May 2017	1,141	2,283
	1,141	2,283

12 Contingencies

Remediation program payments

As a result of the additional licence conditions imposed on Total Financial Solutions Australia Limited (TFSA) effective 25 September 2015, TFSA is currently undertaking 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 400 clients. The objective of the program is to assess the appropriateness of the advice provided and if the advice is found to be inaccurate,incomplete or inappropriate then TFSA is to restore clients financial position of each of these clients to the position they would have been in but for the advice.

TFSA is currently in discussions with its Professional Indemnity Insurers with a view to obtaining indemnity for any financial detriment that clients may have sustained as a result of the advice provided.

As at the date of this report no provision has been made in these financial statements for the financial detriment that may have been suffered by clients who have not been fully assessed as the overall quantum of any detriment is not yet able to be reliably measured. TFSA is currently finalising the methodology to be undertaken in order to assess the quantum of any client detriment.

TFSA has previously advised that it provisioned $530,000 at 30 June 2016 to cover the cost of assessing all advice provided. A further $1.1m has been provided at 31 December 2016 to cover any additional anticipated costs of the review and remediation program, including cost associated with the assessed clients.

13 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 additional 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 payable at 8.0% p.a. on the loans advanced by the Company to 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.

(iii) Transactions with related parties

The following transactions occurred with related parties.

(i) Sales of goods and services

13 Related Parties

(iii) Transactions with related parties

	31 December 2016 $	31 December 2015 $
Net fees and commissions received from Count Financial	7,494,828	7,779,299

Fifteen of the twenty subsidiaries (after disposal of Change in May 2016) 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 are income received by Countplus Limited under a 'Relationship Deed' agreement.

Countplus Limited entered into a 'Relationship Deed' agreement with Count Financial Limited 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 $779,153 (December 2015: $547,645) 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.

(iv) 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:

	31 December 2016 $	30 June 2016 $
Current receivables		
- Receivable from Count Financial Limited	14,849	308,221
Current payables		
- Payable to Count Financial Limited	283,330	283,330

Current receivables

The above current receivable from Count Financial Limited as at 31 December 2016 was $14,849 whilst as at 30 June 2016 the receivable was $308,221.

Current payables

The above current payable was on account of the fee payable by the parent to Count Financial (Count) under a service agreement. Countplus (Parent) entered into a service agreement with Count in November 2010 under which Count provides services to the parent including shared office space, furniture, computer hardware and software, IT services and support. It is included in current 'Trade and other payables'. Parent moved its offices in December 2014 and hence the service fees are accounted up to November 2014.

13 Related Parties

(v) Directors' interest in Other Investments

On 21 December 2015, Countplus CEO, Phil Aris was granted 371,165 (valued at $354,166) loan funded shares following shareholder approval at the November 2015 Annual General Meeting under the long term incentive payment component of his remuneration. Loan funded shares of 69,168 (valued at $66,000) were also issued to Countplus CFO, John Collier on 21 December 2015. These shares were issued at $0.9542 per share. On 21 November 2016 Phil Aris was granted 305,960 Loan Funded Shares (valued at $250,000) following shareholder approval at the 2016 Annual General Meeting and John Collier was granted 80,773 (valued at $66,000). These shares were issued at $0.8171.

14 Commitments

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

15 Business Combinations

Current period

Summary of acquisitions

In July 2016,Countplus subsidiary Kidmans Partners Pty Ltd acquired 100% of the business assets of McPherson Financial Solutions Pty Ltd. A cash consideration of $466,400 was paid on settlement with the remaining expected balance of $116,600 to be settled in 2 deferred payments.

In November 2016, Countplus subsidiary Mogg Osborne Pty Ltd acquired 100% of the business assets of Brooks Accountants Pty Ltd. A cash consideration of $634,209 was paid on settlement with the remaining expected balance of $180,000 to be settled in 1 deferred payment.

In December 2016, Countplus subsidiary The MBA Partnership Pty Ltd acquired 100% of the business assets of DFK Crosbie Pty Ltd – Gold Coast. A cash consideration of $1,136,521 was paid on settlement with the remaining expected balance of $478,497 to be settled in 2 deferred payments.

	McPhersons Financial Solutions Fair value $'000	Brooks Accountants Fair value $'000	DFK Crosbie Gold Coast Fair value $'000
Assets and liabilities acquired			
Acquired Client Relationships	117	150	615
Total assets	117	150	615
Employee Liabilities	-	(86)	(132)
Deferred tax liabilities	(35)	(45)	(185)
Total liabilities	(35)	(131)	(317)
Fair value of identifiable net assets	82	19	298
Goodwill arising on acquisition	501	795	1,317
Acquisition date fair value of consideration transferred	583	814	1,615
Cash paid	466	634	1,137
Deferred cash consideration	117	180	478
Total consideration	583	814	1,615

16 Investment in associates

(i) Carrying amounts

Name of company	Principal activity	Ownership Interest 31 December 2016 %	Ownership Interest 30 June 2016 %	Interest in associates 31 December 2016 $	Interest in associates 30 June 2016 $
Hood Sweeney Pty Ltd	Business services	32.36	32.36	5,994,281	6,007,618
Financial Momentum Vic	Financial planning			-	-
Pty Ltd	and property			-	-
	commissions	40.00	40.00	925,982	950,208
McQueen Financial	Financial planning			-	-
Group Pty Ltd	business	49.00	49.00	3,026,692	3,250,061
Nixon Financial Services	Financial planning			-	-
Pty Ltd	and wealth			-	-
	management	30.00	30.00	627,275	633,225
Hunter Financial Pty Ltd	Financial planning	40.00	40.00	2,629,571	2,710,620
				13,203,801	13,551,732

Subsidiary Pacific East Coast Pty Ltd (PEC) now owns 100% (30 June 2016: 50%) of HomePort Property Group Pty Ltd (Trustee of HomePort Property Group Unit Trust) and HomePort Property Group Unit Trust.

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

	31 December 2016 $'000	30 June 2016 $'000
Balance at the beginning of the financial half-year	13,552	10,907
Interest acquired in associates	-	2,747
Share of associate company's profit after income tax	392	1,444
Dividends and distributions	(578)	(888)
ACR amortisation accounted in parent's book	(162)	(333)
Disposals - MyAccounts	-	(325)
Total	**13,204**	13,552

17 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

17 Fair Value Measurement
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 2016				
Financial assets	-	-	-	-
Other investments - FVTPL	14,936	-	-	14,936
Financial liabilities	-	-	-	-
Deferred cash consideration	-	-	(1,496)	(1,496)
Deferred equity consideration	-	-	-	-
Total	**14,936**	-	**(1,496)**	**13,440**

	Level 1 $'000	Level 2 $000	Level 3 $000	Total $'000
At 30 June 2016				
Financial assets				
Other investments - FVTPL	20,881	-	-	20,881
	20,881	-	-	20,881
Financial liabilities	-	-	-	-
Deferred cash consideration	-	-	(1,916)	(1,916)
	-	-	(1,916)	(1,916)
Total	**20,881**	-	**(1,916)**	**18,965**

Sensitivity to changes in assumptions

The fair value deferred 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 year 2 accounting fees and earnings before interest and tax for Harmon Partners decline by 10% compared to current forecast, a reduction of $170,000 in deferred consideration would result.

- If the year 1 fees for DFK Crosbie Gold Coast declines by 10% compared to the current forecast, a reduction of $145,000 in deferred consideration would result.

17 Fair Value Measurement

- If the year 2 fees for DFK Crosbie Gold Coast declines by 10% compared to the current forecast, a reduction of $116,000 in deferred consideration would result

- If the year 1 fees for Brooks Accountants decline by 10% compared to the current forecast a deduction of $101,300 in deferred consideration would result.

The maximum potential payment for deferred consideration is $1,600,000 (June 2016: $2,460,000).

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.

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 2016 $'000
Balance at beginning of half-year	(1,916)
Total gains or losses for the half-year	-
Gain on deferred consideration recognised in profit or (loss)	925
Other movements	-
Acquired other investments during the half-year	(775)
Cash paid for settlement of deferred cash consideration	270
Balance at end of half-year	(1,496)

18 Events Occurring After the Reporting Date

In January 2017, Countplus subsidiary 360 Financial Advantage Pty Ltd acquired a parcel of accounting fees from R W Fox & Associates. A cash consideration of $66,000 was paid on settlement with the remaining expected balance of $60,000 to be settled in 2 deferred payments.

On 17 February 2017, Countplus sold 1,000,000 Class Limited shares for $3.04 per share for a consideration of $3,026,624 (after transaction cost), settlement date 21 February 2017.

On 22 February 2017, Countplus declared an interim dividend for 2016/2017 of 1.0 cent per share payable on 15 May 2017 (record date 27 April 2017).

On 22 February 2017 Countplus' CEO and Managing Director Phillip Aris advised the Company of his intention to resign his position at the close of business 23 February 2017.

The financial report was authorised for issue on 23 February 2017 by the board of directors.

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

Countplus Limited

ABN 11 126 990 832

Directors' Declaration

In the opinion of the Directors of Countplus Limited

1. The consolidated half-year financial statements and notes, as set out on pages 5 to 21 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 2016 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.

Barry Martin Lambert
Director

Sydney
23 February 2017

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

We have reviewed the accompanying half-year financial report of Countplus Limited (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Countplus Limited 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 controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the 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 Countplus Limited consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations

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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 complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Countplus Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 23 February 2017