

ASX ANNOUNCEMENT: CUP
Friday, 17 February 2017



Market Update

The Board of Countplus Limited (CUP) provides the following market update prior to the release of its half year results on 23 February 2017 and in light of developments concerning CUP firm Total Financial Solutions Australia Limited (TFS) and ASIC's licence condition which as previously disclosed relates to the action of one adviser (ASX Announcement 25 February 2016).

CUP has also previously informed the market that TFS is currently working with its insurers to obtain indemnity in the event that any detriment that may have been caused to any client as a result of the advice provided is rectified (ASX Announcement 25 August 2016).

Following extensive ongoing investigation and consultation with advisors and ASIC, TFS have put in place a review and remediation program for clients affected by the advice provided by the adviser. The objective of the program is to evaluate the appropriateness of the advice provided and if the advice is found to be inaccurate, incomplete or inappropriate then TFS is to restore clients' financial position back to the position they would have been in but for the advice.

The half year December 2016 results will reflect the impact of extra provisioning for the legal and associated costs for the above matter (to the extent of our insurance recovery) and the remediation program for the assessed clients. No provision has been made 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.

Excluding the financial impact of the fair value revaluation of our investment in Class Limited, our unaudited preliminary accounts indicate an increase in Profit from Operations before Income Tax of between 5% and 8% for the HY2017. This half year result is after a preliminary provision of \$1.1m in relation to the TFS matter and an impairment of \$780,000 for an operating subsidiary.

As we are currently unable to determine the quantum of the detriment of the TFS matter, the Board believes that it is prudent at this point in time to halve the dividend when it meets next week. The Board has previously advised the market that the dividends will be reviewed every 6 months in conjunction with our financial results.

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