



Financial Statements

For the Half-Year Ended
31 December 2018





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DIRECTORS	CHIEF FINANCIAL OFFICER	Laurent Toussaint
Raymond Kellerman <i>Chairman</i>	COMPANY SECRETARY	Narelle Wooden <i>Appointed 30 November 2018</i>
Alison Ledger <i>Independent Non-Executive Director</i>		Laurent Toussaint
Kate Hill <i>Independent Non-Executive Director</i>	PRINCIPAL REGISTERED OFFICE IN AUSTRALIA	Level 17, Suite 2 1 Margaret Street Sydney NSW 2000 Telephone +61 2 8488 4500
Andrew McGill <i>Independent Non-Executive Director</i>	SHARE REGISTRY	Computershare Investor Services Pty Ltd Level 4, 60 Carrington Street Sydney NSW 2000 Telephone +61 2 8234 5000
Matthew Rowe <i>Managing Director and Chief Executive Officer</i>	INDEPENDENT AUDITORS	Grant Thornton Level 17, 383 Kent Street Sydney NSW 2000 Telephone +61 2 8297 2400
	SOLICITORS	Thomson Geer Lawyers Level 25, 1 O'Connell Street Sydney NSW 2000 Telephone +61 2 8248 5800 Brown Wright Stein Lawyers Level 5, 179 Elizabeth Street Sydney NSW 2000 Telephone +61 2 9394 1010 Shanahan Tudhope Lawyers Level 7, 60 Carrington Street Sydney NSW 2000 Telephone +61 2 9262 2888
	BANKER	Westpac Banking Corporation
	STOCK EXCHANGE LISTING	CountPlus Limited shares are listed on the Australian Securities Exchange (ASX)
	WEBSITE ADDRESS	www.countplus.com.au
	ABN	11 126 990 832

Directors' Report

For the Half-Year Ended 31 December 2018

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The Directors present their report on the consolidated entity consisting of CountPlus Limited ("the Company" or "CUP") and the entities it controlled ("the Group") at the end of, or during, the half-year ended 31 December 2018.

Directors

The following persons were Directors during the half-year and up to the date of this report:

Raymond Kellerman Chairman

Alison Ledger Independent Non-Executive Director

Kate Hill Independent Non-Executive Director

Andrew McGill Independent Non-Executive Director

Matthew Rowe Managing Director and Chief Executive Officer

Operating and financial review

The Group reported consolidated net profit after tax (NPAT) for the half-year ended 31 December 2018 of \$2,630,000 (2017: loss of \$3,281,000) of which a profit of \$1,907,000 (2017: loss of \$3,804,000) was attributable to the shareholders of CountPlus Limited.

Adjusted NPAT is presented in the table below to reflect the underlying performance of the business. Adjusted NPAT was \$2,630,000 for the half-year, 8.4% up on the prior comparable period. The six months ended 31 December 2018 also showed a result free from one-off adjustments.

	31 December 2018 \$'000	31 December 2017 \$'000	Movement % Change
NPAT – Adjusted			
Net profit / (loss) after tax	2,630	(3,281)	
Add: Loss from discontinued operations	–	1,465	
Add: Impairments of intangible assets	–	4,700	
Deduct: Gain on sale of investments	–	(1,402)	
Add: Termination and redundancy costs on restructure	–	613	
Add: Statutory income tax	–	1,370	
Deduct: Pro-forma calculation of tax at 30%	–	(1,039)	
Adjusted NPAT	2,630	2,426	8.4

On a reported NPAT basis, earnings per share increased to 1.73 cents from a loss per share of 2.05 cents in the prior comparable period.

Shareholders equity attributable to owners of CountPlus improved by \$1,719,000 from 30 June 2018 to \$56,500,000 and CountPlus was in a net cash position of \$10,237,000.

Dividends

CountPlus' dividend policy is set at a range of between 40% to 70% of maintainable net profit after tax and minority interests, subject to market conditions and company performance.

CountPlus is committed to the following principles in determining the dividend policy:

- ▶ Payment of dividends out of operating cashflows; and
- ▶ Consideration of debt reduction, working capital and investments.

The Board is pleased to declare an interim dividend of 1 cent per share fully franked for the half-year ended 31 December 2018. This has been made possible once again by our focus on our core business, financial discipline, strict cost controls and strengthened balance sheet.

O'Brien Accountants & Advisors group

During the period CountPlus Limited successfully made a 40% investment in the O'Brien Accountants & Advisors group ("O'Brien"). O'Brien was voted the number one Count firm in Victoria for 2018. This is the first acquisition that has been made under the new "Owner, Driver – Partner" (ODP) model. The acquisition extends CountPlus' network from 16 to 17 firms and is expected to be earnings accretive within the first twelve months.

Kerry Albert & Co

Subsequent to the reporting period, CountPlus Limited acquired the business of Kerry Albert & Co, a long-established and highly-regarded accounting and financial advisory firm based in Coffs Harbour, NSW. Kerry Albert & Co transaction is expected to be earnings accretive within the first twelve months. The acquisition represents a natural 'tuck-in' and alignment with the Company's existing member firm, 360 Financial Advantage.

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 2018 has been received and can be found on page 5 of this financial report.

Rounding of amounts

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

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



Raymond Kellerman

Director

Sydney

20 February 2019



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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 2018. I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the 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, 20 February 2019

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2018

	Note	Half-Year	
		31 December 2018 \$'000	31 December 2017 \$'000
Gross revenue	4	51,295	52,401
Fees, commissions and related costs	4	(15,298)	(13,641)
Revenue from operating activities		35,997	38,760
Other income			
Interest income		43	35
Other income		717	456
Gain on sale of investments		–	1,402
Total other income		760	1,893
Salaries and employee benefits expense		(24,091)	(26,447)
Depreciation expense		(418)	(432)
Premises expenses		(2,063)	(2,274)
Acquisition related expenses		(223)	(13)
Amortisation expense		(853)	(1,108)
Share based payment expense		(7)	(73)
Impairment of goodwill		–	(4,700)
Fair value loss on investments		–	(2)
Finance costs		(162)	(278)
Other operating expenses	5	(5,804)	(6,100)
Total expenses		(33,621)	(41,427)
Share of net profits of associates accounted for using equity method		608	328
Profit from operations before income tax		3,744	(446)
Income tax expense		(1,114)	(1,370)
Net profit / (loss) for the period from operations after income tax		2,630	(1,816)
Loss for the period from discontinued operations	13	–	(1,465)
Profit / (loss) for the period		2,630	(3,281)
Other comprehensive income / (loss), net of income tax			
Other comprehensive income / (loss), net of income tax		–	–
Other comprehensive income / (loss) for the year, net of income tax		–	–
Total comprehensive income / (loss) for the year, net of income tax		2,630	(3,281)
Net profit / (loss) attributable to:			
Owners of CountPlus Limited		1,907	(3,804)
Non-controlling interests		723	523
		2,630	(3,281)
Total comprehensive income / (loss) for the half-year is attributable to:			
Owners of CountPlus Limited		1,907	(3,804)
Non-controlling interests		723	523
		2,630	(3,281)
Basic and diluted earnings / (loss) per share from continuing operations (cents)		1.73	(2.05)
Basic and diluted earnings / (loss) per share from continuing and discontinued operations (cents)		1.73	(3.33)

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 2018

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	Note	31 December 2018 \$'000	30 June 2018 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		11,423	10,998
Trade and other receivables		10,773	10,964
Loans and advances		11	205
Work in progress	12	5,110	4,340
Current tax receivable		–	59
TOTAL CURRENT ASSETS		27,317	26,566
NON-CURRENT ASSETS			
Loans and other receivables		613	1,300
Investment in associates	11	10,612	9,088
Deferred tax assets		304	390
Property, plant and equipment		3,760	3,705
Intangible assets		33,478	34,228
TOTAL NON-CURRENT ASSETS		48,767	48,711
TOTAL ASSETS		76,084	75,277
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		5,273	5,114
Interest bearing loans and borrowings		277	173
Current tax liabilities		4	–
Provisions		4,636	4,719
Other current liabilities		753	955
TOTAL CURRENT LIABILITIES		10,943	10,961
NON-CURRENT LIABILITIES			
Other payables		66	75
Interest bearing loans and borrowings		909	1,850
Provisions		1,044	1,019
Other non-current liabilities		503	584
TOTAL NON-CURRENT LIABILITIES		2,522	3,528
TOTAL LIABILITIES		13,465	14,489
NET ASSETS		62,619	60,788
EQUITY			
Contributed equity	6	121,583	121,583
Reserves		(47,072)	(51,363)
Accumulated losses		(18,011)	(15,439)
Capital and reserves attributable to owners of CountPlus Limited		56,500	54,781
Non-controlling interests	7	6,119	6,007
TOTAL EQUITY		62,619	60,788

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 2018

Attributable to owners of CountPlus Limited								
Note	Issued Capital \$'000	Treasury Shares* \$'000	Accumulated Losses \$'000	Share Based Payment Reserve \$'000	Acquisition Reserve \$'000	Total \$'000	Non-controlling interests (NCI) \$'000	Total \$'000
Balance at 1 July 2018	126,566	(4,983)	(15,439)	1,494	(52,857)	54,781	6,007	60,788
Profit for the period	–	–	1,907	–	–	1,907	723	2,630
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	1,907	–	–	1,907	723	2,630
Transactions with owners in their capacity as owners								
Transactions with non-controlling interests (NCI)	–	–	–	–	–	–	(161)	(161)
Share based payments for long term incentives (LTI)	–	–	–	(18)	–	(18)	–	(18)
Transfer to accumulated losses [^]	–	–	(3,350)	–	4,309	959	–	959
Dividends provided for or paid**	8	–	(1,129)	–	–	(1,129)	(450)	(1,579)
Balance at 31 December 2018	126,566	(4,983)	(18,011)	1,476	(48,548)	56,500	6,119	62,619

Attributable to owners of CountPlus Limited								
Note	Issued Capital \$'000	Treasury Shares* \$'000	Accumulated Losses \$'000	Share Based Payment Reserve \$'000	Acquisition Reserve \$'000	Total \$'000	Non-controlling interests (NCI) \$'000	Total \$'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	–	–	–	–	–	–	–	–
Total comprehensive (loss) / income for the period	–	–	(3,804)	–	–	(3,804)	523	(3,281)
Transactions with owners in their capacity as owners								
Transactions with non-controlling interests (NCI)	–	–	–	–	–	–	–	–
Share based payments for loan funded share plan (LFSP)*	–	–	–	73	–	73	–	73
Transfer to accumulated losses [^]	–	–	–	–	–	–	–	–
Dividends provided for or paid**	8	–	–	–	–	–	(213)	(213)
Balance at 31 December 2017	126,566	(4,983)	(6,759)	1,507	(66,000)	50,331	3,998	54,329

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.

[^] Transfer of Acquisition Reserve to Accumulated Losses for firms disposed.

Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2018

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	Half-Year	
	31 December 2018 \$'000	31 December 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers (inclusive of goods and services tax)	52,396	59,315
Payments to suppliers and employees (inclusive of goods and services tax)	(47,618)	(55,278)
	4,778	4,037
Interest received	43	35
Interest paid	(162)	(278)
Income taxes paid (net)	(965)	(259)
Net cash from continuing operations	3,694	3,535
Net cash from discontinued operations	–	376
Net cash inflow from operating activities	3,694	3,911
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales under the Owner, Driver – Partner model	–	2,800
Purchase of property, plant, equipment and computer software	(590)	(750)
Dividends / distribution received from associates	317	385
Proceeds from sale of shares in Class Limited	–	3,385
Proceeds from sale of property, plant and equipment	14	–
Payment for acquisition of subsidiaries	(161)	–
Income taxes paid on the sale of shares in Class Limited	–	(3,741)
Payment for acquisition of investment in associate	(1,164)	–
Payment for deferred consideration on acquisition of controlled entities	(333)	(108)
Net cash from continuing operations	(1,917)	1,971
Net cash from discontinued operations	–	(3)
Net cash (outflow) / inflow from investing activities	(1,917)	1,968
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	1,168	3,091
Repayment of borrowings	(941)	(12,442)
Repayment from borrowings / hire purchase and lease liabilities	–	(15)
Payment of dividends to equity holders	(1,129)	–
Payment of dividends by controlled subsidiaries to non-controlling interests	(450)	(213)
Net cash from continuing operations	(1,352)	(9,579)
Net cash from discontinued operations	–	–
Net cash outflow from financing activities	(1,352)	(9,579)
Net increase / (decrease) in cash and cash equivalents held	425	(3,700)
Cash and cash equivalents at beginning of half-year	10,998	7,049
Included in disposal group	–	1,236
Cash and cash equivalents at end of the half-year	11,423	4,585

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

1 Basis of preparation of half-year report

This general purpose half-year financial report has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001(Cth).

The half-year financial report does 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 Group as the full financial report.

It is recommended that the half-year report be read in conjunction with the annual report for the year ended 30 June 2018 and considered together with any public announcements made by CountPlus Limited in respect of the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

2 Summary of significant accounting policies

The half-year financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2018, except as described below.

a) New and amended standards adopted by the Group

AASB 15 Revenue from contracts with customers (effective for periods commencing on or after 1 January 2018)

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

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

CountPlus engaged with Partner firms to update their engagement letters to ensure compliance with AASB 15. This process confirmed that no material change in revenue recognition would be required. This standard has been adopted from 1 July 2018. The standard has not been applied to comparatives, as the financial effect thereon is immaterial. There are no new accounting policies as a result of the new standard.

Revenue arises mainly from accounting and financial planning services.

To determine whether to recognise revenue, the Group follows a 5-step process:

- 1 Identifying the contract with a customer;
- 2 Identifying the performance obligations;
- 3 Determining the transaction price;
- 4 Allocating the transaction price to the performance obligations; and
- 5 Recognising revenue when / as performance obligation(s) are satisfied.

The Group often enters into transactions involving a range of the Group's products and services, for accounting and financial planning services. In all cases, the total fee charged for an engagement is allocated amongst the various performance obligations based on their relative stand-alone fees. The fee charged for an engagement excludes any amounts collected on behalf of third parties. Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised services to its customers.

Performance obligations for accounting and financial planning revenue

The Group's contracts comprise performance obligations around completing client deliverables in line with engagement letter terms (based on the agreed billing method, standard of work and timeline). Under AASB 15, the Group must evaluate the separability of the promised services based on whether they are 'distinct'. A promised service is 'distinct' if both:

- ▶ the customer benefits from the item either on its own or together with other readily available resources; and
- ▶ it is 'separately identifiable' (i.e. the Group does not provide a significant service integrating, modifying or customising it).

Accounting services revenue is recognised over a period of time, with financial services revenue being recognised at a point in time.

While this represents significant new guidance, the implementation of this new guidance did not have a significant impact on the timing or amount of revenue recognised by the Group during the year.

b) Accounting standards and interpretations issued but not yet effective

AASB 16 Leases (effective for periods commencing on or after 1 January 2019)

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

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

The Group is yet to conclude on the financial impact of the new standard.

3 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 and corporate advisory services.
Financial Services	which comprises of financial planning services which separates TFS, a holder of an Australian Financial Services licence (AFSL) and financial planning services offered by Partner firms.
Other	which mainly comprises of information technology related revenue, legal related revenue, conference and insurance related revenue.

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

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

a) Segment performance

	Continuing operations										Discontinued operations total	
	Accounting		Financial Services (Ex TFS)		Financial Services (TFS)		Other		Total			
	31 Dec 2018 \$'000	31 Dec 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Revenue	26,303	28,714	5,979	6,291	2,572	2,311	1,143	1,444	35,997	38,760	–	2,223
Segment contribution margin	12,098	12,802	2,881	3,170	1,686	1,253	1,052	(3,052)	17,717	14,173	–	1,139

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

	Continuing operations		Discontinued operations	
	31 December 2018 \$'000	31 December 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000
Total contribution margin	17,717	14,173	–	1,139
Other income	760	1,893	–	5
Share of net profit of associates	608	328	–	–
Amortisation and depreciation expense	(1,271)	(1,540)	–	(90)
Premises expenses	(2,063)	(2,274)	–	(117)
Finance costs	(162)	(278)	–	–
Impairment of intangible assets	–	(4,700)	–	–
Other costs	(11,845)	(8,048)	–	(850)
Profit from operations before income tax	3,744	(446)	–	87

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

4 Revenue and other income

The disaggregation of revenue from contracts with customers is as follows:

	Continuing operations		Discontinued operations	
	31 December 2018 \$'000	31 December 2017 \$'000	31 December 2018 \$'000	31 December 2017 \$'000
Gross revenue				
Accounting services revenue	26,303	28,714	–	–
Financial services revenue	23,849	22,243	–	–
Commissions earned on property sales	–	–	–	4,478
Other property related income	–	–	–	256
Other operating revenue	1,143	1,444	–	133
	51,295	52,401	–	4,867
Fees, commissions and related costs				
Fees and related costs	(15,298)	(13,641)	–	–
Commission paid on property sales	–	–	–	(2,644)
	(15,298)	(13,641)	–	(2,644)
Revenue from operating activities	35,997	38,760	–	2,223

a) Gross revenue

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

b) Fees, commissions and related costs

Fees, commissions and related costs are made up primarily of two components: those payable by subsidiary, Total Financial Solutions Australia Ltd to financial advisors in accordance with their Authorised Representative Agreements, and referral fees payable to its affiliated members. Fees, commissions and related costs are deducted from gross revenue to arrive at revenue from operating activities.

5 Expenses

	Half-Year	
	31 December 2018 \$'000	31 December 2017 \$'000
Professional, service and consulting fees		
Audit fees	169	136
Legal fees	177	358
Accounting and other professional fees	327	218
Total professional, service and consulting fees	673	712
Other expenses		
Bad and doubtful debts – trade receivables	156	195
Sales and marketing expenses	430	404
Administration expenses	1,765	1,470
Insurance expense	894	592
Technology expense	1,707	1,907
Other	179	820
Total other expenses	5,131	5,388
Total other operating expenses from ordinary activities from continuing operations	5,804	6,100
Total other operating expenses from ordinary activities from discontinued operations	–	791

6 Contributed equity

Share capital

	31 December 2018 Shares	30 June 2018 Shares	31 December 2018 \$'000	30 June 2018 \$'000
Fully paid – ordinary shares	110,408,752	110,408,752	125,219	125,219
Treasury shares – Issued capital held by loan funded share plan	3,813,807	3,813,807	(4,983)	(4,983)
Capital contribution	–	–	1,968	1,968
ASX listing cost	–	–	(586)	(586)
Loan funded share plan establishment costs	–	–	(35)	(35)
	114,222,559	114,222,559	121,583	121,583

7 Owner, Driver – Partner and non-controlling interest

a) Details of Owner, Driver – Partner (OD-P)

The OD-P allows our member firms to buy back equity in their business. We believe this will better align principals and senior managers to share directly in their own business and drive improved performance. During the period ended 31 December 2018 no new firms participated in the OD-P 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 the Acquisition Reserve.

b) Reconciliation of non-controlling interest in controlled entities

	31 December 2018 \$'000	30 June 2018 \$'000
Opening balance	6,007	3,688
Additional capital bought back from NCI during the period	(161)	(346)
Disposals	–	(294)
Value attributed to non-controlling interest on implementation of Owner, Driver – Partner model	–	2,601
Share of net profit for the period	723	1,023
Dividends paid by subsidiaries to non-controlling interests	(450)	(665)
Closing balance	6,119	6,007

8 Dividends

	31 December 2018 \$'000	31 December 2017 \$'000
Dividends paid during the half-year on ordinary shares declared in prior period	–	–
Dividends paid or proposed during the half-year on ordinary shares declared in current period*	1,142	–
Dividends proposed but not recognised at the half-year	1,142	–

* Net dividend paid of \$1,129,000 due to elimination of the dividends paid to the Employee Share Trust account which is eliminated on consolidation.

9 Contingencies

There are no material contingencies at 31 December 2018.

10 Related parties

a) Parent entity

The parent entity within the Group is CountPlus Limited.

b) Subsidiaries

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

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

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

Interest is payable at 6.88% 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.

c) Transactions with related parties

The following transactions occurred with related parties.

Thirteen of the fourteen subsidiaries of the CountPlus were franchisees of Count Financial Limited ("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 commissions received from Count Financial is income received by CountPlus under a 'Relationship Deed' agreement.

CountPlus entered into a 'Relationship Deed' agreement with Count Financial on 4 November 2010. Count Financial granted CountPlus 'Most Favoured Nation Status' (MFN status). This means that in relation to an existing or new Count Financial product or service, except for platform and asset financing revenue, Count Financial will offer CountPlus Limited the best terms for the existing or new Count Financial product or service which is available by Count Financial to any other member of CountPlus. Count Financial will pay CountPlus 50% of the platform revenue received by Count Financial from a preferred platform provider in respect of CountPlus' funds under management (FUM) with that platform provider.

Count Financial 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 \$600,000 (December 2017: \$674,000) from Count Financial in accordance with the terms set out in the Relationship Deed.

Notes to the Consolidated Financial Statements

For the Half-Year Ended 31 December 2018

15

Sale of goods and services

	31 December 2018 \$'000	31 December 2017 \$'000
Total net fees and commissions received from Count Financial Limited	6,071	6,902

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

	31 December 2018 \$'000	30 June 2018 \$'000
Current Receivables		
Receivable from Count Financial Limited	100	229

11 Investment in associates

a) Carrying amounts

Name of company	Principal activity	Ownership Interest		Investment in Associates	
		31 December 2018 %	30 June 2018 %	31 December 2018 \$'000	30 June 2018 \$'000
One Hood Sweeney Pty Ltd	Business services	32.36	32.36	6,589	6,464
Hunter Financial Pty Ltd	Financial planning	40.00	40.00	2,767	2,624
OBM Financial Services Pty Ltd	Business services	40.00	0.00	1,256	–
				10,612	9,088

b) Movements during the year in equity accounted investment in associated companies

	31 December 2018 \$'000	30 June 2018 \$'000
Opening balance	9,088	11,716
Acquisitions	1,233	–
Share of associate company's profit after tax	608	828
Dividends and distributions	(317)	(664)
Disposals	–	(2,792)
Total	10,612	9,088

12 Work in progress

Work in progress represents costs incurred and profit recognised on client assignments and services that are in progress and have not yet been invoiced at reporting date. The Group has conditional rights to receive consideration based on engagement letters with clients.

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

There were no discontinued operations in CountPlus for the half-year ended 31 December 2018. In the prior period the amounts presented in the Statement of Profit or Loss and Other Comprehensive Income under discontinued operations relate to Kidmans PEC Pty Ltd (PEC Group). In December 2017, the Board decided to sell the PEC Group, a property broker for new residential properties in Australia. This decision was taken in line with the Group's strategy to focus on its core business. The sale was finalised at the end of February 2018 and the total consideration less costs to sell amounted to \$3,444,000. In the prior half-year period this resulted in a loss on discontinued operations of \$1,465,000.

14 Fair value measurement

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, loans, advances and other receivables and interest-bearing 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 2018				
Financial liabilities				
Contingent cash consideration	–	–	(37)	(37)
Total	–	–	(37)	(37)
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 30 June 2018				
Financial liabilities				
Contingent cash consideration	–	–	(364)	(364)
Total	–	–	(364)	(364)

Sensitivity to changes in assumptions

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

	31 December 2018 \$'000
Balance at beginning of the half-year	(364)
Total gains or losses for the half-year	-
Gain / (loss) on deferred consideration recognised in profit or loss	-
Other movements	
Additions to deferred cash & equity consideration for acquisitions of assets, subsidiaries & associates during the half-year	(6)
Cash paid for settlement of deferred cash consideration	333
Balance at end of half-year	(37)

15 Events Occurring After the Reporting Date

The financial report was authorised for issue on 20 February 2019 by the Board of Directors.

Subsequent to the reporting period, CountPlus Limited acquired the business of Kerry Albert & Co, a long-established and highly-regarded accounting and financial advisory firm based in Coffs Harbour, NSW. Kerry Albert & Co transaction is expected to be earnings accretive within the first twelve months. The acquisition represents a natural 'tuck-in' and alignment with the Company's existing member firm, 360 Financial Advantage. For further details regarding the Kerry Albert & Co acquisition please refer to the ASX announcement released on 20 February 2019.

No 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.

- 1 The consolidated half-year financial statements and notes, as set out on pages 6 to 17 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) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 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

20 February 2019



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Independent Auditor's Review Report

To the Members of CountPlus Limited

Report on the review of 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 2018, 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 2018, 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 31 December 2018 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.

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



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 stylized, handwritten-style signature of "Grant Thornton" in purple ink.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature of "C F Farley" in purple ink.

C F Farley
Partner – Audit & Assurance

Sydney, 20 February 2019



