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CountPlus
Quality Partnerships, Leading Advice

**ASX Preliminary Final Report
For the Year Ended 30 June 2018**



Appendix 4E – Preliminary Final Report For the Year Ended 30 June 2018

(Previous corresponding period: Year ended 30 June 2017)

1 Results for Announcement to the Market (The accounts are in the process of being audited)

	Movement	% Change from prior year		\$A'000's
Revenue from ordinary activities	down	10%	to	74,386
Profit from ordinary activities after tax attributable to members	down	66%	to	(176)
Net profit / (loss) for the period attributable to members	down	66%	to	(176)

Comments

The consolidated entity's net profit after tax for the year ended 30 June 2018 was \$847,000 (2017: \$875,000). Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$4,522,000 (2017: \$6,366,000).

2 NTA Backing

	2018 cents per share	2017 cents per share
Net tangible asset backing per ordinary security	23.70	13.04

3 Dividend distribution

Dividends / distributions	30 June 2018	30 June 2017
Interim dividend (Fully franked at 30% tax rate)	–	2.0c per fully paid share (paid 15 November 2016)
Interim dividend (Fully franked at 30% tax rate)	–	2.0c per fully paid share (paid 15 February 2017)
Interim dividend (Fully franked at 30% tax rate)	–	1.0c per fully paid share (paid 15 May 2017)
Full-year final dividend* (Fully franked at 30% tax rate)	1.0c per fully paid share (to be paid 17 October 2018)	–

* Record date 28 September 2018.

Consolidated Statement of profit or loss and other comprehensive income

For the Year Ended 30 June 2018

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

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

For the Year Ended 30 June 2018

	2018 \$'000	2017 \$'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	10,998	8,284
Trade and other receivables	10,964	18,827
Loans and advances	205	115
Work in progress	4,340	4,362
Current tax receivable	59	–
Deferred tax asset	390	–
TOTAL CURRENT ASSETS	26,956	31,588
NON-CURRENT ASSETS		
Loans and other receivables	1,300	2,554
Investments in associates	9,088	11,716
Other investments and financial assets	–	3,366
Property, plant and equipment	3,705	4,328
Intangible assets	34,228	44,994
TOTAL NON-CURRENT ASSETS	48,321	66,958
TOTAL ASSETS	75,277	98,546
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	5,114	10,979
Interest bearing loans and borrowings	173	27
Current tax liabilities	–	3,590
Provisions	4,719	5,403
Other current liabilities	955	1,323
TOTAL CURRENT LIABILITIES	10,961	21,322
NON-CURRENT LIABILITIES		
Other payables	75	1,449
Interest bearing loans and borrowings	1,850	13,551
Deferred tax liabilities	–	1,640
Provisions	1,019	1,862
Other non-current liabilities	584	972
TOTAL NON-CURRENT LIABILITIES	3,528	19,474
TOTAL LIABILITIES	14,489	40,796
NET ASSETS	60,788	57,750
EQUITY		
Contributed equity	121,583	121,583
Reserves	(51,363)	(64,566)
Accumulated losses	(15,439)	(2,955)
Capital and reserves attributable to owners of CountPlus Limited	54,781	54,062
Non-controlling interest	6,007	3,688
TOTAL EQUITY	60,788	57,750

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2018

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

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 Year Ended 30 June 2018

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

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

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

*** Shares issued to employees of \$70,000.

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

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

Consolidated Statement of Cash Flow

For the Year Ended 30 June 2018

	2018 \$'000	2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers (inclusive of goods and services tax)	120,468	119,701
Payments to suppliers and employees (inclusive of goods and services tax)	(113,734)	(108,110)
	6,374	11,591
Dividends received	–	116
Interest received	53	79
Interest paid	(463)	(1,157)
Income taxes paid	(1,271)	(2,970)
<i>Net cash from continuing operating activities</i>	5,053	7,659
<i>Net cash from discontinued operating activities</i>	(259)	327
Net cash inflow from operating activities	4,794	7,986
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property, plant and equipment	294	–
Proceeds from sales under the Owner, Driver – Partner model	3,447	–
Proceeds from sale of shares in Class Limited	3,385	16,053
Proceeds from sale of KPEC	3,445	–
Proceeds from sale of subsidiaries	5,983	1,827
Purchase of property, plant and equipment	(493)	(1,053)
Payment for acquisition of subsidiaries / business assets	(750)	(3,011)
Income taxes paid from the sale of shares in Class Limited	(3,741)	–
Dividends / distributions received from associates entities	665	1,049
Payment for deferred consideration on acquisition of controlled entities and associates	(478)	(542)
<i>Net cash from continuing investing activities</i>	11,757	14,323
<i>Net cash from discontinued investing activities</i>	(83)	(161)
Net cash inflow from investing activities	11,674	14,162
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	38,333	27,635
Repayment of borrowings	(49,858)	(39,693)
Proceeds of borrowings / hire purchase and lease liabilities	(30)	21
Proceeds from repayment of loan in respect of dividends received on loan funded shares	–	223
Payment of dividends to equity holders	–	(7,992)
Payment of dividends by controlled subsidiaries to non-controlling interests	(1,305)	(402)
<i>Net cash from continuing financing activities</i>	(12,860)	(20,208)
<i>Net cash from discontinued financing activities</i>	–	–
Net cash outflow from financing activities	(12,860)	(20,208)
Net increase in cash and cash equivalents held	3,608	1,940
Cash and cash equivalents at beginning of year	8,284	6,344
<i>Included in disposal group</i>	(894)	–
Cash and cash equivalents at end of financial year	10,998	8,284

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

Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2018

1 Revenue

(a) Revenue from operating activities

	Continuing Operations		Discontinued Operations	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Accounting services revenue	54,403	60,240	–	–
Financial services revenue	43,624	47,607	–	–
Commission earned on property sales	–	–	5,507	8,655
Other property related income	–	–	342	661
Other operating revenue	3,039	2,940	179	278
	101,066	110,787	6,028	9,594
Fees and related costs	(26,680)	(28,406)	–	–
Commission paid on property sales	–	–	(2,855)	(4,381)
	(26,680)	(28,406)	(2,855)	(4,381)
Total Revenue from operating activities	74,386	82,381	3,173	5,213

(b) Fees, commissions and related costs

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

2 Expenses

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

Additional information to Appendix 4E

For the Year Ended 30 June 2018

Impairment of assets

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

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

Contingencies

None noted.

Details of entities over which control gained or lost during the year

Name of the entity over which control gained	Walker Andrews Pty Ltd
Date of control gained	1 May 2018
Contribution to (loss) from ordinary activities after tax in current period, where material (\$A'000)	(29)

Name of the entity whose control lost	PEC Group*
Date of control lost	28 February 2018
Contribution to profit / (loss) from ordinary activities after tax in current period, where material (\$A'000)	929
Loss on sale after income tax in current period (\$A'000)	(2,394)
Profit from ordinary activities after tax in whole of the previous period (\$A'000)	1,075

Name of the entity whose control lost	Audits Service Company Pty Ltd (CountPlus National Audits)
Date of control lost	1 July 2017
Contribution to profit / (loss) from ordinary activities after tax in current period, where material (\$A'000)	-
Profit on sale after income tax in current period (\$A'000)	318
Profit from ordinary activities after tax in whole of the previous period (\$A'000)	31

Name of the entity whose control lost	Twomeys Accounting and Advice Pty Ltd
Date of control lost	1 July 2017
Contribution to profit / (loss) from ordinary activities after tax in current period, where material (\$A'000)	-
Profit on sale after income tax in current period (\$A'000)	350
Profit from ordinary activities after tax in whole of the previous period (\$A'000)	154

Name of the entity whose control lost	Twomeys Wagga Financial Planning Pty Ltd
Date of control lost	1 July 2017
Contribution to profit / (loss) from ordinary activities after tax in current period, where material (\$A'000)	-
Profit on sale after income tax in current period (\$A'000)	231
Profit from ordinary activities after tax in whole of the previous period (\$A'000)	38

* PEC Group consists of:

- ▶ Pacific East Coast Pty Ltd
- ▶ Pacific East Coast Securities Ltd
- ▶ Pacific East Coast Real Estate Pty Ltd
- ▶ Pacific East Coast Queensland Pty Ltd
- ▶ Pacific East Coast ACT Real Estate Pty Ltd
- ▶ Pacific East Coast WA Pty Ltd
- ▶ Home Port Property Group Pty Ltd (Trustee of Home Port Property Unit Trust)
- ▶ Home Port Property Unit Trust
- ▶ Property Investment Management Ltd

Additional information to Appendix 4E

For the Year Ended 30 June 2018

Associates

	2018	2017
One Hood Sweeney Pty Ltd		
Ownership interest	32%	32%
Profit from ordinary activities during the year (\$A'000)	2,580	2,903
Contributions towards Group's net profit (\$A'000)	835	939
Acquired Client Relationship (ACR) amortisation accounted in Parent books	(157)	(104)
McQueen Wealth Management*		
Ownership interest	0%	49%
Profit / (loss) from ordinary activities during the year (\$A'000)	–	(191)
Contributions towards Group's net profit (\$A'000)	–	(93)
Acquired Client Relationship (ACR) amortisation accounted in Parent books	–	(124)
Nixon FS Pty Limited*		
Ownership interest	0%	30%
Profit / (loss) from ordinary activities during the year (\$A'000)	–	156
Contributions towards Group's net profit (\$A'000)	–	47
Acquired Client Relationship (ACR) amortisation accounted in Parent books	–	(20)
Hunter Financial Planning Pty Ltd		
Ownership interest	40%	40%
Profit / (loss) from ordinary activities during the year (\$A'000)	614	646
Contributions towards Group's net profit (\$A'000)	245	258
Acquired Client Relationship (ACR) amortisation accounted in Parent books	(95)	(104)
Financial Momentum Vic Pty Ltd (sold in FY 2017)		
Ownership interest	0%	0%
Profit / (loss) from ordinary activities during the year (\$A'000)	–	309
Contributions towards Group's net profit (\$A'000)	–	124
Acquired Client Relationship (ACR) amortisation accounted in Parent books	–	(31)

* On 8 July 2017, CountPlus subsidiary CountPlus Financial Services Pty Ltd disposed of its 49% equity interest in McQueen Financial Group Pty Ltd and on 15 September 2017 disposed of 30% equity interest in Nixon Financial Services Pty Ltd.

Segment results

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

Additional information to Appendix 4E

For the Year Ended 30 June 2018

Other significant information

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

After balance date transactions

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

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

Other than the following:

- ▶ The details of the final dividend for the financial year 2018 are disclosed in note 3 of the Appendix 4E.

Foreign Accounting Standards

Not applicable.