

Countplus Limited

ABN 11 126 990 832

ASX Preliminary final report

For the Year Ended 30 June 2016

Countplus Limited

ABN 11 126 990 832

For the Year Ended 30 June 2016

(Previous corresponding period: Year ended 30 June 2015)

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

	Movement	% Change from prior year		\$A'000
Revenue from ordinary activities (Appendix 4E item 2.1)	down	1.0%	to	87,616
Profit from ordinary activities after tax attributable to members (Appendix 4E item 2.2)	up	40.7%	to	13,980
Net profit for the period attributable to members (Appendix 4E item 2.3)	up	34.9%	to	13,392

Comments

The consolidated entity's net profit after tax for the year ended 30 June 2016 was \$13.9 million (2015: \$9.9 million). Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$26.7 million (2015: \$18.3 million).

NTA Backing (Appendix 4E item 9)

	2016 cents per share	2015 cents per share
Net tangible asset backing per ordinary security	17.91	4.83

Control gained or lost over entities

Countplus gained control over the following entities during the year:

- | | |
|---|-----------------------------------|
| 1. Australian Superannuation & Compliance Pty Ltd | Control gained at 31 August 2015 |
| 2. HWC Accountants Pty Ltd | Control gained at 30 October 2015 |
| 3. Cummings West Pty Ltd | Control gained at 15 January 2016 |
| 4. HyperTax Pty Ltd | Control gained at 31 March 2016 |
| 5. Robert Jan & Associates Pty Ltd | Control gained at 30 June 2016 |

Countplus lost control over the following entities during the year:

- | | |
|-----------------------------------|-----------------------------|
| 1. Change Accountants Pty Limited | Control lost on 2 June 2016 |
|-----------------------------------|-----------------------------|

Dividends / distributions (Appendix 4E item 2.4)	30 June 2016	30 June 2015
Interim dividend (Fully franked at 30% tax rate)	2.0c per fully paid share (paid 16 November 2015)	2.0c per fully paid share (paid 17 November 2014)
Interim dividend (Fully franked at 30% tax rate)	2.0c per fully paid share (paid 15 February 2016)	2.0c per fully paid share (paid 16 February 2015)
Interim dividend (Fully franked at 30% tax rate)	2.0c per fully paid share (paid 16 May 2016)	2.0c per fully paid share (paid 15 May 2015)

Countplus Limited

ABN 11 126 990 832

For the Year Ended 30 June 2016

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

Dividends / distributions (Appendix 4E item 2.4)	30 June 2016	30 June 2015
Final dividend (Fully franked at 30% tax rate)	2.0c per fully paid share (paid 15 August 2016)	2.0c per fully paid share (paid 14 August 2015)

The record date for determining entitlements to the final dividend was 27 July 2016 and the dividend was paid on 15 August 2016. On 25 August 2016, the Company declared its first quarterly dividend for 2016/17 of 2.0 cents per share payable on 15 November 2016 (record date: 27 October 2016)

(Appendix 4E item 2.5)

Explanation of figures reported above (Appendix 4E item 2.6)

Please refer to Results Announcement dated 25 August 2016

Countplus Limited
Consolidated Statement of profit or loss and other comprehensive income
For the Year Ended 30 June 2016

	2016	2015
Note	\$'000	\$'000
Total revenue from continuing operations	1 119,939	122,014
Fees, commissions and related costs	1 (32,322)	(33,609)
Total revenue from continuing operations	87,617	88,405
Other income		
Gain/(loss) on deferred consideration adjustment	245	178
Gain on revaluation of investment property	30	1,680
Gain on disposal of subsidiary	1,290	-
Fair value gain on investments	16,294	-
Interest income	71	122
Other income	760	556
Total other income	18,690	2,536
Salaries and employee benefits expense	2 (59,500)	(56,444)
Amortisation expense	2 (2,673)	(2,804)
Depreciation expense	2 (948)	(1,175)
Premises expenses	(5,423)	(5,098)
Acquisition related expenses	(314)	(271)
Loss on disposals	-	(138)
Share based payment expense	(298)	(335)
Impairment of intangible assets	(2,672)	-
Finance costs	(1,293)	(1,281)
Other operating expenses	2 (12,486)	(11,237)
Total expenses	(85,607)	(78,783)
Share of net profit of associates accounted for using equity method	1,111	893
Profit from operations before income tax	21,811	13,051
Income tax expense	(7,831)	(3,117)
Net profit from operations after income tax	13,980	9,934
Other comprehensive income, net of income tax		
Items that will be reclassified to profit or loss when specific conditions are met	-	-
Other comprehensive income for the year, net of income tax	-	-
Total comprehensive income for the year, net of income tax	13,980	9,934
Net profit attributable to:		
Owners of Countplus Limited	13,392	9,930
Non-controlling interests	588	4
	13,980	9,934
	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary owners of the parent entity:		
Basic earnings per share	12.13	9.01
Diluted earnings per share	12.13	9.01

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Countplus Limited
Consolidated Statement of Financial Position
As at 30 June 2016

	2016	2015
Note	\$'000	\$'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	6,344	6,087
Trade and other receivables	17,324	18,820
Loans and advances	259	502
Work in progress	5,134	5,129
Current tax receivable	-	274
	29,061	30,812
Asset classified as held for sale	-	2,954
TOTAL CURRENT ASSETS	29,061	33,766
NON-CURRENT ASSETS		
Loans and other receivables	3,002	2,069
Investments in associates	13,552	10,907
Other investments	20,881	3,638
Property, plant and equipment	4,158	4,978
Intangible assets	48,863	50,080
TOTAL NON-CURRENT ASSETS	90,456	71,672
TOTAL ASSETS	119,517	105,438
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	10,845	10,667
Interest bearing loans and borrowings	18	4
Current tax liabilities	240	-
Provisions	4,043	3,876
Other current liabilities	4,147	4,345
TOTAL CURRENT LIABILITIES	19,293	18,892
NON-CURRENT LIABILITIES		
Trade and other payables	1,652	1,109
Interest bearing loans and borrowings	25,603	26,370
Deferred tax liabilities	6,547	2,327
Provisions	2,300	1,755
Other non-current liabilities	1,367	1,735
TOTAL NON-CURRENT LIABILITIES	37,469	33,296
TOTAL LIABILITIES	56,762	52,188
NET ASSETS	62,755	53,250
EQUITY		
Contributed equity	121,583	121,554
Reserves	3 (64,878)	(67,070)
Retained earnings/(accumulated losses)	4 2,783	(1,899)
Capital and reserves attributable to owners of Countplus Limited	59,488	52,585
Non-controlling interest	3,267	665
TOTAL EQUITY	62,755	53,250

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

Countplus Limited
Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2016

Attributable to owners of Countplus Limited									
Note	Issued capital	Treasury Shares*	Retained Earnings	Share Based Payment Reserve	AFS Reserve	Acquisition Reserves	Total	Non-controlling Interests (NCI)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015	126,082	(4,528)	(1,899)	637	420	(68,127)	52,585	665	53,250
Profits for the year	-	-	13,392	-	-	-	13,392	588	13,980
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	13,392	-	-	-	13,392	588	13,980
Transactions with owners in their capacity as owners									
Issue of shares***	413	(384)	-	-	-	-	29	-	29
Transfer from AFS reserve to retained earnings	-	-	420	-	(420)	-	-	-	-
Transactions with non-controlling interests (NCI)	-	-	-	-	-	-	-	2,501	2,501
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)	-	-	-	282	-	-	282	-	282
Application of dividends to loan funded share plan	-	-	-	203	-	-	203	-	203
Dividends provided for or paid **	-	-	(9,130)	-	-	-	(9,130)	(487)	(9,617)
Balance at 30 June 2016	126,495	(4,912)	2,783	1,122	-	(66,000)	59,488	3,267	62,755

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

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

***Issue of shares includes shares issued to employees of \$16,268 (2015: \$107,285).

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

Countplus Limited
Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2016

Attributable to owners of Countplus Limited									
Note	Issued capital	Treasury Shares*	Retained Earnings	Share Based Payment Reserve	AFS Reserve	Acquisition Reserves	Total	Non-controlling Interests (NCI)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014	123,384	(2,273)	(2,824)	294	420	(68,127)	50,874	290	51,164
Profits for the year	-	-	9,930	-	-	-	9,930	4	9,934
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	9,930	-	-	-	9,930	4	9,934
Transactions with owners in their capacity as owners									
Issue of shares***	2,698	(2,255)	-	-	-	-	443	530	973
Share based payments for loan funded share plan	-	-	-	228	-	-	228	-	228
Application of dividends to loan funded share plan	-	-	-	115	-	-	115	-	115
Dividends provided for or paid**	-	-	(9,005)	-	-	-	(9,005)	(159)	(9,164)
Balance at 30 June 2015	126,082	(4,528)	(1,899)	637	420	(68,127)	52,585	665	53,250

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

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

***Issue of shares includes shares issued to employees of \$107,285 (2014: \$70,854).

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

Countplus Limited
Consolidated Statement of Cash Flows
For the Year Ended 30 June 2016

	2016	2015
Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers (inclusive of goods and services tax)	133,114	137,819
Payments to suppliers and employees (inclusive of goods and services tax)	<u>(118,728)</u>	<u>(120,370)</u>
	14,386	17,449
Dividends received	216	279
Interest received	71	122
Interest paid	(1,293)	(1,281)
Income taxes paid	<u>(3,097)</u>	<u>(4,981)</u>
Net cash inflow from operating activities	<u>10,283</u>	<u>11,588</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property, plant and equipment	16	54
Proceeds from sale of Direct Equity Plan (DEP) to 3 subsidiaries	4,917	-
Proceeds from sale of fees	277	-
Proceeds from sale of share in associate entity (MyAccounts)	325	-
Proceeds from sale of Investment Property	2,954	-
Purchase of equipment and other non-current assets	(1,085)	(2,117)
Payments for investments in CRH shares	-	(1,157)
Proceeds from disposal of CRH shares	-	1,329
Payments to acquire other financial assets	(984)	(661)
Payment for acquisition of subsidiaries/business assets	(3,043)	(1,983)
Dividends/distributions received from associates entities	888	841
Payments for investment in associate entities	(2,747)	(3,501)
Payment for deferred consideration on acquisition of controlled entities and associates	(1,180)	(1,875)
Loans (to) / from related parties	-	(5)
Payment for investments	<u>(215)</u>	<u>-</u>
Net cash outflow from investing activities	<u>123</u>	<u>(9,075)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	30,498	39,482
Repayment of borrowings	(31,250)	(33,961)
Repayment of borrowings / hire purchase and lease liabilities	-	(6)
Movements in equity - other/proceeds from repayment of loan in respect of dividends received on loan funded shares	203	115
Payment of dividends on ordinary shares	(9,113)	(10,071)
Payment of dividends by controlled subsidiaries to non-controlling interests	<u>(487)</u>	<u>(159)</u>
Net cash outflow from financing activities	<u>(10,149)</u>	<u>(4,600)</u>
Net increase/(decrease) in cash and cash equivalents held	257	(2,087)
Cash and cash equivalents at beginning of year	<u>6,087</u>	<u>8,174</u>
Cash and cash equivalents at end of financial year	<u>6,344</u>	<u>6,087</u>

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

1 Revenue

(a) Revenue from operating activities

	2016 \$'000	2015 \$'000
Accounting services revenue	58,022	58,243
Financial services revenue	47,977	48,533
Commission earned on property sales	8,741	9,686
Other property related income	647	873
Other operating revenue	4,552	4,679
	<u>119,939</u>	<u>122,014</u>
Fees, commissions and related costs		
Fees and related costs	(27,637)	(28,446)
Commission paid on property sales	(4,685)	(5,163)
	<u>(32,322)</u>	<u>(33,609)</u>
Total Revenue from operating activities	<u>87,617</u>	<u>88,405</u>

(b) 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") to its affiliated members.

2 Expenses

(a) Salaries and employee benefits expense

	2016 \$'000	2015 \$'000
Salaries and employee benefit expense		
Wages, salaries and other on-costs	53,375	50,733
Other employee benefit expenses	6,125	5,711
	<u>59,500</u>	<u>56,444</u>
Total salaries and employee benefit expenses	<u>59,500</u>	<u>56,444</u>

2 Expenses continued

(b) Depreciation and amortisation expenses

	2016	2015
	\$'000	\$'000
Depreciation		
Office equipment	448	550
Leasehold improvements	71	70
Furniture & fixtures	267	301
Motor vehicles	19	22
Make good	72	156
Other	71	76
Total depreciation	948	1,175
Amortisation		
Acquired client relationships / adviser networks	2,402	2,558
Software	138	186
Other	133	60
Total amortisation	2,673	2,804
Total Depreciation and Amortisation	3,621	3,979
(c) Other operating expenses		
Professional, service and consulting fees		
Audit fees	312	305
Legal fees	508	596
Service fees - Count Financial	83	83
Accounting and other professional fees	780	576
Total professional, service and consulting fees	1,683	1,560
Other expenses		
Bad and doubtful debts - trade receivables	550	668
Sales and marketing expenses	1,273	1,074
Administration expenses	3,369	3,486
Insurance expense	1,085	948
Technology expense	3,186	3,000
Net loss on disposal of property, plant and equipment	599	44
Other	741	457
Total other expenses	10,803	9,677
Total other operating expenses	12,486	11,237

3 Reserves

(a) Reserves

	2016 \$'000	2015 \$'000
Acquisition reserves	(66,000)	(68,127)
Share based payment reserve	1,122	637
Available for sale (AFS) reserve	-	420
	<u>(64,878)</u>	<u>(67,070)</u>

(b) Movements in reserves

	2016 \$'000	2015 \$'000
Acquisition reserves		
At 1 July	(68,127)	(68,127)
Effect on reserves on account of DEP opted for by 3 subsidiaries	2,127	-
At 30 June	<u>(66,000)</u>	<u>(68,127)</u>
Share based payment reserve		
At 1 July	637	294
Share based payment for loan funded share plan	282	228
Application of dividends to loan funded share plan	203	115
At 30 June	<u>1,122</u>	<u>637</u>
Available for sale (AFS) reserve		
At 1 July	420	420
Transfer from AFS reserve to retained earnings on early adoption of AASB 9	(420)	-
At 30 June	<u>-</u>	<u>420</u>
Total reserves	<u>(64,878)</u>	<u>(67,070)</u>

(c) Nature and purpose of reserves

(i) Acquisition reserves

The acquisition reserve arises on the acquisition of the non-controlling interests of subsidiaries. On 1 July 2010, the Company's interests in 15 associates were consolidated with the non-controlling interest being measured as the present ownership's proportionate share of identifiable net assets. The acquisition of these non-controlling interests as part of the public listing was not a business combination but was an equity transaction between owners. Accordingly in 2011, the difference between the consideration paid and fair value of the identifiable net assets of the non-controlling interests has been accounted for in the Acquisition Reserves.

(ii) Share based payment reserve

The share-based payments reserve records the value of shares issued to employee share trust on behalf of employees under the loan funded share plan and the value of dividends on those shares applied to the balance of employee loans under the plan.

(iii) Available for sale (AFS) reserve

Changes in the fair value arising on translation of investments that are classified as available-for-sale financial assets (eg equities), are recognised in other comprehensive income and accumulated in a separate reserve within equity.

3 Reserves continued

(c) Nature and purpose of reserves continued

Amounts are reclassified to profit or loss when the associated assets are sold or impaired. Pursuant to adoption of AASB 9, this has been transferred directly to retained earnings at 1 July 2015.

4 Retained Earnings/(accumulated losses)

	2016 \$'000	2015 \$'000
At 1 July	(1,899)	(2,824)
Transfers in - reserves to retained earnings	420	-
Net profit for the year	13,392	9,930
Dividends paid and / or proposed	(9,130)	(9,005)
At 30 June	2,783	(1,899)

5 Additional information to appendix 4E

Additional dividend/distribution information (Appendix 4E item 7)

Details of dividends/distributions declared or paid during or subsequent to the year ended 30 June 2016 are as follows:

Record date	Payment date	Type	Amount per security (Cents)	Total dividend \$A'000	Franked amount per security (Cents)
29 October 2015	16 November 2015	Interim	2.0	2,274	2.0
21 January 2016	15 February 2016	Interim	2.0	2,282	2.0
27 April 2016	16 May 2016	Interim	2.0	2,282	2.0
27 July 2016	15 August 2016	Final	2.0	2,283	2.0

Dividend/distribution reinvestment plans (Appendix 4E item 8)

The company does not operate a dividend reinvestment plan.

Details of entities over which control gained or lost during the year (Appendix 4E item 10)

5 Additional information to appendix 4E continued

Name of the entity acquired	ASC	HWC	Cummings West	HyperTax	Robert Jan & Associates
Date control gained	31 August 2015	30 October 2015	15 January 2016	31 March 2016	30 June 2016
Contribution to profit/(loss) from ordinary activities after tax in current period, where material (\$A'000)	101	222	55	14	-
Name of the entity whose control lost					Change Accountants
Date of control lost					2 June 2016
Contribution to profit/(loss) from ordinary activities after tax in current period, where material (\$A'000)					(194)
Profit/(loss) from ordinary activities after tax in whole of the previous period (\$A'000)					28

5 Additional information to appendix 4E continued

	2016	2015
Associates (<i>Appendix 4E item 11</i>)		
One Hood Sweeney Pty Ltd		
Ownership interest	32%	26%
Profit from ordinary activities during the year (\$A'000)	3,035	3,422
Contributions towards Group's net profit (\$A'000)	512	511
My Accounts Pty Ltd*		
Ownership interest	0%	30%
Profit/(loss) from ordinary activities during the year (\$A'000)	0	21
Contributions towards Group's net profit (\$A'000)	0	7
Financial Momentum		
Ownership interest	40%	40%
Profit/(loss) from ordinary activities during the year (\$A'000)	314	324
Contributions towards Group's net profit (\$A'000)	94	86
McQueen Wealth Management		
Ownership interest	49%	49%
Profit/(loss) from ordinary activities during the year (\$A'000)	872	669
Contributions towards Group's net profit (\$A'000)	355	273
Nixon FS Pty Limited		
Ownership interest	30%	30%
Profit/(loss) from ordinary activities during the year (\$A'000)	174	73
Contributions towards Group's net profit (\$A'000)	34	17
Hunter Financial Planning Pty Ltd		
Ownership interest	40%	NA
Profit/(loss) from ordinary activities during the year (\$A'000)	602	NA
Contributions towards Group's net profit (\$A'000)	118	NA

*On 17 November 2015, Countplus subsidiary Change Accountants, sold its 30% share in MyAccounts for \$325,000. Change Accountants deconsolidated from the Countplus Group on 2 June 2016, when it was sold back to its principal.

5 Additional information to appendix 4E continued

Other significant information (Appendix 4E item 12)

With effect from 1 July 2015, Countplus early adopted AASB 9 which resulted in the investment in Class shares classified as "Fair value through profit and loss". Accordingly during FY16 the fair value for Class shares were posted through the profit and loss, as compared to the treatment in FY15 where the investment in Class shares were classified as "Available for Sale" with the fair value adjustment posted through "Available for Sale reserve"/"Other comprehensive income". Additional information is located in the December 2015 Half Year Financial Statements.

During the FY16 year, 3 member firms participated in Countplus' Direct Equity Plan (DEP) where these firms bought back up to 40% equity in their business. The DEP allows our member firms to buy back up to 40% equity in their business which better aligns principals and senior managers to share directly in their own business and drive improved performance. Details of the transactions are as follows:

- On 21 July 2015, the Company sold 40% (1,347,382 shares) in its Gold Coast subsidiary, the MBA Partnership to senior employees under the Group's Direct Equity Plan. Consideration was \$1,967,178 received in cash on settlement.
- On 21 July 2015, the Company sold 40% (1,347,382 shares) in its Gold Coast subsidiary, the MBA Partnership to senior employees under the Group's Direct Equity Plan. Consideration was \$1,967,178 received in cash on settlement.
- On 7 August 2015, the Company sold 30% (694,002 shares) in its Melbourne subsidiary, Kidmans Partners to senior employees under the Group's Direct Equity Plan. Consideration was \$1,117,343 received in cash on settlement. On 31 August 2015, the Company sold a further 10% (231,332 shares) in Kidmans Partners to the employees under the Group's Direct Equity Plan. Consideration was \$372,445 received in cash on settlement.
- On 31 August 2015, the Company sold 38.72% (1,921,052 shares) in its Brisbane subsidiary, Specialised Business Solutions to senior employees under the Group's Direct Equity Plan. Consideration was \$1,460,000 received in cash on settlement.

The accounting effect of the share buy back has been represented by recognising an amount for value of non- controlling interests to the extent of the share of net assets and adjusting the balance against acquisition reserves.

For other significant information, please refer to Results Announcement dated 25 August 2016.

After balance date transactions

On 1 July 2016, Melbourne subsidiary Kidmans Partners acquired the business assets of accounting firm, McPherson Financial Solutions based in Mulgrave, Victoria. Cash payments totaling \$466,400 were paid on or before settlement, with the remaining purchase consideration to be settled by two deferred payments, subject to performance targets.

On 1 July 2016, Melbourne subsidiary Pacific East Coast (PEC) acquired the remaining 50% of Home Port Property Group Unit Trust (Home Port). Previously, Home Port was 50% owned by PEC and for a cash payment of \$136,737 PEC acquired the remaining 50% of Home Port.

On 17 August 2016, Countplus sold 500,000 Class Limited shares for \$3.45 for a consideration of \$1,715,000 (after transaction costs), settlement date 19 August 2016.

On 25 August 2016, Countplus announced the appointment of two new Non-Executive Directors, Alison Ledger and Matthew Rowe, to the Countplus Board effective 1 October 2016. On the same day, Philip Rix, Executive Director and Principal of member firm Bentleys (WA) has announced that he will not stand for re-election at the AGM and will stand down then. Countplus Chairman, Barry Lambert, has indicated his intention to retire at or before the 2017 AGM.

5 Additional information to appendix 4E continued

On 25 August 2016, Countplus declared an interim dividend for 2016/17 of 2.0 cents per share payable on 15 November 2016 (record date: 27 October 2016).

Foreign Accounting Standards (*Appendix 4E item 13*)

Not applicable

Audit Alert (*Appendix 4E items 15-17*)

This report is based on accounts which are in the process of being audited.