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ASX release

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Fiscal 2014 Full Year Results Summary

- Business Services revenue down 3% to $301.8 million
- Underlying Financial Services revenue growth up 6%; reported revenue down 2% to $92.4 million due to the divestment of 50% of the Melbourne Financial Services business
- Normalised EBITA of $16.3 million (FY13 $26.5 million) in line with May 2014 guidance
- Non-cash goodwill impairment charge of $90.7 million
- Net Loss after Tax of $88.2 million (FY13: $7.0 million) including non-cash goodwill impairment charge
- Adjusted NPAT of $2.5 million (excludes non-cash goodwill impairment charge)
- Operating cash flow up $3.7 million to $14.4 million
- Net debt down $6.3 million to $46.3 million
- No final dividend declared

Financial Performance

Crowe Horwath Australasia Ltd (**the Group**) experienced difficult business conditions in its accounting service lines in the 2014 financial year but was assisted by stronger financial markets in its financial services operations.

Business Services revenue declined by 3% to $301.8m (FY13: $311.3m). General business conditions remained weak with demand for discretionary advisory services constrained. Revenue was also impacted by the residual effect of slightly elevated turnover of principals over the past two years, a situation that now appears to have abated.

Financial Services revenue increased 6% on an underlying basis. Reported revenue for the division, which includes the impact of the February 2014 divestment of 50% of part of the Financial Services business of the Melbourne firm, was down 2% year on year to $92.4 million (FY13: $94.6 million). Encouragingly, overall net contribution margin improved to 16.2% (FY13: 16.0%).

The Directors considered it appropriate to book a non-cash impairment charge of $90.7 million, in recognition of the time required to rebuild earnings and lower recent share price. Net asset backing per share is now 64.9 cents.

Costs continued to be closely managed with savings more than offsetting inflationary pressures. Normalised Earnings Before Interest, Tax and Amortisation (**normalised EBITA**) for the year of $16.3 million was 38% lower than the FY13 result of $26.5 million.

A Net Loss After Tax of $88.2 million was recorded compared with a Net Profit After Tax of $7.0 million in FY13. Adjusted Net Profit After Tax was $2.5 million which excludes the non-cash goodwill impairment charge noted above.

Financial position

Pleasingly cash flow from operations increased during the year to $14.4 million (FY13: $10.7 million). This increase was achieved through efficient working capital management and lower one-off costs as the impact of prior year change projects has diminished.

The improved cash flow and the absence of an interim dividend allowed the Group to reduce its net debt to $46.3 million (FY13: $52.6 million). The Group retains significant unused bank facilities that expire in July 2016.

The Directors have not declared a final dividend in light of the FY14 business performance. The Group's dividend policy of a payout rate at or above 70% of cash earnings per share remains in place, but with actual dividends dependent on financial performance and the needs of the business.

Strategic Focus

The Group has implemented a number of changes following the appointment of a new Managing Director in November 2013, aimed at:

- stabilising the business to give a platform for future growth;
- simplifying the operating structure to improve decision making and lower management cost;
- improving firm empowerment in the context of a clearer overall strategic intent;
- re-engaging and re-aligning principals with an updated vision and strategy; and
- improving operating cash flow to reduce net debt.

New Chief Operating Officer roles have been created in Australia and New Zealand (with other roles discontinued) to strengthen alignment across firms and focus on delivering the benefits of being part of a larger group both within Australasia and through our links to the wider Crowe Horwath International network.

Acquisition Approach

During the year the Group announced the receipt of a non-binding, indicative and conditional expression of interest from Findex Australia Pty Ltd (**FIWA**) to acquire all of the shares in the Group by way of a scheme of arrangement.

Due diligence and discussions are still on-going with FIWA. Should an updated proposal with finalised terms and structure be received the directors will assess whether they believe the proposal to be in the best interests of shareholders.

Outlook

The Group continues to pursue its stand-alone strategy and remains a high-quality business.

Business confidence in the SME sector remains uncertain although there are some encouraging early signs. The Group intends to remain focussed on current operational and strategic priorities, some of which are outlined above, to drive an improved result in the FY15 year. Revenue and margin growth is expected as a consequence of increased stability in the principal group.

Chris Price
Managing Director