

18 September 2014

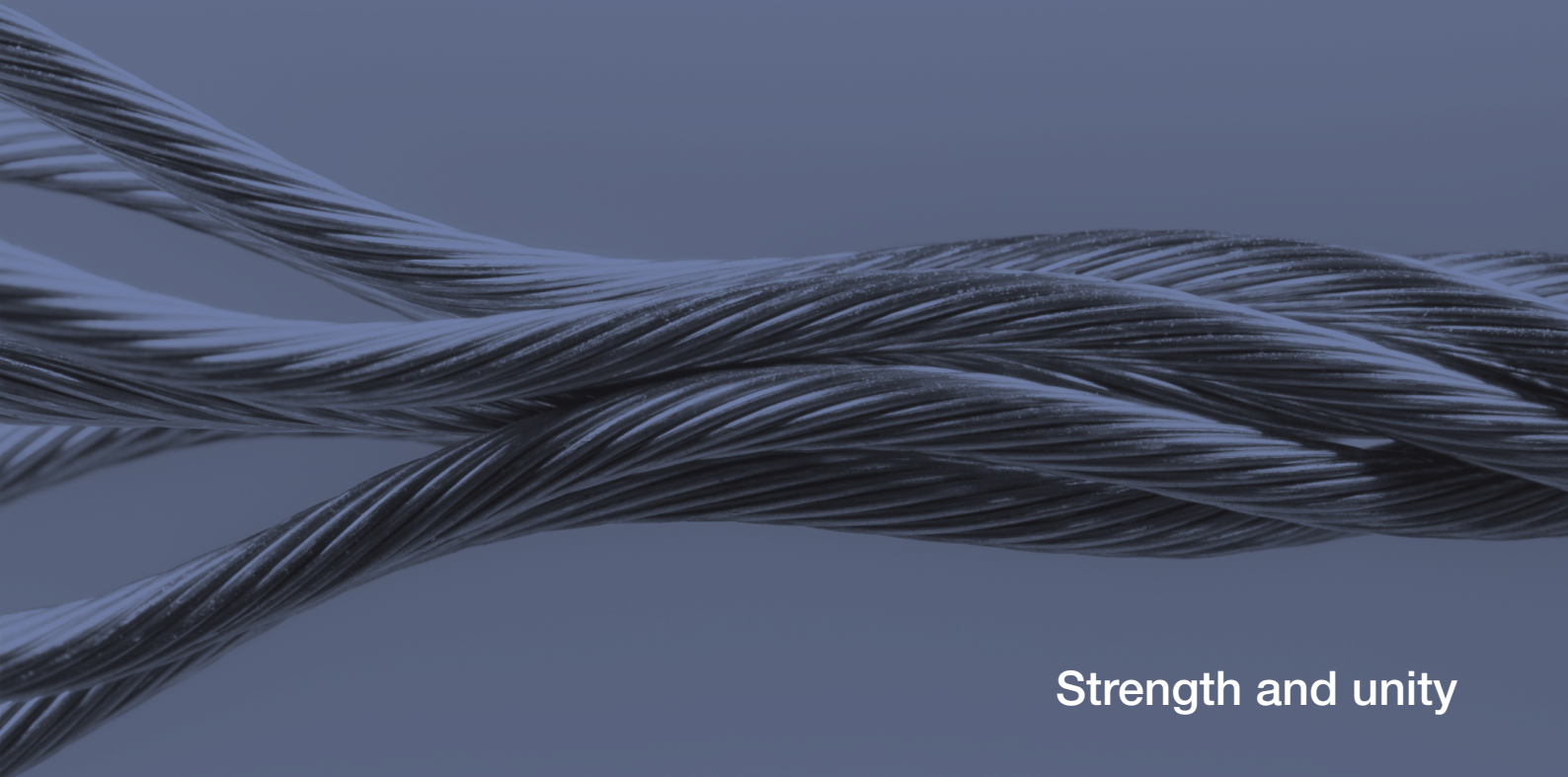
The Manager  
ASX Market Announcements  
ASX Limited

### **2014 Annual Report**

Attached is the Company's 2014 Annual Report.

This Report is also available in an electronic, interactive format on the Company's website at [www.crowehorwath.com.au](http://www.crowehorwath.com.au) under the Investors/Annual Reports section.

**Bruce Paterson**  
**Company Secretary**



**Strength and unity**



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# CHAIRMAN'S REPORT

Crowe Horwath Australasia Ltd (**the Group**) has undergone a difficult year. The reported result for the year is disappointing and reflects the impact of both external and internal challenges.

Externally business confidence has remained low amongst the Group's key client demographic, the SME sector. The adverse impact of this low confidence on discretionary advisory revenue has persisted in the year and has been the main driver of the lower earnings.

Internally there has been some residual impact of slightly higher than usual principal turnover in recent years that impacted revenue. The year also saw a change in Managing Director and a subsequent simplification of the management structure to re-focus the business. Whilst this work is on-going the Group is now better placed to deliver on the next stages of its strategic plan.

## STRATEGIC FOCUS

Under the guidance of the newly appointed Managing Director the Group has taken clear steps to reinvigorate the business and address the external and internal challenges.

The Group has enhanced the positioning of all member firms to focus on the aim of being the number one advisory business that provides advice to small and mid size businesses, government and strategic accounts and financial advice to high net worth individuals.

To complement this clarity of vision the Group has also simplified its operating structure to streamline the decision making process and allow firms to be more responsive to local conditions and allow them to service clients in their local markets more efficiently.

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

## OPERATING PERFORMANCE

Group revenue decreased by 3% to \$394.0 million during the year. The fall included a 3% decrease in Business Advisory revenue and a 2% fall in Financial Services revenue. The fall in Financial Services revenue is predominantly the result of the divestment of 50% of a part of the Melbourne Financial Services business in February 2014.

Performance in the continuing Financial Services business was strong, with underlying revenue up 6%. Financial Planning recorded a 7% increase in underlying revenue as a result of stronger trail commission income. General Insurance registered a 19% increase in revenue continuing the strong recent growth in this service line. Finance Broking underlying revenue grew by 12% as new advisors brought on in the prior year achieved scale and Self Managed Super Administration recorded a 5% growth in underlying revenue. Self Managed Super Administration remains an important strategic service line for the Group and additional benefits are expected as the Group seeks to further leverage its market position. Risk Insurance was down 5%, due to stricter underwriting conditions experienced in the year and a lower mix of, higher premium, business insurance written.

The strategy of operating businesses with integrated financial and business services remains core to the Group's priorities. Our ability to provide our clients with a total financial solution to their business and personal financial requirements across our unrivalled geographical footprint and distribution network is fundamental to our future growth.

During the year the Group divested 50% of a part of the Melbourne Financial Services business to the senior principals of that business. This business was not fully aligned to the core strategy of operating as a fully integrated business with the accounting services. It was therefore considered advantageous for this business to run an independent growth strategy and brand. The business now operates as First Financial Pty Ltd, with the Group retaining a 50% equity share, to allow the Group to share in its future growth potential.

Business Services revenue decreased by 3% to \$301.8 million. Business conditions have remained very challenging in the Group's target SME sector which has influenced their commitment to discretionary advisory services. In addition the Group has undergone a number of change initiatives over recent years and this period of adjustment has been associated with a slightly higher rate of principal turnover. The business efficiency program undertaken in the prior years has enabled the Group to reduce its cost base and reduce the impact on profitability of the decrease to revenue. Whilst costs have fallen in the year it has not been possible to reduce costs to the same extent as revenue has fallen.

The decrease in revenue also prompted the Group to critically review the carrying value of the goodwill on the balance sheet. Consequently the Group booked a non-cash impairment of goodwill of \$90.7 million during the year. This was in response to both the fall in profitability during the year and a lowering of future growth rates due to the on-going difficult trading conditions.

The impact of the falling revenue and impairment charge caused Net Profit After Tax to decline to a loss of \$88.2 million compared to a profit of \$7.0 million recorded in the prior year. Net Profit After Tax and before Impairment was \$2.5 million down \$4.5 million on the prior year.

In addition the current year also includes certain other non-recurring costs associated with the implementation of the Crowe Horwath brand across the Group, redundancy costs from the restructure of some senior roles, major transaction costs and non-cash onerous property lease provision. Normalised Earnings Before Interest, Tax, Amortisation and Impairment (i.e. before non-recurring costs) was \$16.3 million (2013: \$26.5 million). The lower earnings are mainly due to the lower business services revenue.

## OPERATING CASH FLOW AND FINANCIAL POSITION

Despite the fall in profitability noted above it was pleasing to note that cash flow from operations has increased during the year to \$14.4 million (2013: \$10.7 million). The increase was achieved through efficient working capital management and lower one-off costs incurred in the year as the impact of prior year change projects has diminished.

Dividend payments were reduced during the year with a cash cost of \$3.5 million (2013: \$15.6 million). This was considered prudent given the decline in profitability experienced in the year.

The improved cash flow and lower dividends allowed the Group to reduce its net debt to \$46.3 million (2013: \$52.6 million). The Group retains significant unused bank facilities that expire in July 2016.

## FINAL AND FULL YEAR DIVIDEND

The Group has a standing policy of a full year dividend payout rate of at or above 70% of cash earnings (net profit after tax plus amortisation of intangibles) per share. In line with the approach taken at the half year a final dividend has not been declared. The Directors are of the view that given the fall in underlying profitability, and in particular the recording of a statutory loss for the year (after a non-cash impairment charge), it is not appropriate to declare a dividend at this time.

The Directors will continue to review this approach on an on-going basis.

## ACQUISITION APPROACH

On 8 May 2014, the Group announced that it had agreed to provide information to a party following receipt of a non-binding, indicative and conditional expression of interest. On 4 June 2014, the Group announced that Findex Australia Pty Ltd ("FIWA") was that party and that the Group had agreed to enter into a Process Agreement with FIWA for a period to allow further due diligence and a period of negotiation of the terms of a scheme implementation agreement.

At the date of this report due diligence and discussions are still on-going with FIWA. Should an updated proposal with finalised terms and structure be received the directors will determine whether they believe that the proposal is in the best interests of shareholders.

Crowe Horwath continues to pursue its stand-alone strategy and remains a high quality and valuable business. The directors have great confidence that under the current management team, and with the on-going partnership with principals and staff, that the Group can deliver market growth by capitalising on the Group's inherent strengths. The Group looks forward to continuing to provide quality advice to its clients in the SME and high net worth sectors across its comprehensive network of member firms and offices.

## STRATEGIC POSITION

The Group has an unrivalled network of accountancy firms across Australia and New Zealand. It is the largest provider in Australasia to Emerging Enterprises (SME's) and high net worth sector with more than 200,000 clients serviced by approximately 2,600 staff across a network of over 100 offices.

The Group is gratified by the enduring and trusted relationship it holds with its clients and is looking forward to growing with these clients to build profitability and mutual prosperity.

Since 31 July 2013 all offices, with the exception of Prescott Securities, the Group's specialist financial planning firm based in Adelaide, have traded under one brand, Crowe Horwath.

During the year the Group simplified its management structure to enable better decision making to be made at firm level whilst allowing better alignment of the firms across the network where operational efficiencies can be generated.

The Group will also continue to grow its relationship with Crowe Horwath International. The Crowe Horwath International network is a top 10 global accounting network operation across 100 countries worldwide. The international network provides benefits for our clients, through access to a global network of experts, and for our staff through career development opportunities presented by the network of member firms overseas.

The Group continues to develop its strategic plan to make its businesses stronger and more profitable. This will include reviewing the delivery of financial services within the Group, the continued enhancements to the self-managed super administration business and a closer integration of all the Group's businesses in areas where mutual benefit and operational efficiency can be gained.

## OUTLOOK

The Directors advise that they intend to remain focussed on the Group's current operational priorities which are stabilising the business through addressing the conditions that led to a higher level of principal departures in recent years. The closer alignment of principal and shareholder interests is seen as a key priority.

Initiatives to address this have been introduced through a simplified management structure that offers principals a more direct decision making role at the local level that corresponds directly to both their own remuneration and the financial returns to the Group. Further options to better incentivise principals to develop long term alignment with shareholders will also be explored during the year.

Initiatives to improve margins in both business and financial services will be a focus, through the completion of a review of the financial services business model and a continued emphasis on better leveraging the network to generate efficiencies in business services.

The expectation is that business activity will remain subdued and the Group is focussed on its organic business improvements to drive an improved result in the forthcoming year.

## ACKNOWLEDGEMENT

I thank all employees and shareholders of the Group for their support over the past year and look forward to pursuing the Group's strategic objectives with an improved financial performance over the coming year.



Richard Grellman  
Chairman

29 August 2014

# CROWE HORWATH AUSTRALASIA PROFILE



## CROWE HORWATH – ‘THE RELATIONSHIP YOU CAN COUNT ON’

Crowe Horwath Australasia Ltd (‘Crowe Horwath’) is a major listed Australasian financial services company, developed through strategic acquisitions and organic growth since 1997.

It is the 5th largest accounting business in Australasia based on annualised fee income and the second largest non-affiliated provider of financial planning advice in Australia in terms of funds under advice.

Moreover, Crowe Horwath is the largest provider of accounting and related services to the Emerging Enterprises (SMEs) and high net worth sectors by number of clients.

We are focused on providing ‘Total Financial Solutions’ to our extensive and enduring client base via a suite of core products and services spanning audit, tax, advisory and financial advice.

Our extended distribution network of 110 offices is based on a large geographical footprint across Australia and New Zealand, with businesses located throughout six Australian States, the ACT and both Islands of New Zealand.

We employ around 3,000 staff (including approximately 280 Principals) and service in excess of 200,000 clients, including providing advice and contract administration on approximately \$6.5 billion of clients’ funds and \$2.4 billion of clients’ loans.

Crowe Horwath is a major affiliate member of Crowe Horwath International – the ninth largest international network of independent accounting and advisory services firms, with 191 member firms in 118 countries worldwide.

This global network, which has a strong and growing presence in Asia, provides Crowe Horwath with leveraging opportunities including access to inbound referrals, methodologies and know-how, and enhanced value propositions for many of our clients and staff.

### AUDIT

- Audit and Assurance
- Corporate Governance
- Internal Audit and Risk Consulting

### TAX

- Specialist Tax Advice
- Business Structuring
- GST, State and Indirect Taxation
- International Tax and Expats
- Research and Development
- Customs and Excise

### ADVISORY

- Accounting
- Business Advisory
- Corporate Finance
- Forensic Accounting
- Business Recovery
- Performance Consulting
- Mergers and Acquisitions

### FINANCIAL ADVICE

- Estate and Succession Planning
- Financial Advisory and Wealth Management
- Lending and Finance
- Risk and General Insurance
- Superannuation and SMSF

# DIRECTORS' REVIEW

## PERFORMANCE OVERVIEW

The Directors acknowledge that the financial performance of Crowe Horwath Australasia Ltd and its controlled entities (**Crowe Horwath** or **the Group**) for the 2013/14 year was disappointing. On-going difficult economic trading conditions and the residual effects of principal departures over recent years have led to a reduction in revenue and profitability.

Operating revenue decreased by 3% to \$394.2 million primarily due to a 3% decline in Business Services revenue. Revenue has been impacted by the departure of a number of principals over the past two years that has led to some loss of revenue as new and promoted principals build their client portfolios and develop their relationships with our existing clients.

The general business conditions have remained weak during the year with demand for discretionary advisory services continuing to be constrained. External economic pressures and the impact of internal changes have impacted the businesses. As a result of this extended downturn in confidence in the Group's target SME market and the related fall in Group profitability the Directors considered it was appropriate to write down goodwill during the year. Accordingly a non-cash impairment charge of \$90.7 million was recorded in the period.

The Group appointed a new Managing Director in November 2013 who is in the process of working through an operational and strategic review. This has been stalled in some aspects whilst third party approaches are being worked through. A new and simplified management structure has been established with the aim of simplifying the decision making process, allowing local decisions to be made at a local firm level. A direct link between local profitability and firm remuneration outcomes has also been re-established to provide real rewards and consequences for the quality of the local decisions.

New Chief Operating Officer roles have been appointed in both Australia and New Zealand to ensure that there is still a heavy focus on firms deriving benefits from being part of a larger group, alignment across the business to drive operational efficiencies and ensure Group wide compliance activities are maintained.

Whilst there is a respect that operational differences exist in all firms the absolute commitment to provide high quality value adding advice to clients is consistent across all firms, principals and staff within the Group.

Financial Services delivered a strong financial performance. During the year the Group divested 50% of a part of the Financial Services Division of the Melbourne firm which impacted on revenue recorded in the year. Total Financial Services revenue was down 2% year on year to \$92.4 million (2013: \$94.6 million). The underlying revenue was, however, up 6% after allowing for the impacts of the Melbourne financial services transaction. Pleasingly, the Financial Services Division also achieved an improved net contribution margin of 16.2% (2013: 16.0%).

Providing an integrated financial and business service offering to our clients remains of critical importance to our success.

The Group continues to closely manage its costs and achieved the savings that were targeted in the business efficiency program noted in prior year reports. This contributed to the Group reporting operating cash flow up by \$3.7 million on the prior year to \$14.4 million (2013: \$10.7 million). Given the disappointing fall in profitability in the year, this increase in cash flow performance was particularly pleasing.

The improved operating cash flow also assisted the Group in reducing its net debt position to \$46.3 million (2013: \$52.6 million) during the year. The Group maintained a sound balance sheet and has significant undrawn bank facilities in place.

Whilst the current year has presented substantial challenges the Group remains committed to its mission of providing high quality advice to our clients and helping our people and our clients achieve their goals.

# DIRECTORS' REVIEW continued

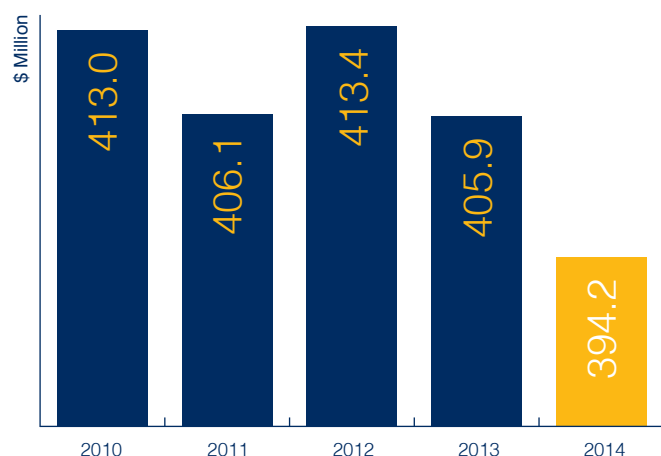
## FULL YEAR PROFIT SUMMARY

### Net Profit

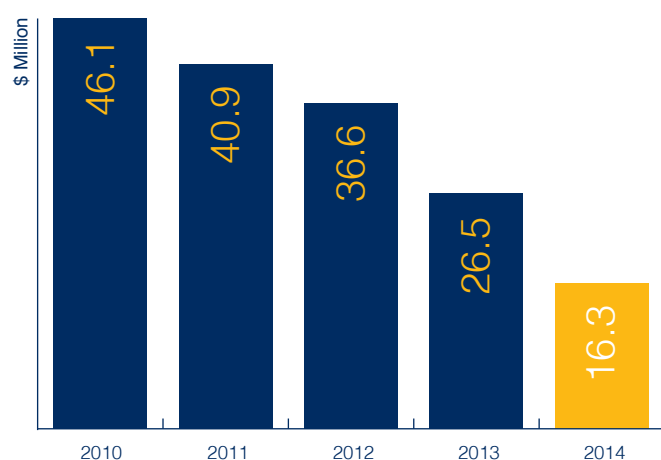
Group performance for the financial year ended 30 June 2014 is summarised below:

- Operating revenue fell by 3% to \$394.2 million (2013: \$405.9 million).
- Normalised EBITA fell by 38% to \$16.3 million (2013: \$26.5 million) due primarily to lower business advisory revenue only partially offset by reduced costs.
- Net Profit After Tax (but before impairment of intangible assets) fell 64% to \$2.5 million (2013: \$7.0 million).
- Reported Net Profit After Tax was a loss of \$88.2 million after recording a non-cash impairment charge of \$90.7 million against goodwill (2013: profit of \$7.0 million).

### Operating Revenue



### Normalised EBITA



	2013/14 (\$m)	2012/13 (\$m)	Increase/ (Decrease)
<b>Operating Revenue</b>	<b>394.2</b>	<b>405.9</b>	<b>(3)%</b>
<b>Normalised EBITA<sup>(a)</sup></b>	<b>16.3</b>	<b>26.5</b>	<b>(38)%</b>
<i>less Non-recurring Costs (net of tax)</i>	<i>(3.0)</i>	<i>(5.1)</i>	<i>(41)%</i>
<i>less Interest Expense</i>	<i>(4.7)</i>	<i>(4.8)</i>	<i>(2)%</i>
<i>less Tax</i>	<i>(3.2)</i>	<i>(6.9)</i>	<i>(54)%</i>
<b>Cash Earnings</b>	<b>5.4</b>	<b>9.7</b>	<b>(44)%</b>
<i>less Amortisation of Intangible Assets</i>	<i>(2.9)</i>	<i>(2.7)</i>	<i>7%</i>
<b>Net Profit before Impairment of Goodwill</b>	<b>2.5</b>	<b>7.0</b>	<b>(64)%</b>
<i>less Impairment of Goodwill</i>	<i>(90.7)</i>	<i>-</i>	<i>-</i>
<b>Net (Loss)/Profit</b>	<b>(88.2)</b>	<b>7.0</b>	<b>-</b>

(a) Normalised EBITA = Net Profit before interest, tax, amortisation of intangible assets, non-recurring items and impairment of goodwill.

### Final and Full Year Dividend

The Group has a standing policy of a full year dividend payout rate of at or above 70% of cash earnings (net profit after tax plus amortisation of intangibles) per share. In line with the approach taken at the half year a final dividend has not been declared. The Directors' are of the view that given the fall in underlying profitability, and in particular the recording of a statutory loss for the year (after a non-cash impairment charge), it is not appropriate to declare a dividend at this time.





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# Talented people

# DIRECTORS' REVIEW continued

## FULL YEAR PROFIT ANALYSIS AND PERFORMANCE REVIEW

	2013/14 (\$m)	2012/13 (\$m)	Increase/ (Decrease)
<b>Operating Revenue:</b>			
Business Services	301.8	311.3	(3)%
Financial Services	92.4	94.6	(2)%
<b>Total Operating Revenue</b>	<b>394.2</b>	<b>405.9</b>	<b>(3)%</b>
<b>Net Contribution:</b>			
Business Services	14.7	21.1	(30)%
Financial Services	15.0	15.1	(1)%
<b>Total Net Contribution<sup>(a)</sup></b>	<b>29.7</b>	<b>36.2</b>	<b>(18)%</b>
<i>As a % of Operating Revenue</i>	7.5%	8.9%	
<i>less Corporate Overheads</i>	(13.4)	(9.7)	(38)%
<b>Normalised EBITA<sup>(b)</sup></b>	<b>16.3</b>	<b>26.5</b>	<b>(38)%</b>

(a) Net Contribution = Net Profit contribution from member firms after bonus (short term incentive) payments to principals.

(b) Normalised EBITA = Net Profit before interest, tax, amortisation of intangible assets, non-recurring items and impairment of goodwill.

### Business Services Division

Business Services, encompasses traditional accounting, taxation, and audit and assurance services, together with estate planning, corporate advisory and business advisory services. This division remains the Group's core business activity and provides a stable client base and offers a large client referral platform for the Financial Services division of member firms. The integrated nature of the firms in the Crowe Horwath network remains critical to our future strategy and direction.

A simplified management structure that facilitates the decision making and implementation process at a firm level has been introduced during the year. The remuneration model has also been revised to allow firms to directly benefit in improvements to their firm's profitability and to directly share in the consequences of any decrease in local profitability.

The majority of the division's revenue is derived from the performance of recurring, non-discretionary compliance work. Revenue from this work remains strong where firms have experienced stability. The existence of this loyal and recurring client base, in the Group's target SME market, provides a foundation for growth.

Whilst the Group expects economic conditions to remain constrained in the next year it is confident that it can grow its share of advisory revenue by working with its clients to identify opportunities to provide value-added advice to our clients and their businesses.

At current annualised fee levels, the Business Services division remains the fifth largest accounting business in Australasia. Moreover, the division ranks as number one in the provision of accounting and related services to the SME and high net worth sectors by number of clients.

The Business Services division encompasses operations in both Australia and New Zealand. Both operations focus on the SME sector in their respective markets.

In summary:

- Operating revenue for Business Services divisions (Australia and New Zealand) fell by 3% to \$301.8 million (2013: \$311.3 million).
- Divisional net contribution (stated before Impairment of Goodwill) decreased by 30% to \$14.7 million (2013: \$21.1 million) and net contribution margin falling to 4.9% (2013: 6.8%).

### Financial Services Division

The Group's Financial Services division encompasses financial planning, superannuation advice and services, risk insurance, general insurance, and finance broking advice and services.

The Financial Services division consists of one stand-alone specialist financial planning firm, together with the financial services operations of the Group's accounting firms and a 50% equity interest in First Financial Pty Ltd, based in Melbourne.

#### *Divestment of 50% of the Melbourne Financial Services Division*

During the year the Group sold 50% of a part of the Melbourne Financial Services division to the senior principals of that business. The services divested were the financial planning, risk insurance, finance broking and a part of the self-managed super administration business previously carried on by the Melbourne firm. The transaction occurred on 5 February 2014.

The business now trades as First Financial Pty Ltd. The company continues to operate from the Crowe Horwath offices in Melbourne and pays the Group a monthly service fee for rent and other services in addition to the Group's 50% share of the post-tax profits of the business. The Group will also begin to receive regular cash dividends from First Financial Pty Ltd commencing from 1 July 2014.

A summary of the revenue performance of each of the division's service lines is shown in the following table. The table reflects the divestment of First Financial Pty Ltd made on 5 February 2014. Revenue recorded in 2013/14 has declined as a result of the transaction with the post-tax share of profit relating the Group's 50% ownership of First Financial Pty Ltd being shown separately as the post-tax share of profit from a joint venture.



Financial Services	2013/14 (\$m)	2012/13 (\$m)	Increase/ (Decrease)	Increase/ (Decrease)- Continuing Business <sup>1</sup>
<b>Operating Revenue:</b>				
Financial Planning – On-going	44.7	45.5	(2)%	
Financial Planning – Up-front	6.1	7.2	(15)%	
<b>Total Financial Planning Revenue</b>	<b>50.8</b>	<b>52.7</b>	<b>(4)%</b>	<b>7%</b>
Risk Insurance	7.6	8.5	(11)%	(5)%
Finance Broking	8.0	8.0	-	12%
General Insurance	3.8	3.2	19%	19%
Self Managed Super Administration	22.2	22.2	-	5%
<b>Total Financial Services Revenue</b>	<b>92.4</b>	<b>94.6</b>	<b>(2)%</b>	<b>6%</b>
Post Tax Share of Profit from Joint Venture	0.4	-	-	-
<b>Total Financial Services Net Contribution (stated before Impairment of Goodwill)</b>	<b>15.0</b>	<b>15.1</b>	<b>(1)%</b>	<b>11%</b>
<b>Total Financial Services Net Contribution Margin</b>	<b>16.2%</b>	<b>16.0%</b>		

1. The reported numbers above reflect the divestment of First Financial Pty Ltd. Revenue from continuing business was calculated by removing the results of the divested business from both the current and prior period.

#### *Underlying Growth*

The underlying revenue growth of 6% generated by the Group's continuing financial services businesses was strong and showed the value of the Group's integrated financial and business services client offering. Revenue growth was achieved across the Financial Services Division with the exception of risk insurance and was particularly strong in general insurance and finance broking.

The Group continues to focus on improving referral activity across its service lines. The results in general insurance (which was not included in the First Financial transaction) and finance broking are particularly pleasing in this regard showing the results of the enhancements made in prior years to the Group's internal reporting and pipeline management.

Self managed superannuation fund administration achieved solid growth during the year and remained highly profitable. Momentum was gained in the second half of the year and work is on-going to re-engineer the divisional activities to create further efficiencies and growth opportunities in this sector.

The revenue growth together with an on-going focus on cost management has led to a 11% increase in the underlying net contribution achieved from the on-going financial services operations.

#### *Reported Results*

Reported net contribution from financial services was flat at \$15.0 million (2013: \$15.1 million) after recognising the revenue and costs that were divested to First Financial Pty Ltd along with the post-tax share of the company's profits by virtue of the Group's 50% ownership in the company from 5 February 2014.

The net contribution margin increased to 16.2% (2013: 16.0%) during the year.

### **NEW BUSINESS ACQUISITIONS**

The Group continued to keep acquisition activity subdued during the year. The focus during the year was to stabilise the existing network of firms. A new management structure has been established to provide firms with a sustainable platform for future growth, both organic and through targeted strategic acquisitions.

The Group has an established distribution network of firms across Australia and New Zealand and is well placed to pursue high quality, strategic acquisition opportunities as they arise. The focus will be on targeting acquisitions to where they can add value to existing locations and capitalise on operational synergies for the benefit of the Group and its clients.

Other strategic acquisition opportunities are also likely to be considered over the next year.



## DIRECTORS' REVIEW continued

### OPERATING CASH FLOW

Operating cash flow at \$14.4 million (2013: \$10.7 million) was \$3.7m up on the prior year after an improvement in the working capital position of the Group and a reduction in the level of one-off costs incurred.

The prior year cash flow was impacted by significant non-recurring costs relating to the completion of the business efficiency program during the year.

	2013/14	2012/13	Increase/ (Decrease)
	(\$m)	(\$m)	(\$m)
<b>Cash Flow from Operations</b>			
<b>Normalised EBITA<sup>(a)</sup></b>	<b>16.3</b>	<b>26.5</b>	<b>(10.2)</b>
<i>less</i> Cash impact of non-recurring/project Costs	(3.2)	(7.2)	4.0
<i>add back</i> Depreciation	6.1	5.7	0.4
<b>EBITDA</b>	<b>19.2</b>	<b>25.0</b>	<b>(5.8)</b>
<i>Less/add</i> Working Capital Movement	1.7	(7.1)	8.8
<i>less</i> Interest	(4.3)	(4.2)	(0.1)
<i>less</i> Tax Paid	(2.2)	(3.0)	0.8
<b>Cash Flow from Operations</b>	<b>14.4</b>	<b>10.7</b>	<b>3.7</b>

(a) Normalised EBITA = Net Profit before interest, tax, amortisation of intangible assets, non-recurring items and non-cash impairment of goodwill.

Working capital levels were closely managed in the year driving improved cash flow generation. In particular, strong debtor collections and stringent management of expenses were strong contributors to the improved cash conversion levels.

The improved cash conversion rate is also reflective of the absence of significant payments for project costs that have been required in prior periods. Lock-up management has remained a focus with lock-up closing strongly at 77 days (2013: 78 days). Average lock-up for the period did increase slightly to 102 days (2013: 97 days) reflecting higher lock-up in the first half of the year.

Dividend payments in the year were reduced to \$3.5m, inclusive of the cash benefit of \$1.9 million attributable to the Company's Dividend Reinvestment Plan (2013: \$15.6 million).

The improved operating cash flow and lower dividend payments have allowed the Group to reduce net debt by \$6.3 million.

The Group's balance sheet and financial position is supported by long term funding arrangements providing available undrawn funds at 30 June 2014 of \$43.3 million. The Group has a non-amortising \$75 million banking facility and a \$11.5 million amortising facility, both expiring on 31 July 2016. Repayments of at least \$2.5 million are required on the amortising facility every 6 months, with the next payment due on or before 1 January 2015. The Group also has a NZ\$10 million facility with Bank of New Zealand subject to annual renewal on 31 July each year.

### REVIEW OF OPERATIONS

The Group appointed a new Managing Director in November 2013. Since his appointment the Managing Director has been leading an operational and strategic review of the Group's operations. Whilst this work is ongoing and some changes to the Group operations have already been made, importantly, this process has also reaffirmed our commitment to key fundamentals of the Group strategy that has been evolving over the past three years.

We reiterate the following:

- Our aim is to be the number one advisory business that provides business advice to small and mid size businesses, government and strategic accounts and financial advice to high net worth individuals;
- We remain committed to talking to these clients in the capital cities of Australia and New Zealand as well as the large regional centres of both countries;
- We remain steadfast in our commitment to the smaller regional centres of Australia and New Zealand where we remain the best equipped to deliver services to businesses and individuals of all sizes;
- We remain committed to engaging with larger organisations (strategic accounts) that also recognise the value of our extensive geographical coverage and access to the wider Crowe Horwath International network and we see great opportunity emerging with these businesses now and in the future; and
- We believe our clients are best served by our on-going commitment to running integrated businesses that provide a high quality, cohesive accounting, advisory and financial services offering.

### BUSINESS STRATEGIES

Over the last six months we have reconfirmed the key parts of our vision to strengthen the foundations and further express our vision and our mission with our clients and staff.

The vision and mission allows sensible decisions to be made locally within a clear framework and plan produced by each member firm. A heavy focus on alignment between the member firms remains but also a respect that not everything is always the same. The revised operating strategy respects the local and provides a framework that aligns our people and clients under a common purpose and operating structure but allows decisions to be made quickly and efficiently to respond to local requirements.

<b>Mission</b> Why we exist	It will always be about helping our people and our clients achieve their goals
<b>Vision</b> What we aim to achieve	Every person, every day, supported towards growing a dynamic, integrated advisory business
<b>Guiding Principles</b> How we plan to achieve vision Group, Firm and Team	Growing great relationships Pride in belonging Seriously connected to our clients and communities
<b>Living our Trademarks</b> What we stand for and how we behave	Courage Ownership Unity
<b>Enduring Foundations</b> How we differentiate from our competition, what you do locally	Talented people, development, empowerment Client Centric Culture Operational Excellence

## Enduring Foundations

Our enduring foundations recognise that our success is dependent on our ability to both attract and retain top talent. The past few years has seen the Group engage on a number of business transformation projects, including the Group Shared Services project, a revised principal remuneration model and a major business efficiency review. Whilst we maintain the importance of these key business initiatives for the long term growth of the business there has been recognition that the scope and pace of change had created a level of disengagement amongst the principal and wider staff group.

The last six months has seen a concerted effort to re-engage and reinvigorate the principal group and re-align them with our guiding vision and mission. To this end the Managing Director has led a principal engagement project with representatives of the principal group from across the business. Whilst this work is on-going the project has led to a simplification of the management structure. Principals have been empowered to make relevant decisions at a local level. This will lead to them being able to service our clients better, be more responsive to their needs and have the freedom to develop plans and execute strategies that respond to local markets and economic conditions.

The principal short term incentive model has also been revised to provide a direct link between the profitability of the local member firm to the potential short term incentive payable. This ensures that there is a direct and meaningful link between decisions that are

made locally and financial outcomes for those decision makers. This change better aligns the interests of the shareholders and the principal group.

Early feedback from these efforts has been positive. In February each year the Group engages an external professional survey company to measure staff engagement across the Group to determine areas of strength and opportunities for improvement. Internally this survey is called the “A Great Place to Work” survey and the results are provided by office location with measurable actions put in place for continuous improvement. The survey that was commission in February 2014 showed improvement in each of the 10 survey categories and across each of the 96 underlying questions.

We are also committed to providing an engaging career pathway for our talented graduates to ensure that we continue to attract the best emerging talent across Australia and New Zealand. The expansive and unique geographical footprint that the group maintains across Australia and New Zealand provides a great opportunity for our people to expand their careers across our network. This also allows the Group to be able to realise value through the efficient sharing of resources and talent.

Our membership of Crowe Horwath International is also another important strategic pillar in providing career pathways for our people and access to a worldwide network of experts for our clients.

## Living Our Trademarks

Building on our enduing foundation is the need for our staff to live our trademarks of courage, ownership and unity in every interaction we have – whether it be with our clients, our shareholders or internally. We want to be known for taking responsibility in all our interactions and executing each piece of work to the highest standard possible. Our interactions should be based on trust and honesty with free sharing of ideas, building enduring relationships and leveraging the expertise that exists in the Group to drive positive outcomes for all stakeholders.

## Guiding Principles

The completion of the move to one brand across all of our integrated accounting and financial planning offices was an important milestone completed during the year. Operating under a common Crowe Horwath brand facilitates a common pride in belonging to Australasia's fifth largest accounting and financial services Group. Crowe Horwath International also has a strong and growing presence in Asia which we expect to benefit the Group in the medium term.

We believe that it is important to operate in the same geographies as our clients. We are committed to growing those client relationships and ensuring that we are responsive and intimate with our advice being provided in a timely manner but also sensitive to local conditions. We encourage a culture of entrepreneurship amongst our staff and want to provide a sense of local ownership and pride amongst our principals.

# DIRECTORS' REVIEW continued

## Vision and Mission

Our vision is to ensure that every person within the Group is supported to help them grow our integrated advisory business to achieve their and our clients' goals. This can be through the ability to tap into our networks, both locally and internationally, and to access expertise and best process. It is also about ensuring that our people have the right tools to assist them provide high quality insightful advice. This could be in the form of providing high quality benchmarking data to our clients to allow them a perspective and clarity on their performance. It could also be in the form of ensuring that client service requirements are identified and that relevant specialists are introduced to ensure that the clients' total financial requirements are met.

Our emphasis is on continuing to provide high quality advice to our clients and encourage staff to develop appropriate new service offerings to meet our clients' evolving needs.

## FUTURE PROSPECTS

While work is well underway in renewing the Group's operational plan and setting out its strategic direction there a number of critical objectives for the coming year.

### Financial Services

The Group has clearly reaffirmed its commitment to running integrated accountancy and financial services businesses. A project to review the best operating model for financial services to run within our businesses was commenced during the year.

Our commitment is to ensure that our clients are best served by any changes in the operating model that are being considered. Providing the best quality financial advice remains our priority. It is also important to periodically challenge ourselves to ensure that our processes and systems are as good as they can be. We are receptive to implementing changes to our systems and processes where we believe they can bring value to shareholders and clients.

### Self Managed Superannuation Fund Administration

We continue to implement change and business improvement in our self managed superannuation fund administration (SMSF) business. Considerable investment is being made in the business to improve the back office efficiency and also to improve the client experience through the introduction of a new client portal.

We are pleased with the scope and scale of our current SMSF business that is highly profitable. We do, however, believe that this business has considerable scope for further growth and believe that the investment being undertaken is an exciting development to drive future results.

## Advisory

Crowe Horwath will continue to look at new ways of offering advisory services to our clients.

We understand that building real relationships with our clients at a local level is the key to be entrusted by them to partner with them to build stronger businesses through the provision of value-adding advisory services.

We also recognise that these relationships are based on mutual trust and respect. The long standing annual compliance work that we perform for our clients is a valuable and important part of the advisory relationship. Our ability to execute this work to the highest standards builds our trust and credibility with our clients.

It is this loyal client base and long standing relationships that provides the potential to allow us to assist our clients in other areas where they have a need. This could equally be business advisory work or a piece of financial advice, insurance or SMSF. Our geographically diverse, integrated business and financial services firms allow us to meet the needs of our large client base and remains our key advantage now and into the future.

A continued emphasis on staff training will occur over the coming year to ensure staff are aware of the capability that exists within the Group and help us to realise the alignment and opportunities that exist across the Group.

## OUTLOOK

The Directors reaffirm the outlook for the Group as disclosed in the Chairman's Report.



Richard Grellman  
Chairman



Chris Price  
Managing Director

29 August 2014





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# Connected to our clients

# DIRECTORS' REPORT

The Directors of Crowe Horwath Australasia Ltd (**the Company**) present their report together with the financial report of the Company and its controlled entities, (**the Group**) for the financial year ended 30 June 2014 and the auditor's report thereon.

## DIRECTORS

The Directors in office at any time during the financial year and up to the date of this Report were:

### Currently in office:

Richard John Grellman AM  
Peter Hastings Warne  
Melanie Victoria Rose Willis  
Raymond Maxwell Smith  
Christopher Murray Price – appointed 19 November 2013  
Nancy Jane Milne OAM – appointed 28 November 2013  
Peeyush Kumar Gupta – appointed 28 November 2013  
Trevor Loewensohn – appointed 18 June 2014

### No longer in office:

John Alexander Lombard – resigned 3 September 2013

Details of the qualifications, experience and special responsibilities of each director are set out in a subsequent section of this Report.

## PRINCIPAL ACTIVITIES

The principal continuing activities during the financial year of the Group consisted of business and financial services encompassing but not limited to accounting, taxation, audit and assurance, estate planning, corporate and business advisory, wealth management, financial planning, superannuation advice, risk and general insurance and finance broking services.

## CONSOLIDATED RESULT

The consolidated result for the financial year ended 30 June 2014 attributable to the members of the Company, together with a comparison with the previous year's corresponding result, is set out below:

	2014 \$'000	2013 \$'000
(Loss)/Profit before income tax	(86,223)	11,777
Income tax expense	(1,988)	(4,767)
(Loss)/Profit after tax attributable to members	(88,211)	7,010

## DIVIDENDS

As provided for in last year's Report, a final dividend for the financial year ended 30 June 2013 of 2.0 cents per share, fully franked at a 30% Australian tax rate, was paid on 4 November 2013. The final dividend amount of \$5,393,000 was satisfied by a cash payment of \$3,476,000, an issue of shares under the Company's Dividend Reinvestment Plan with a value of \$1,904,000, with the balance offsetting interest accrued on staff share loans.

No interim or final dividends were declared for the financial year ended 30 June 2014.

## REVIEW OF OPERATIONS, FINANCIAL POSITION, BUSINESS STRATEGIES AND PROSPECTS

A review of the operations of the Group during the year, its financial position and business strategies and prospects for future financial years is set out in the accompanying Directors' Review and Chairman's Report, with the respective information set out therein deemed to be contained in this Report.

## STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

## EVENTS AFTER END OF FINANCIAL YEAR

Other than as disclosed elsewhere in this Report, no significant matters have arisen in the interval between the end of the financial year and the date of this Report.

## FUTURE DEVELOPMENTS

Information relating to the likely developments in the operations of the Group and the expected results of those operations in future financial years is set out in the accompanying Directors' Review and Chairman's Report.

## ENVIRONMENTAL ISSUES

The Group's operations and business units are not subject to any particular and/or significant environmental regulation of the Commonwealth or State or Territory of Australia.

## INFORMATION ON DIRECTORS

Particulars concerning the Directors, their qualifications, experience and special responsibilities as at the date of this Report are following:



## Directors in office at the date of this Report:



### Richard John Grellman AM

FCA  
Chairman and Independent,  
Non-Executive Director  
Age 64  
Director since March 2011

**Experience:** Mr Grellman has a wealth of accounting and finance expertise with over 32 years of experience in the accounting profession. The majority of this time was spent in the Corporate Recovery Division of KPMG, with the last 10 years more specifically focussed on the provision of strategic advice and services to the financial services sector.

He was a partner of KPMG from 1982 to 2000 and a member of KPMG's national board from 1995 to 1997 and its executive from 1997 to 2000.

Mr Grellman was appointed a member of the Order of Australia in 2007 for services to the community, particularly through leadership roles with Mission Australia and fundraising with Variety, The Children's Charity, and to the finance and insurance sectors.

Mr Grellman is Chairman of Genworth Mortgage Insurance Australia Limited and related entities (since 20 February 2012) and Bible Society Australia, and a director of Bisalloy Steel Group Ltd (since 26 February 2003).

He is a former director of AMP Limited, Centennial Coal Company Limited and Association of Surfing Professionals (ASP) International Limited.



### Peter Hastings Warne

BA, FAICD  
Deputy Chairman and Independent,  
Non-Executive Director  
Age 58  
Director since May 2007  
Remuneration Committee member (Chair)  
Nominations Committee member

**Experience:** Mr Warne has a broad range of skills, knowledge and experience following a long and successful career in the financial services industry. He worked with Bankers Trust Australia Limited for 19 years, holding senior positions in the Fixed Interest and Capital Markets divisions, and was head of the Financial Markets Group for 11 years. He has also provided product and industry advice on a consultancy basis to a number of leading companies and government bodies.

Mr Warne is Chairman of ALE Property Management Limited (since 8 September 2003) and OzForex Group Limited (since 19 September 2013) and also a director of Securities Exchanges Guarantee Corporation Limited, Securities Industry Research Centre of Asia-Pacific (SIRCA) Limited and New South Wales Treasury Corporation. He is on the advisory boards of the Australian Office of Financial Management and Macquarie University Faculty of Business and Economics.

**Other listed entity directorships in the last 3 years:** ASX Limited (since 25 July 2006), Macquarie Bank Limited (since 1 July 2007) and Macquarie Group Limited (since 20 August 2007).



### Raymond Maxwell Smith

Dip Comm., FAICD, FCPA  
Independent, Non-Executive Director  
Age 67  
Director since May 2009  
Audit and Risk Committee member (Chair)  
Remuneration Committee member

**Experience:** Mr Smith was the Chief Financial Officer of Smorgon Steel Group Limited (SSGL) from 1996 to 2007. During that period he was at the forefront of the rationalisation of the Australian Steel Industry, culminating in the 2007 merger of SSGL and OneSteel Limited.

Mr Smith has a wealth of corporate and financial experience, including in the areas of strategy, acquisitions and disposals, and treasury and fund raising. Mr Smith is a Trustee of the Melbourne & Olympic Parks Trust.

**Other listed entity directorships in the last 3 years:** K&S Corporation Limited (since 15 February 2008), Transpacific Industries Group Ltd (since 1 April 2011) and Warrnambool Cheese and Butter Factory Company Holdings Limited (31 May 2013 to 9 May 2014).

## DIRECTORS' REPORT continued



### **Melanie Victoria Rose Willis**

B Ec, MTax, ASIA, FAICD  
Independent, Non-Executive Director  
Age 49  
Director since February 2006  
Audit and Risk Committee member  
Nominations Committee member (Chair)

**Experience:** Ms Willis has a broad range of skills in strategy, finance, turnarounds and operations as Chief Executive Officer, NRMA Investments with NRMA Motoring & Services responsible for Thrifty Australia and New Zealand, NRMA Travel, Holiday Parks, Travelodge and the Investment Portfolio.

Prior to NRMA she had a successful 15 year career in investment banking. She was a director at Deutsche Bank and prior to this worked at Bankers Trust and Westpac. In addition she has provided strategic and financial advice on a consultancy basis to a number of listed companies.

Ms Willis is a director of numerous NRMA companies in her executive role with that organisation.

Previously she led a financial services start up Smart Rate Money Limited and has held non executive director positions on Rhodium Asset Management Limited and Hydro Tasmania.



### **Nancy Jane Milne OAM**

LLB (Sydney), FAICD  
Independent, Non-Executive Director  
Age 62  
Appointed 28 November 2013  
Audit and Risk Committee member  
Nominations Committee member

**Experience:** Ms Milne is a former lawyer with over 30 years professional services experience as well as strong strategic and risk management skills. She was a partner at Clayton Utz until 2003 and a consultant until 2012. She has legal expertise in insurance and reinsurance, risk management, corporate governance and professional negligence.

She is an experienced non-executive director and is the Chair of Securities Exchanges Guarantee Corporation Limited and a director of Australand Holdings Limited (since 1 October 2010), Commonwealth Managed Investments Limited (since 1 January 2009), CFX Co Limited (since 1 November 2013) and Good Beginnings Australia.

Ms Milne was awarded an OAM in 2008 for service to the legal sector (particularly as an insurance lawyer) and to the community.



### **Peeyush Kumar Gupta**

BA, MBA, FAICD  
Independent, Non-Executive Director  
Age 54  
Appointed 28 November 2013  
Audit and Risk Committee member  
Remuneration Committee member

**Experience:** Mr Gupta is a well known and highly regarded figure in the Australian financial services sector with over 30 years of experience. He was a co-founder and inaugural CEO of IPAC Securities, a pre-eminent wealth management firm providing financial advice and institutional portfolio management within Australia and internationally. Since retiring as CEO in 2009 he has been extensively involved in numerous professional interests including as a non-executive director and a member of investment committees and advisory councils.

He is Chairman of State Super Financial Services Australia Limited, Charter Hall Direct Property Management Limited and Securities Industry Research Centre of Asia-Pacific (SIRCA). He is also a director of National Wealth Management Holdings Limited (and subsidiaries), Safety, Return to Work Support Board, BNZ Insurance Services Limited, BNZ Life Insurance Limited, SIRCA Technology Pty Limited and QuintessenceLabs Pty Ltd. Mr Gupta has recently been appointed a director of National Australia Bank Limited effective from 5 November 2014.

Mr Gupta performs other pro-bono roles including as Executive-in-residence with Australian School of Business, UNSW, helping the school to develop better connections with industry.

**Former listed entity directorships in the last 3 years:** AMP Capital China Growth Fund (4 August 2009 to 23 December 2011).



#### **Trevor Loewensohn**

B Comm, CA, FSIA  
Non-Executive Director  
Age 54  
Appointed 18 June 2014

**Experience:** Mr Loewensohn has over 30 years of investment banking experience, holding positions including Vice Chairman at UBS and Head of Investment Banking and Joint CEO at JP Morgan.

Mr Loewensohn is the founder and managing director of Alceon Group Pty Limited (Alceon), a specialist advisory, investment and capital solutions partnership with offices in Sydney, Melbourne, Brisbane and Perth. Alceon is a substantial shareholder of the Company holding approximately 19.9% of the shares on issue.

Mr Loewensohn has over 30 years of investment banking experience, mostly for leading global investment banks including Vice Chairman at UBS, after moving from Head of Investment Banking and Joint CEO at JP Morgan. He has advised many leading global and Australian companies on mergers and acquisitions, disposals, capital raisings and corporate and financial strategy.

Prior to founding Alceon, Mr Loewensohn was the Global Head of Capital Markets at Babcock & Brown, where he established a global capital raising and advisory capability. Following the impact of the Global Financial Crisis, he led Babcock & Brown's asset sale programme, successfully completing the sale of more than 20 major funds, companies and assets.

Mr Loewensohn is a director of numerous companies within the Alceon Group.

#### **Former listed entity directorships**

**in the last 3 years:** RHG Limited which was delisted on 13 January 2014 (appointed a director on 8 January 2014).



#### **Christopher Murray Price**

B Bus, CA  
Managing Director  
Age 49  
Appointed 19 November 2013

**Experience:** Mr Price has extensive financial and commercial experience gained through executive level finance roles at listed companies and in chartered accounting.

Prior to his appointment as Managing Director he was the Group CFO of the Company for over six years.

Mr Price is a director of the Group's subsidiary companies.

#### **Directors no longer in office:**

#### **John Alexander Lombard**

B App. Sci., Grad Dip App. Fin. & Invest., GAICD  
Former Managing Director  
Age 47  
Director since July 2011

**Experience:** Mr Lombard had over 20 years of experience in the professional services industry with extensive international experience having lived and worked in Indonesia, Singapore and Germany.

Mr Lombard joined the Company from SAP where he was a Senior Vice President and member of SAP's Global Senior Executive Team. He held a number of senior roles at SAP including leading professional services organisations across Australia, New Zealand and then the broader Asia Pacific Japan region. He was also the Global Executive responsible for business transformation, business analytics and IT transformation services at SAP based in Germany.

Prior to joining SAP, Mr Lombard was a Managing Director with KPMG Consulting (BearingPoint) and part of the Management Consulting practice at PricewaterhouseCoopers.

Mr Lombard resigned as Managing Director on 3 September 2013.



# DIRECTORS' REPORT continued

## Company Secretary Information

Details of the qualifications and experience of the Company Secretary of the Company at the financial year end:



Bruce Craig Paterson  
B. Bus (Acc), Grad. Dip. CSP, FCPA, AGIA

Mr Paterson was appointed Company Secretary of the Company in June 2001, previously being Finance Manager and Company Secretary of other listed and unlisted entities. He has over 25 years of experience in a range of areas including accounting, finance, resources, property and investment banking. Mr Paterson is an associate member of the Governance Institute of Australia and the Institute of Chartered Secretaries and Administrators.

## REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purpose of this Report, key management personnel (**KMP**) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company.

For the purposes of this Report, the term 'executive' encompasses the Executive Director and other senior executives of the Company who are key management personnel.

### Details of key management personnel

#### (i) Directors

Mr R Grellman AM	Chairman – Non-Executive
Mr P Warne	Deputy Chairman – Non-Executive
Mr R Smith	Non-Executive
Ms M Willis	Non-Executive
Mr P Gupta	Non-Executive (appointed 28 November 2013)
Ms N Milne OAM	Non-Executive (appointed 28 November 2013)
Mr T Loewensohn	Non-Executive (appointed 18 June 2014)
Mr C Price	Managing Director – Executive (appointed to the role from 19 November 2013, previously Group Chief Financial Officer)
Mr J Lombard	Managing Director – Executive (resigned 3 September 2013)

#### (ii) Executives

Mr T Rogers	Group Chief Financial Officer (commenced in the role from 12 December 2013)
Mr C Lake	Chief Risk Officer
Ms U Ftiakas	Group General Manager, Human Resources
Mr G Emsley	Group Chief Information Officer
Mr C Shay	Chief Operating Officer, Australia (commenced in the role from 1 April 2014)
Mr P Mulvey	Chief Operating Officer, New Zealand (commenced in the role from 1 April 2014)
Mr J Nantes	Head of Financial Services (resigned 21 March 2014)

## (a) Remuneration Policy

The Company's remuneration policy has been designed to align director and executive objectives with business and shareholder objectives by providing a fixed remuneration component and, where appropriate, offering specific short and longer term incentives to executives based on key performance areas linked to performance, growth and financial results. The Remuneration Committee has previously reviewed the remuneration policy against a set of best practice guiding principles which have been adopted. The Directors believe the remuneration policy to be appropriate and effective in its ability to attract, retain and properly reward the best executives and directors to run and manage the Company and the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel is set out below:

### (i) Non-Executive Directors

The Company's Remuneration Committee is responsible for reviewing the adequacy and form of remuneration of Non-Executive Directors of the Company. Directors' fees are reviewed and determined annually, within the aggregate amount approved by shareholders from time to time. Regard is given to the size and complexity of the Group's operations, contribution to the achievements of the Group and the responsibilities, risks and workload requirements of individual Directors, including Board committee service. Appropriate external advice is sought as required.

Because the focus of the Board is on the long term strategic direction of the Company and the Group, there is no link between director remuneration and the short term results of the Company or the Group. Directors' fees therefore comprise only a fixed remuneration component.

Details of annual fees expected to be paid to Non-Executive Directors of the Company in the 2014/15 financial year are:

Board Chairman	\$140,000
Audit and Risk Committee Chairman	\$90,000
Other Non-Executive Directors	\$85,000

The aggregate amount of remuneration available to Non-Executive Directors, as approved by shareholders at the annual general meeting held in November 2007, is \$600,000 per annum.

The Company does not provide retirement payments to Non-Executive Directors other than amounts required in accordance with its statutory superannuation requirements.

**Table 1 – Non-Executive Director Remuneration for the years ended 30 June 2014 and 30 June 2013:**

Non-Executive Directors	Financial Year	Salary & Fees \$	Post-employment Superannuation \$	Total \$
Mr R Grellman	2014	128,440	11,881	140,321
	2013	128,440	11,560	140,000
Mr P Warne	2014	77,982	7,213	85,195
	2013	77,982	7,018	85,000
Ms M Willis	2014	77,982	7,213	85,195
	2013	77,982	7,018	85,000
Mr R Smith	2014	82,569	7,637	90,206
	2013	82,569	7,431	90,000
Mr P Gupta (appointed 28 November 2013)	2014	50,257	-	50,257
	2013	-	-	-
Ms N Milne (appointed 28 November 2013)	2014	50,257	-	50,257
	2013	-	-	-
Mr T Loewensohn (appointed 18 June 2014)	2014	3,027	-	3,027
	2013	-	-	-
<b>FY14 Total</b>		<b>470,514</b>	<b>33,944</b>	<b>504,458</b>
<b>FY13 Total</b>		<b>366,973</b>	<b>33,027</b>	<b>400,000</b>

# DIRECTORS' REPORT continued

## REMUNERATION REPORT (AUDITED) continued

### (ii) Executives

The Group aims to reward executives with a level and mix of remuneration commensurate with their position, experience, responsibilities and performance. The Remuneration Committee is responsible for ensuring that executive remuneration is competitive with market standards and structured so as to align the interests of executives with those of shareholders. External remuneration consultants are used on an as required basis to provide assistance and independent advice on structuring and measurement of short term and long term incentive arrangements. Remuneration consultants were not used in the current year in relation to key management personnel remuneration arrangements. Executives are rewarded based on Group, business unit and individual performance against targets referenced to appropriate benchmarks including achievement of budgets and other key performance indicators (KPIs).

Executive remuneration consists of the following components:

- Base remuneration; and
- Performance based remuneration – this component comprises 2 elements:
  - short term incentives (STI) in the form of cash bonuses; and
  - long term incentives (LTI) in the form of performance rights for the Managing Director.

#### Base Remuneration

Base remuneration is fixed and takes into account the scope of the role, level of skills and required experience. Executives have the opportunity to receive this remuneration in a variety of approved forms including cash, superannuation and fringe benefits such as motor vehicles and parking. It is intended that the manner of payment chosen is optimal to each executive without creating undue cost for the Group.

Base remuneration is reviewed annually by the Remuneration Committee having regard to Group, business unit and individual performance. The Committee seeks internal and external advice when appropriate, including recommendations by the Managing Director, other than with respect to his own position.

The base remuneration component of executives is detailed in Table 2.

#### STI – Cash Bonuses

Cash bonuses are used to link the achievement of short term operational and Group targets, as identified by the Directors and senior management, with the remuneration of executives charged with delivering or influencing those targets. The available STI's are predetermined annually as a fixed percentage of base salary. In the 2013/14 financial year, the current Managing Director could receive 50% or more of base salary as a cash bonus whilst the former Managing Director could receive up to 100% of base salary as a cash bonus. Other executives could receive between 15%–30% dependent upon position.

Performance criteria and measures are specifically tailored to each executive's circumstances and reviewed and approved by the Remuneration Committee. Budgets and prior year results are used to measure financial performance, whilst non-financial KPIs are used to target other key identified areas.

Performance criteria are predominantly weighted towards the financial performance of the Group, relative to other targets. The range of weightings of performance measures across the major elements which apply to executives are as follows:

Financial	10%–60%
People	0%–70%
Process	0%–70%
Customer and market	0%–50%

A summary of key components of the major elements of the performance criteria follows:

#### Financial

- Revenue growth
- Cash earnings per share growth
- Net contribution (both dollars and margins)
- Return on capital employed
- Cost control
- Funds under advice

#### People

- Shift to advisory services
- Reward and recognition process
- Leadership development
- A 'great place to work' and "One" initiatives

#### Process

- Strategy development and implementation
- Restructuring
- Functional support (including transitional projects)
- Capital and treasury management
- Financial reporting and benchmarking
- Adherence to/development of best Group practices
- Continuous improvements including quality control and compliance

#### Customer and market

- Organic growth
- Cross selling and 'Total Financial Solutions'
- Client satisfaction and engagement
- Marketing and brand development

The above performance criteria were chosen as they represent the key drivers for the short term success of the Group as they relate to the relevant executives and their ability to influence outcomes. These criteria also provide a framework for delivering longer term value for the Group as they are aligned with the underlying foundations of the business being our people, our clients, our market and communities, and our shareholders.

Cash bonuses are determined on an individual basis having regard to achievement of a mix of specifically agreed performance criteria.

For the current Managing Director – a target cash bonus amount of 50% of base salary can be earned for achieving agreed performance levels weighted across a range of criteria, with the potential to receive more or less subject to actual performance based on a qualitative assessment process.

For the former Managing Director – the cash bonus amount could range from 0% to 50% of the available STI for achieving agreed target performance levels, with the potential to receive up to 100% for meeting agreed stretch performance objectives. The former Managing Director retired on 3 September 2013. No STI bonus was paid for the 2013/14 financial year.

For other executives – cash bonus amounts can range from 0% of the available STI when performance does not meet expected threshold levels, to 100% for meeting target levels and up to 125% for achieving exceptional performance.

The Remuneration Committee approves the basis and amount of executive cash bonuses prior to payment. Externally audited financial information is used to assess financial KPIs whilst discretionary components are assessed or reviewed by the Remuneration Committee during the approval process. This method was chosen as it provides independence from management and enables Directors to evaluate executive performance first hand. Cash bonuses are paid annually normally within three months of year end, once approved.

Cash bonuses earned by executives with respect to the 2013/14 financial year are detailed in Table 2.

#### *LTI – Performance Rights*

##### *Current Managing Director*

The current Managing Director was appointed to this role on 19 November 2013. For long term incentive purposes, the Board has agreed to an annual award of performance rights (initially 1 million performance rights), subject to shareholder approval.

A performance right is a right that can be converted to an ordinary fully paid share in the Company for no monetary consideration after a specified period subject to specific criteria being met.

A summary of the performance criteria and target measures applying to the initial award of performance rights to the current Managing Director follows:

Performance Criteria	Target Measures
Financial Performance (40% weighting)	Measured against FY14 as a base: <ul style="list-style-type: none"> <li>• Revenue – long term revenue growth of 5% compound p.a. (adjusted for any approved strategic disposals)</li> <li>• Margins – Group gross margin growth of a minimum of one percentage point per annum</li> <li>• EBITA – 25% compound growth</li> <li>• Funds under advice – growth above investment returns</li> <li>• Lock-up – reduction of 3 days per annum</li> </ul>
Clients (20% weighting)	<ul style="list-style-type: none"> <li>• Increase in number</li> <li>• Minimum 3% increase in the average number of services offered</li> <li>• Annual increase in Group average net promoter score</li> </ul>
Staff (20% weighting)	<ul style="list-style-type: none"> <li>• Increase in number of principals balanced with increased revenue per principal</li> <li>• Principal turnover – average of no more than 5%</li> <li>• AGPTW survey results – overall Group improvement</li> </ul>
Quality Control (20% weighting)	<ul style="list-style-type: none"> <li>• Improved average peer review scores in audit, tax and accounting compliance</li> <li>• Improved internal audit review scores</li> </ul>
New Business Initiatives (discretionary)	<ul style="list-style-type: none"> <li>• Results of Board approved new initiatives</li> </ul>

The performance period for the initial allocation of performance rights is 3 years from 1 July 2014. During such time, the performance criteria and target measures may be adjusted at the Board's discretion for weighting and regard to any significant corporate actions.

The number of performance rights which shall vest is subject to achievement of the performance criteria as determined by the Board. Further, it is the Board's intention that no performance rights shall vest unless the following two major gateways are met:

- a minimum 10% p.a. compound average growth rate in EBITA; and
- no significant regulatory compliance breaches.

Should the current Managing Director's employment end prior to completion of the three year performance period other than through termination by the Company for proper cause including fraud, gross misconduct and willful neglect, then a pro rata portion of the performance rights may vest at the Board's discretion having regard to progress towards achievement of the performance criteria and gateways.

# DIRECTORS' REPORT continued

## REMUNERATION REPORT (AUDITED) continued

In determining the current Managing Director's LTI arrangement, the Board has taken into account the nature and influence of the Managing Director position. The performance criteria and gateways were chosen with a longer term focus primarily to drive improvement in financial performance, quality and business development with a focus on clients and staff. A discretionary assessment approach provides the Board with flexibility given the nature and diverse range of the performance criteria.

### *Former Managing Director*

The former Managing Director's LTI was provided in the form of performance rights. The Company issued 1 million performance rights under an employee share plan during the 2011/12 financial year after receiving shareholder approval.

The performance criteria that applied to the former Managing Director's performance rights were as follows:

#### Full and pro rata vesting:

All of the performance rights would vest as ordinary shares in the Company if the former Managing Director remained employed by the Company and the one month volume weighted average price of the Company's shares at 30 June 2014 was at least \$1.40.

If the former Managing Director's employment was terminated by the Company before 30 June 2014 without proper cause or due to his redundancy, death or total and permanent incapacity then a pro rata portion of the performance rights would vest if an adjusted minimum one month volume weighted average price of the Company's shares had been met.

#### No vesting:

No performance rights would vest if the former Managing Director ceased to be employed by the Company before 30 June 2014 as a result of his resignation or as a result of a termination of his employment by the Company for proper cause including fraud, gross misconduct and willful neglect.

The former Managing Director ceased employment with the Company on 3 September 2013. As the performance criteria were not achieved, his LTI performance rights did not vest and having lapsed were cancelled.

In determining the former Managing Director's LTI arrangement in 2011, the Board took into account the nature and influence of the Managing Director position, the context of the share market and the Company's recent historical share price at that time. The performance criteria were chosen as they specifically target long term share price growth which is directly aligned with improving shareholder returns. They also provide for simple and objective measurement being time and share price based.





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# Growing great relationships

# DIRECTORS' REPORT continued

## REMUNERATION REPORT (AUDITED) continued

### (b) Executive Remuneration

Table 2 – Executive Remuneration for the years ended 30 June 2014 and 30 June 2013:

		Short-term benefits		
	Financial Year	Salary & fees \$	Cash bonus \$	Other \$
Executive Directors				
Mr J Lombard (resigned 3 September 2013)	2014	823,714	-	3,806
	2013	717,834	-	9,347
Mr C Price (appointed 19 November 2013, previously Group Chief Financial Officer)	2014	614,406	130,000	1,452
	2013	360,823	46,233	-
Other key management personnel				
Mr C Shay (commenced as Chief Operating Officer – Australia, 1 April 2014)	2014	100,206	72,000	2,315
	2013	-	-	-
Mr P Mulvey (commenced as Chief Operating Officer – New Zealand, 1 April 2014)	2014	99,714	59,302	-
	2013	-	-	-
Mr J Nantes (resigned 21 March 2014)	2014	240,194	-	590
	2013	343,477	65,468	5,940
Mr C Lake	2014	260,428	29,534	32
	2013	264,877	21,046	-
Mr T Rogers (commenced as Group Chief Financial Officer, 12 December 2013)	2014	140,435	40,000	-
	2013	-	-	-
Ms U Ftiakas	2014	282,239	42,420	8,766
	2013	282,388	29,400	8,463
Mr G Emsley	2014	270,566	28,480	8,732
	2013	259,241	-	8,487
Mr J O'Shea (resigned 1 March 2013)	2014	-	-	-
	2013	414,596	25,043	8,288
Total executive KMP remuneration	2014	2,831,902	401,736	25,693
Total executive KMP remuneration	2013	2,643,236	187,190	40,525

Post-employment	Long-term benefits	Share based payments		
Superannuation \$	Long service leave \$	Performance rights \$	Total \$	Performance related %
4,444	(2,814)	(20,848)	808,302	-
16,470	2,084	7,000	752,735	1
17,775	49,669	10,448	823,750	17
16,470	16,768	-	440,294	11
4,444	2,688	-	181,653	40
-	-	-	-	-
2,698	-	-	161,714	37
-	-	-	-	-
14,032	(5,605)	-	249,211	-
16,470	3,383	-	434,738	15
17,775	4,920	-	312,689	9
16,470	6,022	-	308,415	7
10,276	14,922	-	205,633	19
-	-	-	-	-
17,775	5,277	-	356,477	12
16,470	2,773	-	339,494	9
17,775	11,882	-	337,435	8
16,470	4,670	-	288,868	-
-	-	-	-	-
21,894	(69)	-	469,752	5
<b>106,994</b>	<b>80,939</b>	<b>(10,400)</b>	<b>3,436,864</b>	
<b>120,714</b>	<b>35,631</b>	<b>7,000</b>	<b>3,034,296</b>	



# DIRECTORS' REPORT continued

## REMUNERATION REPORT (AUDITED) continued

**Table 3 – Value of performance rights granted, vested and lapsed during the year:**

There were no performance rights granted during the year. The following performance rights were granted in a prior year and lapsed during the current year:

	Performance Rights Granted Number	Grant Date	Fair Value at Forfeit Date (3 September 2013) \$	Vesting Date	Forfeited During the Year Number
<b>Executive Director</b>					
J Lombard	1,000,000	21 November 2011	-	30 June 2014	1,000,000

	Performance Rights Granted Number	Grant Date <sup>1</sup>	Fair Value per Performance Right at Grant Date \$	Total Fair Value of Performance Rights at Grant Date \$	Vesting Date
C Price	1,000,000	20 April 2014	0.198	198,521	30 June 2017

1. The date disclosed is the date that a shared understanding of the terms of the performance rights existed between Mr Price and the Company. The granting of the performance rights remains subject to shareholder approval.

**Table 4 – Proportion of maximum STI that was earned and forfeited in relation to the 2014 financial year:**

Name	Proportion of Maximum STI Earned		Proportion of Maximum STI Forfeited	
	2014	2013	2014	2013
Mr J Lombard (resigned 3 September 2013)	-	0%	n/a <sup>1</sup>	100%
Mr C Price	40%	50%	60%	50%
Mr C Shay (commenced in role 5 May 2014)	40%	n/a	60%	n/a
Mr P Mulvey (commenced in role 5 May 2014)	40%	n/a	60%	n/a
Mr J Nantes	-	44%	n/a <sup>1</sup>	56%
Mr C Lake	70%	50%	30%	50%
Mr T Rogers (commenced in role 12 December 2013)	80%	n/a	20%	n/a
Ms U Ftikas	70%	50%	30%	50%
Mr G Emsley	50%	0%	50%	100%
Mr J O'Shea (resigned 1 March 2013)	n/a	26%	n/a	n/a <sup>1</sup>

1. Employee resigned during the period.

### (c) Employment Contracts of Directors and Executives

Non-Executive Directors are not employed under a written contract, with their appointment to office based on a maximum three year term and subject to re-election by shareholders.

The current Managing Director is employed under a non-fixed term employment contract. A 52 week resignation notice period applies, with the employer able to terminate employment without cause by making a payment in lieu of notice based on the prevailing level of remuneration. The Managing Director may also be entitled to a pro rata portion of Company shares (subject to the Board's discretion) under the LTI arrangement as set out in (a) above, upon termination of employment. The employer can also terminate employment at any time without notice if serious misconduct occurs.

Other executives of the Group are employed under non-fixed term employment contracts. The resignation notice period for each executive and the employer is set out in Table 5. The employer is able to terminate employment without cause by making a payment in lieu of notice based on the prevailing level of remuneration. There are no other specific termination payment arrangements under these contracts. The employer may also terminate employment at any time without notice if serious misconduct has occurred.

**Table 5 – Executives' resignation notice periods:**

	<b>Weeks</b>
Mr C Price	52
Mr T Rogers	26
Mr C Shay	26
Mr P Mulvey	26
Ms U Ftiakas	26
Mr G Emsley	13
Mr C Lake	13

### (d) Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

As previously stated, the remuneration policy has been designed to align director and executive objectives with business and shareholder objectives by providing a fixed remuneration component and offering specific incentives based on key performance areas linked to performance, growth and financial results.

The following table shows the gross revenue, profit and dividends per share for the last five financial years for the Group, as well as the share price at the end of the respective financial years:

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Operating revenue (\$m)	413.2	406.4	413.7	405.9	394.2
(Loss)/Profit attributable to members (\$m)	23.4	17.8	10.2	7.0	(88.2)
Dividends per share (cents)	6.0	7.0	7.0	5.0	nil
Share price at 30 June (\$)	0.98	0.92	0.84	0.67	0.42

The above data shows a weakening trend in Group performance and share price for the respective time period. Weak financial markets, sector and share market issues (including the global financial crisis), have been contributing factors impacting the share price and parts of the Group's business during this period. Shareholder wealth has been negatively affected by the Group's general weaker performance in terms of lower earnings and share price. This effect has, in some years, been partly offset by an increase in cash returned to shareholders by way of higher dividends.

The Directors believe that the remuneration policies applying to Directors and executives continue to be appropriate having regard to the Group's strategy and operating environment which have been affected by both internal factors and the external factors mentioned above. Relevant executives have received appropriate incentives to achieve targeted outcomes, including non-financial outcomes required to support the growth and foundations of the business. Remuneration payments to individual Directors and executives have also been contained relative to performance, with regard for reward and retention and shareholder wealth dynamics.

# DIRECTORS' REPORT continued

## REMUNERATION REPORT (AUDITED) continued

### (e) Shareholdings of key management personnel

	Number of Shares in the Company		
	Balance 1 July 2013	Net Acquired/ (Sold)	Balance 30 June 2014
<b>Parent Entity Directors</b>			
Mr R Grellman	25,000	-	25,000
Mr P Warne	179,292	-	179,292
Mr R Smith	25,000	-	25,000
Ms M Willis	26,550	-	26,550
Mr P Gupta	-	-	-
Ms N Milne	-	-	-
Mr T Loewensohn	-	54,237,342	54,237,342
Mr C Price	35,500	-	35,500
<b>Other key management personnel</b>			
Mr C Shay	91,014	-	91,014
Mr P Mulvey	100,000	-	100,000
Mr C Lake	25,646	-	25,646
Mr T Rogers	7,139	-	7,139
Ms U Ftiakas	3,924	1,621	5,545
Mr G Emsley	3,000	-	3,000

### Performance rights held by key management personnel

1,000,000 performance rights previously issued to Mr J Lombard, the former managing director, were forfeited in the year.

1,000,000 performance rights were issued to Mr C Price on 20 April 2014, the managing director, pending shareholder approval.

There are no other performance rights on issue and no performance rights vested or otherwise lapsed during the year.

### Key management personnel loans

No loans were provided to key management personnel during the financial year and there were no loan balances outstanding at 30 June 2014 or 30 June 2013.

## MEETINGS OF DIRECTORS

The number of meetings of the Company's Directors (including circulating director resolutions and Board Committees) held during the year ended 30 June 2014 and the numbers of meetings attended by each Director are set out below:

Director	Number of Directors Meetings Attended	Number of Directors Meetings Held <sup>(a)</sup>
R Grellman	19	20
P Warne	18	20
R Smith	20	20
M Willis	16	20
P Gupta	12	12
N Milne	10	12
T Loewensohn	-	-
C Price	11	13
J Lombard	2	2

Director	Number of Audit and Risk Committee Meetings Attended	Number of Audit and Risk Committee Meetings Held <sup>(a)</sup>
P Warne	4	4
R Smith	5	5
M Willis	4	5
P Gupta	1	1
N Milne	1	1

Director	Number of Remuneration Committee Meetings Attended	Number of Remuneration Committee Meetings Held <sup>(a)</sup>
P Warne	4	4
R Smith	4	4
M Willis	4	4
P Gupta	-	-

Director	Number of Nominations Committee Meetings Attended	Number of Nominations Committee Meetings Held <sup>(a)</sup>
P Warne	3	4
R Smith	4	4
M Willis	4	4
N Milne	-	-

(a) Reflects the number of meetings held during the time the Director held office or served on a Committee.

# DIRECTORS' REPORT continued

## PERFORMANCE RIGHTS

At the date of the Report there were no unissued shares of the Company with respect to performance rights as there were no performance rights on issue.

The Board has agreed to an annual award of performance rights to the Managing Director with an initial allocation of 1 million performance rights to be made subject to shareholder approval at the Company's next Annual General Meeting.

## INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Under the Company's Constitution, the Company is required, to the extent permitted by law and where not indemnified by another person (including an insurer under an insurance policy of which any part of the premium is contributed by the Company), to indemnify every person who is or has been an officer of the Company (which includes directors, secretaries and executive officers).

This indemnity is against any liability incurred as an officer of the Company:

- (i) to a person other than the Company or a related body corporate of the Company, except where the liability arises out of conduct on the part of the officer which involves a lack of good faith or is contrary to the Company's express instructions; and
- (ii) for costs and expenses incurred in defending any proceedings, whether civil or criminal, in which judgment is given in favour of the officer or in which the officer is acquitted, or in connection with an application in relation to such proceedings in which the court grants relief to the officer under the *Corporations Act 2001*.

During the financial year, the Company paid a premium under a Directors' and Officers' liability insurance contract insuring current and former directors, secretaries and executive officers of the Company and its controlled entities against liability incurred whilst acting properly in that capacity.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

The Company has not provided any insurance for the auditor of the Company.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under Section 237 of the *Corporations Act 2001*.

## ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and this Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

## NON-AUDIT SERVICES

No non-audit services were provided to the Company or the Group by the auditor, or any other person or firm on the auditor's behalf, during the financial year ended 30 June 2014.

Given the above, and in accordance with the advice from the Company's Audit and Risk Committee, the Directors of the Company are satisfied that the auditor's independence has not been compromised.

## AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the provisions of Section 307C of the *Corporations Act 2001*, the Directors of the Company have obtained an independence declaration by the current auditor. A copy of the declaration is set out on page 99 and forms part of this Report.

Dated at Melbourne on 29 August 2014.

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



Richard Grellman  
Chairman



Chris Price  
Managing Director





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# Operational excellence

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Crowe Horwath Australasia Ltd (**the Company**) places great importance on achieving high standards of corporate governance. Accordingly, the Company and its controlled entities (**the Group**) operate within a set of corporate governance principles that take into account relevant best practice including the ASX Corporate Governance Council's Principles and Recommendations (**ASX Principles and Recommendations**).

This Statement has been approved by the Board of Directors of the Company (**the Board**) and outlines the Group's main corporate governance structures and practices under the headings of the 8 core Principles of corporate governance recommended by the ASX Corporate Governance Council in accordance with the ASX Principles and Recommendations.

Unless otherwise stated in this Statement, the Group has followed the Recommendations in the ASX Principles and Recommendations throughout the financial year ending 30 June 2014.

Further information on the Group's corporate governance policies and practices can be found on its website at [www.crowehorwath.com.au](http://www.crowehorwath.com.au) under the Investors/Corporate Governance section.

## PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### Functions of the Board and Management

The Board is specifically responsible for the following functions with respect to the Group:

- setting the strategic direction and financial objectives of the Group and ensuring that the necessary resources are in place to achieve these objectives;
- setting the Group's values and standards of conduct and generally safeguarding its reputation;
- ensuring the existence of prudent and effective controls for assessing and managing risk;
- assessing and monitoring performance, including for Management, and the Board;
- appointing, terminating and assessing the performance of the Managing Director;
- monitoring compliance with legal, regulatory and ethical requirements and standards;
- monitoring and approving major acquisitions, divestitures and capital management;
- nominating and appointing Directors when vacancies arise or where special skills and expertise are required; and
- other matters expressly required of directors by law or regulation.

To assist in the execution of its responsibilities, the Board has established an Audit and Risk Committee, Nominations Committee and Remuneration Committee and from time to time establishes other committees to consider and report on special matters or transactions of particular importance.

A statement of Board responsibilities is available on the Company's website at [www.crowehorwath.com.au](http://www.crowehorwath.com.au) under the Investors/Corporate Governance section.

Functions not expressly reserved for the Board are the responsibility of Management under the direction and control of the Managing Director. This encompasses the operation and administration of the Group, including day to day management, and the development and implementation of strategies, policies and practices. However, delegated authority limits exist for various operational functions including expenditures and commitments, hedging and external communications, requiring Board approval beyond these limits.

### Senior executive performance evaluation

The Board reviews the Managing Director's performance on a half yearly basis. The Remuneration Committee annually reviews and determines the Managing Director's remuneration arrangements, for approval by the Board.

The Managing Director assesses the performance of other key Company executives on a half yearly basis and formulates recommendations with respect to remuneration and tenure for consideration by the Remuneration Committees and approval by the Board.

Further details of the performance evaluation process applying to the Managing Director and other key executives is available on the Company's website at [www.crowehorwath.com.au](http://www.crowehorwath.com.au) under the Investors/Corporate Governance section.

Performance evaluations for the Managing Director and key Company executives have taken place during the year in accordance with the above process.

## PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

### Board composition

The composition of the Board is determined having regard to the following factors:

- the Constitution provides that shareholders may fix a maximum number of Directors;
- the majority of Directors should be independent, Non-Executive Directors, including the Chairman; and
- there should be a broad mix of skills and diversity.

The Board considers Directors to be independent of the Group when they:

- are not a substantial shareholder or an officer of or otherwise associated directly with a substantial shareholder;
- have not been an executive with the Group within the last 3 years;
- have not, within the last 3 years, been a principal of a material professional advisor or consultant to the Group, or an employee materially associated with such service provider;



- are not a material supplier or customer of the Group or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- have no material contractual relationship with the Group other than as a Director.

As at the date of this statement, the Board comprises seven Non-Executive Directors (Mr R Grellman, Mr P Warne, Mr R Smith, Ms M Willis, Ms N Milne, Mr P Gupta and Mr T Loewensohn) and one Executive Director (Mr C Price), being the Managing Director.

In accordance with ASX's Recommendations, a majority of the Board, being those Directors other than Mr Loewensohn and Mr Price, are considered to be independent directors based on an assessment of their interests and relationships against the abovementioned criteria. Mr Loewensohn is a non-independent director due to his direct association with a substantial shareholder, Alceon Group Pty Ltd. Mr Price is a non-independent director being an executive of the Company.

Individual details of Directors, including their period in office, Board Committee memberships, qualifications, skills, experience and expertise, are set out in the Information on Directors section of the Directors' Report.

The Board has sought to achieve a broad mix of skills and diversity through its composition. It comprises eight directors which together have:

- knowledge and experience relevant to the Group's operations;
- general business and financial knowledge and expertise;
- non-executive and listed company experience;
- age and gender diversity.

## Nominations Committee

The Board has appointed a Nominations Committee whose responsibilities include assisting the Board to identify, interview and assess new Director candidates having regard to prerequisite requirements. A copy of the Committee's Charter is available on the Company's website at [www.crowehorwath.com.au](http://www.crowehorwath.com.au) under the Investors/Corporate Governance section.

The Nominations Committee comprises of Ms M Willis (Chair), Mr R Smith and Ms N Milne, who are all independent, Non-Executive Directors. Ms Milne replaced fellow Non-Executive Director Mr P Warne on the Committee during the 2013/14 financial year. Details of attendance at the Committee meetings are set out in the Meetings of Directors section in the Directors' Report.

Directors are initially appointed to office by the Board and are subject to re-election at the next annual general meeting. Thereafter, Directors (excluding the Managing Director) must retire from office at least every three years and may stand for re-election at the respective annual general meeting. Directors who have served a period of 9 years on the Board are required to stand for annual re-election.

The procedures for the selection, appointment and re-election of Directors (including the Board's policy for nominating and appointing Directors) are available on the Company's website at [www.crowehorwath.com.au](http://www.crowehorwath.com.au) under the Investors/Corporate Governance section.

## Directors' performance evaluation

The Board has a policy to review its performance and the performance of its Committees at least annually.

The Board evaluation process involves a confidential survey being completed by the Directors and senior management. The results are aggregated and discussed by the Board in assessing the Directors' collective performance and opportunities for improvement. The Chairman may also provide individual feedback to Directors based on the survey results, providing opportunity to assess individual contributions, development plans and any specific issues.

Each Board Committee annually reviews the fulfilment of its responsibilities as set out in its Charter and provides a report with recommendations for the Board's review. The Board provides feedback to the Committees including endorsement of recommendations and reconstitution of membership when required.

Annual performance evaluations of the Board (and Directors) and its Committees have been undertaken in accordance with the above processes.

## Directors' access to independent professional advice and protection

The Board has an agreed procedure where each Director has the right to seek independent professional advice at the Group's expense subject to the prior approval of the Chairman, which is not to be unreasonably withheld.

The Company has in place a directors and officers liability insurance policy providing a specified level of cover for current and former Directors and executive officers of the Group against liability incurred whilst acting properly in these capacities.

In accordance with the Company's Constitution, the Company also provides specific indemnities for current and former Directors and executive officers, the details of which are set out in the Indemnification and Insurance of Officers section of the Directors' Report.



# CORPORATE GOVERNANCE STATEMENT continued

## PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

### Codes of Conduct

The Group is committed to maintaining high ethical standards and responsible decision making in the conduct of its business activities. The Group's ethical standards go beyond compliance with laws and regulations, including embracing its values. All Directors, officers and employees are expected to have a personal commitment to meeting these standards.

The Group has established a Code of Conduct and a Directors and Officers Code of Conduct, copies of which are available on the Company's website at [www.crowehorwath.com.au](http://www.crowehorwath.com.au) under the Investors/Corporate Governance section.

These codes of conduct include the practices necessary to maintain confidence in the Group's integrity and to meet its legal obligations and the expectations of stakeholders, including its clients.

Unethical practices, including fraud, regulatory and policy breaches, are required to be promptly reported to Management. Reporting parties are able to report matters without fear of retribution for doing so and, to the maximum extent possible, their identities or information likely to lead to identification are kept confidential. Employees have access to an external, third party reporting service as part of the process.

### Diversity Policy

The Group is committed to developing a workforce which is as diverse as the communities of which it forms part, and the clients to whom it provides a service. It is also dedicated to fostering a culture which is fully inclusive to employees of every background.

The Group recognises the benefits to its businesses, people, clients and communities from its ongoing effort and investment in diversity and inclusion. It aims to provide a workplace in which every individual can realise their full potential and maximise their contribution to our collective success.

A diversity policy has been established to assist with the recognition, development and management of diversity across the Group and is a public statement of its intent. A copy of this policy is available on the Company's website at [www.crowehorwath.com.au](http://www.crowehorwath.com.au) under the Investors/Corporate Governance section.

In summary, the policy recognises:

- there is diversity in the personal characteristics of employees including age, gender, ethnicity, language, sexual orientation, socio-economic status, physical and mental ability, religious beliefs, parental status and family responsibilities;
- the belief of treating all people with respect and dignity and the desire to create and foster an environment where individuals can maximise their potential regardless of their differences;

- the Group's workforce needs to reflect the diversity of its communities to be competitive and successful; and
- the importance of protecting the health and safety of employees including against discrimination.

Further steps were taken towards achieving the Group's diversity goals and aspirations during the 2013/14 financial year. The Group's Diversity Council developed a diversity strategy with an initial focus on gender diversity in recognition of the need to retain and further develop the majority of the Group's workforce that is female and also to be better positioned to attract a broader talent pool. A set of key objectives were established by the Council including:

- the diversity strategy being actionable and measurable;
- the Council and champions having a clear mandate including role modelling;
- implementing measures that will motivate and ensure that diversity is top-of-mind amongst Group leaders;
- engaging, retaining and developing key female leadership talent within the Group; and
- educating and communicating the benefits of an inclusive culture.

As the diversity strategy has only recently been developed, measurable objectives have not yet been determined for consideration and adoption by the Board in accordance with the diversity policy. Accordingly, no assessment could take place during the 2013/14 financial year.

Increasing gender diversity at senior (Principal and Chief Executive) levels and the availability of female talent, both internally and externally, are key priorities for the Group. Progress was made in these areas during the current financial year based on the participation rates shown below:

	2013/14	2012/13
<b>Percentage of female participation:</b>		
Board of directors	25%	20%
Senior employees	16%	14%
Middle management	48%	43%
Total employees	60%	60%

## PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

### Audit and Risk Committee

The Board has appointed an Audit and Risk Committee whose role is documented in a Charter approved by the Board. A copy of this Charter is available on the Company's website at [www.crowehorwath.com.au](http://www.crowehorwath.com.au) under the Investors/Corporate Governance section.

The Audit and Risk Committee assists the Board in discharging its responsibilities. The purpose of the Committee is to:

- ensure the integrity of external and internal financial reporting including the Group and controlled entities' compliance with applicable laws, regulations and other requirements in relation to external financial reporting;
- ensure that the Board and Management are provided with high quality financial and non-financial information to make informed judgments;
- ensure that appropriate and effective systems of internal controls, risk management and compliance are in place;
- monitor the effectiveness and integrity of the internal and external audit functions and be a forum for communication between the Board and the internal and external auditors; and
- safeguard the independence of the internal and external auditors.

The Committee comprises of Mr R Smith (Chair), Ms M Willis, Ms N Milne and Mr P Gupta who are all independent, Non-Executive Directors. Fellow Non-Executive Director Mr P Warne also served on the Committee during the 2013/14 financial year. The qualifications of these Directors are set out in the Information on Directors section of the Directors' Report.

The Managing Director, Group Chief Financial Officer, Chief Risk Officer, the internal auditor and external auditor also regularly attend Committee meetings by standing invitation. From time to time, other Directors and senior executives are invited to attend Committee meetings and participate in discussions concerning specific issues.

The Committee is authorised to seek outside legal and other independent professional advice as it considers necessary at the Group's cost.

Details of the number of Audit and Risk Committee meetings held during the year and member attendance are set out in the Meetings of Directors section in the Directors' Report.

### External auditor

The Board, with the assistance of the Audit and Risk Committee, is responsible for the selection and appointment of the external auditor. A copy of the procedures for the selection and appointment of the external auditor, including the rotation of external audit engagement partners, is available on the Company's website at [www.crowehorwath.com.au](http://www.crowehorwath.com.au) under the Investors/Corporate Governance section.

The Group is pro-active to ensure the independence of the external auditor. The Audit and Risk Committee monitors independence in accordance with the general standards of independence required by auditors under the *Corporations Act 2001*. The Committee's approval is required prior to the external auditor providing non-audit services to the Group. The external auditor is required to provide biannual declarations of independence to the Directors which are included in Directors' Reports. The Directors are required to make statements in the year end Directors' Report that they are satisfied with the external auditor's independence. These statements are made by the Directors upon written advice from the Audit and Risk Committee.

## PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Group has established practices and procedures designed to ensure compliance with information disclosure requirements under the ASX Listing Rules and accountability at a senior level for that compliance. These practices and procedures are set out in a Listing Rule Disclosure Requirements document, a copy of which is available on the Company's website at [www.crowehorwath.com.au](http://www.crowehorwath.com.au) under the Investors/Corporate Governance section.

Matters involving potential market sensitive information must, in the first instance, be referred to the Company Secretary for consideration by the Managing Director or his nominee. If these matters are of a significant and/or serious nature, the other Directors will be advised and consulted. In all cases, appropriate action must be determined and taken in a timely manner, including discharge of disclosure obligations. The Directors also consider their disclosure obligations at Board meetings, with outcomes recorded in the minutes, as appropriate.

The Managing Director and Company Secretary are the only authorised officers who can disclose market sensitive information to the relevant authorities. Accordingly, disclosures can only be made through the corporate office and will only be made public upon receipt of appropriate clearance or approval. Board approval is required for market sensitive disclosures including financial results, market guidance and material transactions and events.

Confidential and market sensitive information is marked and handled accordingly by Group officers. Where such information is required to be disclosed to third parties for regulatory or commercial purposes, the sensitive nature is appropriately communicated and confidentiality and non-disclosure agreements entered into, as necessary.

## PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

The Board aims to ensure that shareholders are informed of all major developments affecting the Group and have the opportunity to openly communicate with Management and the Board. Accordingly, a Communication Strategy has been developed which is designed to promote effective communication with shareholders and encourage their participation at annual general meetings of the Company. A copy of the Group's Communication Strategy is available on the Company's website at [www.crowehorwath.com.au](http://www.crowehorwath.com.au) under the Investors/Corporate Governance section.

Information is communicated to shareholders in the following ways:

- half year and annual financial reports are provided to the ASX in accordance with its Listing Rules;
- these reports are accompanied by comprehensive releases approved by the Board which include details of the operations, results and dividends declared;

# CORPORATE GOVERNANCE STATEMENT *continued*

## PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS *continued*

- the Company's Annual Report is distributed to shareholders who have elected to receive it and is available in both paper and electronic formats. The Board ensures the Annual Report includes relevant information about the operations during the year, changes in the state of affairs and details of future developments which can be provided;
- following the release of annual results to the ASX, and in advance of releasing the Annual Report, a letter is sent to shareholders providing a summary of the ASX release and final dividend information;
- following the release of half year results to the ASX, a letter is sent to shareholders providing a summary of the ASX release and interim dividend information;
- a copy of ASX releases made by the Company, Annual Reports and other publicly available information can be accessed and downloaded via the Company's website at [www.crowehorwath.com.au](http://www.crowehorwath.com.au);
- comprehensive notices of meetings of shareholders are sent to all shareholders;
- the Chairman and senior executives make presentations to shareholders at Annual General Meetings; and
- shareholding and dividend payment details are readily available through the Company's share register, Computershare Investor Services Pty Limited, including via direct internet access. Contact details are regularly provided to shareholders in written communications.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and involvement with the members. Important issues are presented for shareholder approval as single resolutions.

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The Board recognises the need to have appropriate policies and systems in place to identify and manage risk. Management has developed and implemented a risk identification and management framework comprising of appropriate policies and procedures for the identification, prioritisation, management and subsequent monitoring and reporting of risk across the Group.

These policies and procedures are available on the Company's website at [www.crowehorwath.com.au](http://www.crowehorwath.com.au) under the Investors/Corporate Governance section.

### Risk framework

The Board, through the Audit and Risk Committee, reviews and oversees the Group's risk management and internal control systems. Group and Firm Risk Committees, compliance and internal audit functions have been established with key delegated responsibilities under the framework. Accordingly, risk identification and management is the responsibility of Management at both firm and Group levels.

### *Risk Committees*

Each of the Group's member firms operates a Risk Committee comprising of senior officers including the firm Chief Executive or Managing Principal (as applicable). These Risk Committees identify risks specific to their respective businesses. A Group Risk Committee has also been established at corporate level comprising of divisional heads and other senior executives. This Risk Committee identifies risks at a corporate and consolidated, Group wide level. A broad range of risks including operational, compliance, financial, reporting, technology, human resource and strategic risks are considered. All identified risks are rated with respect to likelihood and consequence, after considering existing mitigating controls and are documented within individual risk registers at firm and corporate levels. Risk reviews are formally undertaken at least half yearly, with the Group Risk Committee maintaining a watching brief to monitor other existing or developing areas of risk.

Each Risk Committee has responsibility for ensuring that appropriate risk management systems are established and implemented for material risks and that Management is effectively managing those risks. Where appropriate, internal control policies for the management of core or common risks have been developed by corporate at a Group level and applied at both firm and Group levels.

Each Risk Committee evaluates the adequacy and effectiveness of applicable policies and internal controls. Risk mitigation actions, including details of the action plans, responsible parties and target dates, are recorded in risk registers for monitoring and reporting purposes.

Each Firm Risk Committee provides a copy of its updated risk register to the Chief Risk Officer who reports on the status and content of these registers to the Group Risk Committee. Common risks are identified and a report on these risks and the activity and effectiveness of each Risk Committee is provided to corporate senior Management and the Board Audit and Risk Committee. Each firm Chief Executive or Managing Principal (as applicable) is responsible for ensuring that senior corporate Management are promptly made aware of any matters which may have significant impact on the financial condition or affairs of the Group or its continuous disclosure obligations. It is the responsibility of corporate senior Management to escalate these and significant Group related matters to the Board.

### *Compliance*

A compliance team, headed by a Chief Risk Officer, operates at a corporate level to manage and improve the compliance environment across the Group. This includes ensuring there is an appropriate compliance framework operating at firm level for common risks such as quality of advice, with a particular focus on compliance with licensed financial services and other regulated activities.

The compliance team also supports corporate to monitor firm compliance with Group policies and practices, manage client complaints and provide management reports to the Audit and Risk Committee and the Board.

Internal committees also monitor compliance within the compliance framework, with their findings being reported through to the Audit and Risk Committee. This includes an overarching Compliance and Risk Committee comprising the Managing Director, Chief Risk Officer and other corporate senior Management. This Committee is chaired by the Managing Director.

### **Internal Audit**

The Group has an internal audit function which is currently performed by experienced and qualified auditors from its Melbourne member firm. Audits are undertaken at least once in an 18 month period at each firm and corporate.

Internal audits typically cover compliance with the Group's internal control policies and procedures and generally accepted practices and standards in specific areas including management reporting, funds handling, revenue and debtors, work in progress, payroll and human resources, procurement and accounts payable, fixed assets and information technology.

The internal auditor also reviews the existence and effectiveness of other controls mitigating material risks identified on firm and Group risk registers.

The internal auditor reports to the Audit and Risk Committee via the Committee Chair. It prepares written reports to and meets with the Audit and Risk Committee at least quarterly, including in the absence of Management.

### **Audit and Risk Committee**

Under its Charter, the Audit and Risk Committee is responsible for overseeing the implementation and review of risk management and related internal compliance and control systems throughout the Group. A copy of the Charter is available on the Company's website at [www.crowehorwath.com.au](http://www.crowehorwath.com.au) under the Investors/Corporate Governance section.

The Committee reviews and considers the appropriateness and adequacy of internal processes for determining, assessing and monitoring risk areas including:

- overseeing the performance and effectiveness of the Risk Committees; and
- assessing the effectiveness of the Group's internal compliance and controls (particularly in relation to material Group risks) including:
  - (i) the existence and adequacy of key policies and practices; and
  - (ii) the adequacy of disclosures and processes for regular reporting of information to the appropriate parties, including the Board.

It is responsible for monitoring the Group's compliance with laws and regulations including by:

- being satisfied that Management is reviewing and monitoring developments and changes in laws and regulations relating to the Group's responsibilities and obligations;
- being satisfied that Management is taking appropriate actions and responses to developments and changes in laws and regulations; and

- reviewing and monitoring the extent to which the Group is meeting its responsibilities and obligations including by reviewing:

- (i) material actual and suspected breaches of laws, regulations, licenses and Group policies (including whistle blower activity);
- (ii) material litigation, legal claims, contingencies or significant risks relating to the Group; and
- (iii) any Director and senior executive related-party transactions, including assessing their propriety.

The Audit and Risk Committee is also responsible for ensuring that there is reliable financial and management reporting, as well as the maintenance of efficient and effective internal and external audit environments. Further details are set out in the Committee's Charter.

The Audit and Risk Committee meets quarterly and in the discharge of its responsibilities, considers reports from corporate Management, the Chief Risk Officer, the Compliance and Risk Committee, the internal auditor and external auditor. As previously mentioned, these reports (which have been made during the year) are in relation to various aspects of the Group's risk management and internal control systems and encapsulate observations and comments on whether material Group risks are being effectively managed.

The Audit and Risk Committee reports to the Board on the major issues and findings noted or acted upon at its meetings, including where material Group risks are not being effectively managed. It also ensures that the Board is aware of any other matters that might have a significant impact on the financial condition or affairs of the Group. The Group Chief Financial Officer regularly reports the top Group risks to the Board including mitigates.

### **Assurance**

Prior to finalising the release of half-year and annual financial reports, the Board receives assurances from the Managing Director and Group Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* that, in their opinions:

- with regard to the integrity of the financial reports of the Company, the financial statements and notes required by accounting standards and the Corporations Regulations:
  - (i) comply with the accounting standards; and
  - (iii) give a true and fair view of the financial position and performance of the Company; and
- with regard to risk management and internal control systems of the Company:
  - (i) the financial records have been properly maintained in accordance with the *Corporations Act 2001*; and
  - (iv) their representations on the integrity of the financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Managing Director and Group Chief Financial Officer are provided with related assurances from key employees at both firm and corporate levels in relation to these matters.



# CORPORATE GOVERNANCE STATEMENT continued

## PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

### Remuneration Committee

A Remuneration Committee is in operation, whose role is documented in a Charter approved by the Board. A copy of this Charter is available on the Company's website at [www.crowehorwath.com.au](http://www.crowehorwath.com.au) under the Investors/Corporate Governance section.

The Remuneration Committee comprises of Mr P Warne (Chair), Mr R Smith and Mr P Gupta, who are all independent, Non-Executive Directors. Mr Gupta replaced fellow Non-Executive Director Ms M Willis on the Committee during the 2013/14 financial year.

Details of attendance at Remuneration Committee meetings are set out in the Meetings of Directors section in the Directors' Report.

The primary objective of the Committee is to assist the Board in determining appropriate remuneration arrangements for the Company's Directors, its executives and the principals and executives of its member firms. More specifically, the Committee:

- reviews the adequacy and form of remuneration of Non-Executive Directors of the Company;
- ensures that Non-Executive Directors' remuneration realistically reflects the responsibilities and risks involved in being an effective Director;
- reviews the contractual terms of engagement of the Managing Director and other key executives of the Company;
- reviews the adequacy and form of remuneration of the senior executives;
- ensures that senior executives' remuneration is reasonable in comparison with industry and other relevant measures to attract, retain and properly reward performance, whilst promoting the long term growth of shareholder value;
- annually reviews senior executives' KPI's for on-going adequacy and achievement;
- reviews Group incentive performance arrangements (when instructed by the Board); and
- reviews in advance, proposed remuneration arrangements for new senior executive appointments.

The Board approves the remuneration packages applicable to the Managing Director and senior executives including incentive performance arrangements.

### Remuneration Structure

The Committee has adopted a set of best practice guiding principles against which remuneration arrangements are assessed.

The remuneration structure for Directors and other key management personnel is set out in the Remuneration Report section of the Directors' Report.

Non-Executive Directors are remunerated by way of fixed directors' fees. They are not entitled to participate in performance or incentives based schemes designed for the remuneration of executives, or receive any retirement benefit payments (excluding statutory superannuation).

Other key management personnel, comprising Executive Directors and corporate senior executives are remunerated through a combination of fixed and performance based components. Performance based remuneration may comprise of short and long term incentives. Short term incentives are in the form of cash bonuses. The only long term incentive arrangement currently in place is for the Managing Director in the form of an annual issue of performance rights under an employee share plan. The Company will, subject to shareholder approval, issue 1 million performance rights to the Managing Director during the 2014/15 financial year. These rights will vest as ordinary shares in the Company on 30 June 2017 subject to achievement of agreed performance criteria and gateways. A pro rata portion of the performance rights may vest earlier upon termination of employment, subject to specific performance criteria and other conditions being met.

The Managing Director is prohibited from entering into arrangements to limit the economic risk of participating in unvested performance rights. This prohibition is set out within the Group's securities trading policy, a copy of which is available on the Company's website at [www.crowehorwath.com.au](http://www.crowehorwath.com.au) under the Investors/Corporate Governance section.



Richard Grellman  
Chairman



Chris Price  
Managing Director

29 August 2014

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# CONSOLIDATED INCOME STATEMENT

## FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
<b>Revenue</b>	3	<b>394,015</b>	405,900
Other income	3	<b>2,245</b>	93
Employee benefits	3	<b>(285,151)</b>	(295,170)
Depreciation and amortisation	3	<b>(8,954)</b>	(8,395)
Finance costs	3	<b>(4,655)</b>	(4,744)
Marketing and practice development		<b>(10,498)</b>	(9,329)
Training and staff development		<b>(10,799)</b>	(9,598)
Occupancy		<b>(33,096)</b>	(30,623)
Information technology and communications		<b>(24,458)</b>	(21,106)
Other expenses		<b>(14,567)</b>	(15,251)
Share of net profit from joint venture accounted for using the equity method	14	<b>448</b>	-
Impairment of goodwill	13	<b>(90,753)</b>	-
<b>(Loss)/Profit before income tax</b>		<b>(86,223)</b>	11,777
Income tax expense	6	<b>(1,988)</b>	(4,767)
<b>(Loss)/Profit for the year</b>		<b>(88,211)</b>	7,010
Basic (loss)/earnings per share	8	<b>(32.4) cents</b>	2.6 cents
Diluted (loss)/earnings per share	8	<b>(32.4) cents</b>	2.6 cents

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$'000	2013 \$'000
<b>(Loss)/Profit for the year</b>	<b>(88,211)</b>	<b>7,010</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Currency translation differences	4,823	4,256
Related income tax	(814)	(816)
Gain on cash flow hedges	178	96
Related income tax	(53)	(29)
<b>Other comprehensive income for the year, net of income tax</b>	<b>4,134</b>	<b>3,507</b>
<b>Total comprehensive (loss)/income for the year</b>	<b>(84,077)</b>	<b>10,517</b>

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
<b>Current assets</b>			
Cash and cash equivalents	9	9,748	11,771
Trade and other receivables	10	82,194	83,993
Work in progress		22,125	21,483
Other assets	11	4,843	4,354
Current tax assets		353	1,172
Total current assets		119,263	122,773
<b>Non-current assets</b>			
Trade and other receivables	10	2,101	2,284
Plant and equipment	12	21,939	21,087
Intangible assets	13	153,142	249,989
Investments accounted for using the equity method	14	4,854	-
Other financial assets	17	176	388
Deferred tax assets	6	7,364	7,266
Total non-current assets		189,576	281,014
<b>Total assets</b>		308,839	403,787
<b>Current liabilities</b>			
Trade and other payables	15	35,742	35,656
Interest bearing liabilities – secured	16	5,596	6,731
Other financial liabilities	17	173	67
Provisions	18	29,332	28,466
Total current liabilities		70,843	70,920
<b>Non-current liabilities</b>			
Trade and other payables	15	5,843	5,248
Interest bearing liabilities – secured	16	50,442	57,672
Other financial liabilities	17	45	328
Provisions	18	4,583	4,912
Deferred tax liabilities	6	-	26
Total non-current liabilities		60,913	68,186
<b>Total liabilities</b>		131,756	139,106
<b>Net assets</b>		177,083	264,681
<b>Equity</b>			
Contributed equity	19	228,314	226,422
Reserves	20	1,700	(2,414)
(Accumulated losses)/retained profits		(52,931)	40,673
<b>Total equity</b>		177,083	264,681

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 2014

	Issued Capital \$'000	Performance Rights Reserve \$'000	Foreign Currency Translation Reserve \$'000	Cash Flow Hedge Reserve \$'000	Retained Earnings/ (Accumulated Losses) \$'000	Total Equity \$'000
<b>As at 1 July 2013</b>	226,422	20	(2,157)	(277)	40,673	264,681
Loss for the year	-	-	-	-	(88,211)	(88,211)
Other comprehensive income	-	-	4,009	125	-	4,134
<b>Total comprehensive (loss)/income for the year</b>	-	-	4,009	125	(88,211)	(84,077)
<b>Transaction with owners in their capacity as owners:</b>						
Issue of share capital	1,892	-	-	-	-	1,892
Recognition of share based payments	-	(20)	-	-	-	(20)
Dividends	-	-	-	-	(5,393)	(5,393)
<b>As at 30 June 2014</b>	228,314	-	1,852	(152)	(52,931)	177,083
<b>As at 1 July 2012</b>	223,475	13	(5,597)	(344)	52,227	269,774
Profit for the year	-	-	-	-	7,010	7,010
Other comprehensive income	-	-	3,440	67	-	3,507
<b>Total comprehensive income for the year</b>	-	-	3,440	67	7,010	10,517
<b>Transaction with owners in their capacity as owners:</b>						
Issue of share capital	2,947	-	-	-	-	2,947
Recognition of share based payments	-	7	-	-	-	7
Dividends	-	-	-	-	(18,564)	(18,564)
<b>As at 30 June 2013</b>	226,422	20	(2,157)	(277)	40,673	264,681

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		436,585	446,136
Cash payments in the course of operations		(415,971)	(428,567)
Finance costs		(4,278)	(4,170)
Interest received		273	328
Income tax paid		(2,244)	(3,012)
<b>Net cash flows from operating activities</b>	22(a)	<b>14,365</b>	10,715
<b>Cash flows from investing activities</b>			
Payments for business assets acquired	23	(1,267)	(3,110)
Proceeds from sale of other business assets (net of cash divested)	22(b)	3,018	111
Payments for software		(370)	(680)
Payments for plant and equipment		(4,030)	(2,340)
Proceeds from sale of plant and equipment		200	1,300
<b>Net cash flows used in investing activities</b>		<b>(2,449)</b>	(4,719)
<b>Cash flows from financing activities</b>			
Payment for re-financing costs and share issue costs		(16)	-
Employee share loans repaid		210	54
Proceeds from borrowings		48,941	45,500
(Repayments) of borrowings		(57,015)	(36,324)
Lease and hire purchase payments		(2,696)	(3,799)
Dividends paid		(3,476)	(15,569)
<b>Net cash flows used in financing activities</b>		<b>(14,052)</b>	(10,138)
<b>Net decrease in cash and cash equivalents held</b>		<b>(2,136)</b>	(4,142)
Cash and cash equivalents at the beginning of the year		11,771	15,614
Net foreign exchange differences		113	299
<b>Cash and cash equivalents at the end of the year</b>	9	<b>9,748</b>	11,771

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

# NOTES TO FINANCIAL STATEMENTS

## FOR YEAR ENDED 30 JUNE 2014

### 1. CORPORATE INFORMATION

The financial report covers the consolidated entity of Crowe Horwath Australasia Ltd and its controlled entities ("**the Group**").

The financial report of Crowe Horwath Australasia Ltd for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 29 August 2014. The Directors have the power to amend and re-issue the financial report.

Crowe Horwath Australasia Ltd ("**the Company**") is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the securities exchange of ASX Limited.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Australian Accounting Interpretations. The financial report also complies with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. Crowe Horwath Australasia Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial report has been prepared on a historical cost basis except for, where applicable, available for sale investments, financial assets and liabilities held at fair value through profit or loss and derivative financial instruments, which are measured at fair value.

The financial report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### (b) New accounting standards and interpretations

##### (i) Changes in accounting policy and disclosures

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2013:

AASB 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to AASB 7  
AASB 10 Consolidated Financial Statements, AASB 127 Separate Financial Statements  
AASB 11 Joint Arrangements, AASB 128 Investments in Associates and Joint Ventures  
AASB 12 Disclosure of Interests in Other Entities  
AASB 13 Fair Value Measurement  
AASB 119 Employee Benefits (Revised 2011)  
Improvements to AASBs 2009-2011 Cycle

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The Group has not elected to early adopt any other new Standards or Interpretations that are issued but not yet effective.



# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (ii) Accounting Standards and Interpretations issued but not yet effective

The following applicable Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by the Group for the annual reporting period ending 30 June 2014. These are outlined in the table below.

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group*
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <ul style="list-style-type: none"> <li>• Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</li> <li>• Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</li> <li>• Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</li> <li>• Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: <ul style="list-style-type: none"> <li>– The change attributable to changes in credit risk are presented in other comprehensive income (OCI).</li> <li>– The remaining change is presented in profit or loss.</li> </ul> </li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>	1 January 2018	<p>The Group has not yet fully assessed the impact of AASB 9 as the standard does not apply mandatorily before 1 January 2018.</p> <p>The Group does not currently have any financial liabilities measured at fair value through profit or loss. The amendments are therefore not likely to be significant for the Group but will depend on the assets held when the standard is adopted.</p>	1 July 2018

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group*
		<p>The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes:</p> <ol style="list-style-type: none"> <li>1. New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</li> <li>2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time.</li> <li>3. In February 2014, the IASB tentatively decided that the mandatory effective date for AASB 9 will be 1 January 2018.</li> </ol>			
AASB 1031	Materiality	<p>The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality.</p> <p>AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.</p>	1 January 2014	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements nor is there likely to be any significant change in disclosure for the Group.	1 July 2014
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	These changes are not considered likely to have any impact on the Group's Financial Report.	1 July 2014
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 amends the disclosure requirements in AASB 136 <i>Impairment of Assets</i> . The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements nor is there likely to be any significant change in disclosure for the Group.	1 July 2014

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (ii) Accounting Standards and Interpretations issued but not yet effective continued

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group*
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014	These changes are not considered likely to have any impact on the Group's Financial Report.	1 July 2014
AASB 2013-5	Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]	<p>These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 Business Combinations when it obtains control of another entity.</p> <p>These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.</p>	1 January 2014	The Group is not an investment entity and these changes will not impact the Group's Financial Statements.	1 July 2014
AASB 2013-7	Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders [AASB 1038]	AASB 2013-7 removes the specific requirements in relation to consolidation from AASB 1038, which leaves AASB 10 as the sole source for consolidation requirements applicable to life insurer entities.	1 January 2014	Given the current Group structure and current investments the amendments will not effect the consolidated financial statements of the Group.	1 July 2014
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	<p>The Standard contains three main parts and makes amendments to a number Standards and Interpretations.</p> <p>Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.</p> <p>Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.</p> <p>Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 <i>Hedge Accounting</i> into AASB 9 <i>Financial Instruments</i>.</p>	^^		^^

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group*
IFRS 15	Revenue from Contracts with Customers	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.  IFRS 15 supersedes: IAS11 Construction Contracts; IAS18 Revenue; IFRIC13 Customer Loyalty Programs; IFRIC15 Agreements for the Construction of Real Estate; IFRIC18 Transfers of Assets from Customers; SIC-31 Revenue – Barter Transactions Involving Advertising Services.	1 January 2017	The Group has not yet fully assessed the impact of AASB 9 as the standard does not apply mandatorily before 1 January 2017.	1 July 2018

\* Designates the beginning of the applicable annual reporting period.

^^ The application dates of AASB 2013-9 are as follows:

Part A – periods ending on or after 20 December 2013 Application date for the Group: period ending 30 June 2014.

Part B – periods beginning on or after 1 January 2014 Application date for the Group: period beginning 1 July 2014.

Part C – reporting periods beginning on or after 1 January 2015 Application date for the Group: period beginning 1 July 2015.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### (c) Principles of consolidation

The consolidated financial report incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost in the parent entity information of Crowe Horwath Australasia Ltd.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

### (d) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.



# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (i) Significant accounting judgements

##### *Impairment of non-financial assets other than goodwill*

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include economic and political environments, possible future legislative changes, and future demand for professional and financial services. If an impairment trigger exists the recoverable amount of the asset is determined. Management do not consider that the impairment triggers existed at the reporting date and as such these assets have not been tested for impairment in this financial period.

#### (ii) Significant accounting estimates and assumptions

##### *Impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated at Note 2(j). The recoverable amount of cash generating units has been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 13 for details of these assumptions.

##### *Share based payment transactions*

The Group measures the cost of equity settled transactions by reference to the fair value of the equity instruments at the date at which they were granted. The fair value is determined by an expert valuer using a Monte Carlo valuation model, with the assumptions detailed in Note 25. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

##### *Allowance for impairment loss on trade receivables*

Where receivables are outstanding beyond the normal trading terms, the likelihood of recovery of these receivables is assessed by Management. Debts that are considered to be uncollectible are written off when identified. Historical experience and knowledge of the Group's client base has been used to determine the required allowance for impairment loss.

##### *Carrying value of 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 recoverability of these amounts is assessed by Management and any amounts in excess of net recoverable value are written off when identified. Historical experience and knowledge of the Group's client base has been used to determine the net realisable value.

##### *Estimation of useful lives of assets*

The estimation of useful lives of assets has been based on historical experience (for plant and equipment) and lease terms (for leased assets). In addition, the condition of the assets is assessed at least once a year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary. Depreciation charges are noted in Note 12.

##### *Estimation of lending trail commission receivable*

The Group recognises a receivable for lending trail commissions at the inception of the lending contract where there is no further contractual obligation to provide a service. The asset is measured as the expected future cash flows to be received over the life of the loan allowing for a "run off" of clients that discontinue their loan resulting in trail commissions no longer being receivable. The asset is tested for impairment annually to adjust for any difference in the expected trail run off and the actual run off experienced. Historical experience, knowledge of the Group's client base and industry statistics have been used to determine the appropriate level of assumed run off and the resulting net present value of future lending trail commission balances receivable.

##### *Long service leave provision*

As discussed in Note 2(v), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the end of the reporting period. In determining the present value of the liability, attrition rates and pay increases through inflation and promotion have been taken into account.

## **(e) Business combinations**

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the acquiree and the equity issued by the Group, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Business combinations are initially accounted for on a provisional basis until either the earlier of (i) 12 months from the date of acquisition or (ii) the finalisation of fair value.

If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Where settlement of any part of cash consideration is deferred for greater than 12 months, the amounts payable in the future are discounted to their present value as at the date of exchange.

Any contingent consideration to be transferred by the Group will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If contingent consideration is classified as equity, it shall not be remeasured.

When the Group loses control over a subsidiary, it derecognises the net assets of the subsidiary together with any cumulative translation differences recognised in other comprehensive income. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in the income statement.

## **(f) Foreign currency transactions and balances**

### **(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Both the functional and presentational currency of Crowe Horwath Australasia Ltd and its Australian subsidiaries is Australian Dollars (\$). The New Zealand subsidiary's functional currency is New Zealand Dollars which is translated to the Group's presentational currency (see below).

### **(ii) Transactions and balances**

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate as at the date when the fair value was determined.

### **(iii) Translation of Group companies functional currency to presentation currency**

The results of the New Zealand subsidiary are translated into Australian Dollars at the average exchange rate for the period (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated as at the date of each transaction). Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period.

Exchange differences resulting from the translation are recognised in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of the net investment in New Zealand firms are taken to the foreign currency translation reserve. If a New Zealand firm were sold, the proportionate share of exchange differences would be transferred out of equity and recognised in the income statement.

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (g) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### (i) Rendering of services – business services

Revenue from the provision of business services is calculated with reference to the professional staff hours incurred on each client assignment adjusted for any time that may not be recoverable.

##### (ii) Rendering of services – financial services

Revenue from the provision of financial services is recognised on an accruals basis in the period in which the financial service or advice is provided.

Financial service fees received from clients are recognised according to the terms of the individual client service agreements and will be based on the number of professional staff hours incurred in providing advice to the client or according to an agreed fee for the provision of a service.

Financial service commissions received from financial institutions are recognised at the time the related service is provided to the extent that the amount can be reliably measured.

##### (iii) Lending trail commissions

The Group receives trail commissions from lenders on loans that they have settled (either direct from the financial institution or from loan aggregators) that were originated by the Group on behalf of its clients. The trail commissions are received over the life of the loans based on the loan book balance outstanding.

Where it is assessed that the trail commission will be received beyond the current financial period and no further service is required to be performed, on initial recognition, trail revenue and receivables are recognised at fair value. The calculation of fair value incorporates an estimate for a proportion of clients that discontinue their lending contracts prior to the initial contracted completion date. The expected future trail commission receivable is then discounted to its present value. In addition, an associated payable and expense are recognised, initially measured at fair value being the future commissions and bonuses payable to staff on receipt of the lending trail commissions, discounted to their present value.

Subsequent to initial recognition and measurement, both the trail commission asset and associated payable are measured at amortised cost. The carrying amount of the trail commission asset and associated payable are adjusted to reflect actual and revised estimated cash flows by recalculating the carrying amount through computing the present value of estimated future cash flows at the original effective interest rate. The resulting adjustment is recognised as income or expense in the income statement.

##### (iv) General insurance commission, brokerage and fees

Commission, brokerage and fees for general insurance are recognised when it is probable that the Group will be compensated for services rendered and the amount of consideration for such services can be reliably measured. An allowance is made for subsequent anticipated lapses and cancellations.

##### (v) Interest income

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

##### (vi) Dividends

Dividend revenue from investments is recognised when the shareholder's right to receive the payment is established.

## **(h) Income tax**

### **(i) Current tax**

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

### **(ii) Deferred tax**

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination which affects neither taxable income nor accounting profit; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except;

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither taxable income nor accounting profit; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying value of deferred income tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the financial year end.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

### **(iii) Current and deferred tax for the period**

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

### **(iv) Tax consolidation legislation**

Crowe Horwath Australasia Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002. Crowe Horwath Australasia Ltd is the head entity in the tax consolidated group.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'stand alone taxpayer' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax consolidated group).

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax consolidated group in accordance with the arrangement. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

#### (i) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to the ownership of the asset to the lessee. All other assets are classified as operating leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Finance leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

#### (j) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition. Goodwill is subsequently measured at its cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the business combination. Cash generating units to which goodwill has been allocated are tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the cash generating unit is less than the carrying amount of the cash generating unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to the other assets of the cash generating unit pro-rata on the basis of the carrying amount of each asset in the cash generating unit. An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period. On disposal of an operation within a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

#### (k) Intangible assets

##### (i) Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful economic lives. The useful lives of intangible assets can be either finite or indefinite. The estimated useful economic life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

The following useful lives are used in the calculation of amortisation:

Acquired brand name: 5 years

Software: 2–4 years

##### (ii) Development costs

Development costs on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for sale, the intention to complete the asset and its ability to sell it and generate future economic benefits and the ability to measure reliably the expenditure during development.

Following initial recognition, the asset is carried at cost less accumulated amortisation. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit.

The following useful lives are used in the calculation of amortisation:

Development costs: 2.5 years



### **(iii) Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The following useful lives are used in the calculation of amortisation:

Acquired client relationships: 8–15 years

Acquired intellectual property: 2 years

### **(l) Impairment of non-financial assets excluding goodwill**

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash generating unit) for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### **(m) Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less. Bank overdrafts are shown within current interest bearing liabilities on the statement of financial position.

### **(n) Trade receivables**

Trade receivables, which generally have 15–30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an on-going basis at each of the Group member firms. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

### **(o) 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 balance date. Work in progress is valued at net realisable value after providing for any foreseeable losses.

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (p) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available for sale financial assets. The classification depends on the purpose for which the financial asset was acquired. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

#### Recognition and De-recognition

All regular way purchases and sales of financial assets are recognised on the trade date. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

##### (i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the short term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss and the related assets are classified as current assets in the statement of financial position.

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current.

##### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At present the Group holds no such investments.

##### (iv) Available-for-sale financial assets

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale or are not classified as any of the three other categories. Available for sale financial assets are held at fair value.

The Group assesses at each reporting date whether there is objective evidence that an investment is impaired. In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. When there is evidence of impairment is recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

#### (q) Derivative financial instruments

The Group uses derivative financial instruments (including foreign currency contracts and interest rate swaps) to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which are recognised in other comprehensive income.

The fair value of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair values of interest rate swap contracts are determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

#### *Cash flow hedges*

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability that is a firm commitment and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised in the income statement.

Amounts taken to other comprehensive income are transferred out of equity and included in the measurement of the hedged transaction (finance costs) when the forecast transaction occurs.

If the forecast transaction is no longer expected to occur, amounts recognised in other comprehensive income are transferred immediately to the income statement.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked (due to it being ineffective), amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs.

### **(r) Plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

The depreciable amount of all fixed assets including capitalised leased assets, is depreciated on a straight line basis over their useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each type of depreciable asset are:

<b>Type of Fixed Asset</b>	<b>Depreciation Rate</b>
Computer hardware	20% to 40%
Motor vehicles	15% to 20%
Office furniture and fittings	7.5% to 40%
Leasehold improvements	5% to 33%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at the end of each reporting period. Where the carrying amount of an asset is assessed to be greater than its recoverable amount it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

#### **De-recognition**

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

### **(s) Trade and other payables**

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are normally paid within 30 days of recognition.

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (t) Interest bearing loans and borrowings

All loans and borrowings are initially recorded at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

#### (u) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of Management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate.

#### Employee leave benefits

##### (i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables and provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Annual leave not expected to be used wholly within 12 months of the end of the reporting date is discounted and disclosed in 'other long term benefits'.

##### (ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### (iii) Profit-sharing and bonus plans

The Group recognises a payable and an expense for bonuses and profit-sharing based on a formula that takes into consideration the contribution of each member firm over an agreed hurdle. These are classified as current unless they are contractually payable at least 12 months after year end.

#### (v) Share-based payment transactions

##### Equity settled transactions

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares (equity settled transactions).

The Group's equity-based remuneration plan issues performance rights to designated executives (excluding Non-Executive Directors) at no cost. The performance rights will convert to ordinary fully paid shares after a specified period subject to the successful achievement of certain performance criteria.

In valuing equity-settled transactions, no account is taken of any vesting conditions. The Group's equity based remuneration plan does not include any market based conditions.

The cost of these equity settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they were granted. The fair value is determined by an expert valuer using a Binomial valuation model.

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of:

- (i) the grant date fair value of the award;
- (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Equity settled awards granted by Crowe Horwath Australasia Ltd to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by Crowe Horwath Australasia Ltd in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled transaction is cancelled, it is treated as if it had vested at the date of the cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding performance rights is reflected as an additional share dilution in the computation of diluted earnings per share.

## **(w) Investments in joint ventures**

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investment in its joint venture is accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of the results of operation of the joint venture. Any change in other comprehensive income of the joint venture is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The Group's share of profit or loss of a joint venture is shown on the face of the income statement outside operating profit and represents profit or loss after tax of the joint venture.



# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

The financial statements of the joint venture are prepared in the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss as 'share of profit of a joint venture' in the income statement.

Upon loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying value amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

#### **(x) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

#### **(y) Earnings per share**

##### **(i) Basic earnings per share**

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the company, excluding any costs of servicing equity (other than dividends), by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### **(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### **(z) Goods and Services Tax ("GST")**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### 3. REVENUE, OTHER INCOME AND EXPENSES

	2014 \$'000	2013 \$'000
<b>(a) Revenues</b>		
Net fees and commissions	393,702	405,461
Interest received: other persons	284	354
Other revenue	29	85
	<b>394,015</b>	<b>405,900</b>
<b>(b) Other income</b>		
Other income includes \$886,000 (2013: \$46,000) received from the sale of fee parcels and \$784,000 (2013: \$44,000) further to fair value adjustments made to contingent deferred consideration payable.		
<b>(c) Finance costs</b>		
Interest on bank loans	4,123	4,037
Finance charges on hire purchase and finance leases	414	773
Total Interest Expense	4,537	4,810
Fair value gain on derivative financial instruments designated as held for trading	-	(302)
Unwinding of discount on provisions (Note 18)	59	59
Amortisation of capitalised transaction costs	59	165
Other finance costs	-	12
Total Finance Costs	4,655	4,744
<b>(d) Depreciation and amortisation</b>		
Depreciation of plant and equipment (Note 12)	5,387	4,859
Amortisation of intangible assets (Note 13)	3,567	3,536
	<b>8,954</b>	<b>8,395</b>
<b>(e) Employee benefits expense</b>		
Wages and salaries	241,225	251,128
Defined contribution superannuation expense	16,692	17,077
Other employee benefit expense	27,255	26,958
Share-based payment (reversal)/expense	(21)	7
	<b>285,151</b>	<b>295,170</b>
<b>(f) Other expenses</b>		
Net loss on sale of plant and equipment	63	3
Lease payments – operating leases	26,542	23,777

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 4. OPERATING SEGMENTS

#### Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team ('the chief operating decision maker') in assessing performance and in determining the allocation of resources.

The operating segments are identified by Management based on the nature of the service provided. Discrete financial information about each of these operating service lines is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the services provided, the similarity of the customer bases, the common reporting and management systems used and the common regularity environment applicable to each reportable segment. There is a clear designation of responsibility and accountability by the chief operating decision makers for the management and performance of these reportable segments.

The reportable segments identified by the Group are:

- **Business Services** comprising the provision of accounting, taxation, audit and assurance, business advisory and corporate advisory services; and
- **Financial Services** comprising the provision of financial planning, risk and general insurance, self managed superannuation and finance broking services.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

The following is an analysis of the Group's revenue and results by reportable operating segments for the periods under review.

#### For the year ended 30 June 2014:

	Business Services \$'000	Financial Services \$'000	Total \$'000
Revenue from external customers	301,385	92,404	393,789
Inter-segment sales	434	-	434
Total segment revenue	301,819	92,404	394,223
Inter-segment elimination			(434)
Other revenue			226
Total revenue per the Income Statement			394,015
Segment result before depreciation	18,712	15,348	34,060
Depreciation	(3,888)	(749)	(4,637)
Amortisation of software	(168)	(63)	(231)
Share of net profit after tax from joint venture	-	448	448
Segment result after depreciation	14,656	14,984	29,640
Impairment of goodwill	(83,232)	(7,521)	(90,753)
Segment result after Impairment	(68,576)	7,463	(61,113)
Unallocated depreciation and amortisation			(1,212)
Amortisation of other intangibles			(2,873)
Other overheads			(16,370)
Finance costs			(4,655)
(Loss)/Profit before tax			(86,223)
Income tax expense			(1,988)
Profit after tax per the Income Statement			(88,211)

**For the year ended 30 June 2013:**

	<b>Business Services \$'000</b>	<b>Financial Services \$'000</b>	<b>Total \$'000</b>
Revenue from external customers	310,955	94,581	405,536
Inter-segment sales	328	-	328
Total segment revenue	311,283	94,581	405,864
Inter-segment elimination			(328)
Other revenue			364
Total revenue per the Income Statement			405,900
Segment result before depreciation	24,873	15,955	40,828
Depreciation	(3,550)	(821)	(4,371)
Amortisation of software	(234)	(54)	(288)
Segment result after depreciation	21,089	15,080	36,169
Unallocated depreciation and amortisation			(1,005)
Amortisation of other intangibles			(2,731)
Other overheads			(15,912)
Finance costs			(4,744)
Profit before tax			11,777
Income tax expense			(4,767)
Profit after tax per the Income Statement			7,010

**Segment Revenue**

Inter-segment sales are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the income statement. There are no single external customers that contribute material revenues to the Group.

Revenue from external customers by geographical location is detailed below. Revenue is attributable to geographic location based on the location of the Group member firm that raises the sales invoice.

	<b>2014 \$'000</b>	2013 \$'000
Australia	<b>327,644</b>	344,520
New Zealand	<b>66,371</b>	61,380
	<b>394,015</b>	405,900

**Segment Profit**

Segment profit represents profit earned by each segment without allocation of corporate administration costs, amortisation of intangibles (other than software), investment revenue, finance costs and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The chief operating decision maker does not review segment assets and liabilities. The Group has accordingly not provided a split of assets and liabilities to the operating segments.

The total of non-current assets, other than financial instruments and deferred tax assets, located in Australia is \$161,724,000 (2013: \$222,912,000) and the total of these assets located in New Zealand is \$20,488,000 (2013: \$50,836,000). Segment assets are allocated to countries based on where the assets are located.

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, bank loans, finance leases, cash and short term deposits and derivatives.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's Board approved Treasury Policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risk to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rates and foreign exchange rates. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk and liquidity risk is monitored through the development of rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Chief Financial Officer under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for hedging cover of foreign currency and interest rate risk, gearing ratios and future cash flow projections. A summary of the Treasury activities is included in a report presented bi-monthly to the Board. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

#### Risk Exposures and Responses

##### (a) Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 16, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes in Equity. The Group operates in Australia and New Zealand through subsidiary companies established in these markets.

Operating cash flows are used to maintain and expand the Group's working capital assets as well as make routine outflows of tax, dividends and repayments of borrowings. The Group's policy is to borrow centrally to fund all Group acquisitions and provide funding for working capital with the subsidiary companies borrowing to fund their local capital expenditure requirements, within the strict parameters imposed by the centrally managed treasury function.

##### *Gearing Ratio*

The Board reviews the capital structure on a semi-annual basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. The Group's target gearing ratio is set at being a maximum of 30% which is determined as a proportion of net debt to equity. The Group's gearing policy allows for the gearing ratio to periodically rise above the upper level for relatively short periods to take advantage of Board approved acquisition opportunities.

Based on the recommendation of the Board the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy backs as well as the draw down of new debt or the pay-back of existing debt.



The gearing ratio at year end was as follows:

	2014 \$'000	2013 \$'000
<b>Financial assets</b>		
Debt <sup>(i)</sup>	56,038	64,403
Cash and cash equivalents – Note 9	(9,748)	(11,771)
Net Debt	46,290	52,632
Equity <sup>(ii)</sup>	177,083	264,681
Net debt to equity ratio	26%	20%

(i) Debt is defined as long and short term borrowings, as detailed in Note 16.

(ii) Equity includes all capital and reserves.

### (b) Interest Rate Risk

The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations. The level of debt is disclosed in Note 16.

At the end of the reporting period the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

	2014 \$'000	2013 \$'000
<b>Financial assets</b>		
Cash and cash equivalents – Note 9	9,748	11,771
<b>Financial Liabilities</b>		
Bank loans – variable rate	(51,000)	(58,363)
Interest rate swaps (notional principal amount) designated in cash flow hedges (Note 17)	25,000	30,000
	(26,000)	(28,363)
Net exposure	(16,252)	(16,592)

In the prior year the Group also had an interest rate swap contract that was not eligible for hedge accounting, see Note 17. This contract was exposed to fair value movements if interest rates changed.

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt so the Group's core debt level is managed in accordance with the approved policy bands, following, unless otherwise approved by the Board. Core debt is defined as the minimum level of expected debt in any forecast period.

Period from date of forecast	Proportion of core debt to be managed through fixed rate instruments
12 months	50%–75%
12–24 months	35%–65%
24–36 months	25%–50%
36–60 months	0%–35%

At 30 June 2014 approximately 54% (2013: 56%) of the Group's total borrowings (Note 16) are at a fixed interest rate.

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

The Group enters into fixed rate instruments in order to manage cash flow volatility from interest rate changes. To manage this risk in a cost effective manner the Group enters into a mix of fixed rate borrowings and leases to fund capital expenditure and interest rate swaps for its long term core borrowings. The interest rate swap contracts exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designed to hedge underlying debt obligations.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate exposure in existence at the end of the reporting period.

At 30 June 2014 if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post-tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Judgements of reasonably possible movements:</b>				
+1.0% (100 basis points)	(114)	(116)	68	255
-1.0% (100 basis points)	114	116	(72)	(255)

The movements in profit and equity are due to higher/lower interest costs from variable rate debt and cash balances. The movement in equity is also affected by an increase/decrease in the fair value of derivative financial instruments designated as cash flow hedges. At 30 June 2014 the fair value of derivative financial instruments designated as cash flow hedges reduced equity by \$152,000 net of deferred tax (2013: \$277,000).

The Group determines the reasonably possible movements in interest rates by reference to external sources of data, including interest rate forecasts provided by the Group's financiers, and the amount of debt that is expected to be renewed in the next financial year.

The sensitivity on post tax profit in 2014 is slightly lower than the sensitivity in 2013 due to a marginally smaller level of debt exposed to variable interest rates in the current year.

#### (c) Foreign Currency Risk

As a result of operations in New Zealand the Group has the following foreign currency risks:

##### *Foreign Currency Transaction Risk*

The Group does not have a large exposure to foreign currency transaction risk with its New Zealand operations. The New Zealand entity makes sales and purchases in its functional currency (New Zealand Dollars). Borrowings for the purpose of funding capital expenditure requirements in New Zealand are also made in New Zealand Dollars.

Foreign Currency transaction risk exists in relation to the following types of transaction:

- purchase of New Zealand based accounting and finance businesses with the acquisition funded through borrowings denominated in Australian Dollars;
- movements of funds between New Zealand and Australia for the purpose of cash flow management across the Group; and
- movement of funds from New Zealand to Australia in relation to dividend payments or the payment of inter-Group loans.

The Group treasury policy dictates that single transactions in excess of \$1 million or a series of transactions in any calendar month that exceed \$1 million must be considered for hedging. There were 5 transactions (2012: 4) performed in the year that exceeded these totals and it was determined not to hedge these transactions.

### Foreign Currency Translation Risk

The Group is exposed to foreign currency translation risk as a result of the translation of the balance sheet and profit and loss of the New Zealand operations at each period end from its functional currency (New Zealand dollars) to the Group's presentational currency (Australian dollars).

The Group takes out foreign exchange translation cover when it deems that the results are likely to be sensitive to the reasonably possible movements in exchange rate forecasts. The Group treasury policy stipulates that:

- foreign currency translation cover is to be specific to the budgeted earnings of a particular month;
- the value of the cover will not be greater than the budgeted earnings for that month;
- the exchange rate at the time cover is taken is considered to be cyclically low and likely to increase. Judgement in this respect will be taken in consultation with the Group's financiers; and
- the value of the foreign exchange cover will not exceed AUD\$5 million without the prior approval of the Board.

The Group did not take any foreign currency hedging cover during the current year. In the prior year the Group had foreign currency exchange options in place for the budgeted earnings of the New Zealand businesses for the final five months of the year ended 30 June 2013.

At 30 June 2014 the Group had the following exposures to New Zealand foreign currency:

	2014 \$'000	2013 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	1,271	1,099
Trade and other receivables	14,136	13,116
	<b>15,407</b>	14,215
<b>Financial Liabilities</b>		
Trade and other payables	6,024	4,407
Interest bearing loans and borrowings	1,512	2,798
Loan to parent company	32,707	26,482
	<b>40,243</b>	33,687
Net exposure	<b>(24,836)</b>	(19,472)

### Foreign currency sensitivity analysis

The Group is exposed to New Zealand Dollars. The following table details the Group's sensitivity to a 10% increase and a 10% decrease in the New Zealand Dollar exchange rate. The sensitivity includes only foreign currency denominated monetary items and adjusts their translation at the period end for a change in the period end exchange rate. The sensitivity includes external loans and inter-Group loans to the New Zealand operation that are denominated in New Zealand Dollars. The sensitivities reflect the latest range of interest rate forecasts received by the Group as prepared by third parties.

As at 30 June 2014 had the Australian dollar moved as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post-tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Judgements of reasonably possible movements:</b>				
AUD/NZD +10%	487	(110)	2,256	1,770
AUD/NZD -10%	(239)	121	(2,483)	(1,947)

The contribution to Group profit by New Zealand operations was significantly lower in the current year due to an impairment charge of \$NZ38.6m against goodwill being incurred in the year. Accordingly the New Zealand operation made a loss during the year. The effect of a higher New Zealand dollar exchange rate in the current year was to reduce the loss. The Group's exposure to net monetary liabilities denominated in New Zealand dollars has increased during the year with the an increase in the sensitivity of the Group's equity to movements in the New Zealand dollar.

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

#### (d) Price Risk

Neither the Group nor the Company has any exposure to commodity and equity securities price risk.

#### (e) Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative financial instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at the end of the reporting period is addressed in each applicable note.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group policy to securitise its trade and other receivables.

It is the Group's policy that all clients who wish to trade on credit terms are subject to client acceptance procedures that include an assessment of their credit worthiness. Risk limits are set for each individual client and these risk limits are monitored regularly by management of the Group's member firms.

In addition, receivables balances are closely monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group. The Group derives its revenue from a large client base that is diverse in terms of exposures to different industries and geographical locations. In addition, the Group only transacts in financial instruments with major credit worthy financial institutions to minimise the risk of default of counterparties.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets of the Group and Company as summarised in Note 5(f).

All transactions are denominated in the functional currency of the relevant operating entity.

#### (f) Liquidity Risk

Liquidity risk is managed on a Group basis. The Group's objective is to maintain a balance between continuity of funding through the use of bank overdrafts, bank loans, finance leases and other available lines of credit.

During the year the Group decreased its committed bank facility held with National Australia Bank from \$95 million to \$86.5 million. The facilities comprise:

- \$75 million (2013: \$75 million) non-amortising revolving commercial bill facility (currently drawn to \$39.5 million) which expires on 31 July 2016.
- \$11.5 million (2013: \$20 million) amortising commercial bill facility (currently fully drawn to \$11.5 million). The facility expires on 31 July 2016. Under the terms of this facility a repayment of \$2.5m is required to be paid every 6 months with further repayments at the discretion of the Group. The next payment is due on or before 1 January 2015 with subsequent payments to be made on or before 1 July 2015, 1 January 2016 and 1 July 2016. Each repayment permanently reduces the available facility limit. All other terms and conditions of this facility are the same as the non-amortising revolving commercial bill facility.

The Group also has a committed NZ\$10 million facility with Bank of New Zealand (currently drawn to NZ\$1.6 million).

The Group's financial liabilities are summarised below.

#### *Maturity Analysis of financial assets and liabilities based on Management's expectations*

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in ongoing operations such as plant and equipment and investments in working capital e.g. work in progress and trade debtors. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable effective controlling of future risks, the Group monitors liquidity risk through the management reporting framework which reflects Management's expectations of expected settlement of financial assets and liabilities.

At the end of the reporting period the Group had an additional \$43.3 million (2013: \$43.1 million) of credit facilities available for immediate use.

The amounts disclosed in the tables below are contractual cash flows.

Year ended 30 June 2014	Weighted Average Effective Interest Rate	< 12 months \$'000	1–2 years \$'000	2–5 years \$'000	> 5 years \$'000	Total \$'000
<b>Liquid Financial Assets</b>						
Cash and cash equivalents (variable interest)	2.5%	9,992	-	-	-	9,992
Trade and other receivables	-	81,163	1,397	703	-	83,263
Deferred consideration	-	1,031	-	-	-	1,031
Other loans (fixed interest)	5.6%	10	10	10	183	213
		92,196	1,407	713	183	94,499
<b>Financial Liabilities</b>						
Trade and other payables	-	35,066	459	274	-	35,799
Deferred consideration	-	594	70	491	-	1,155
Other Bank Loans (fixed interest)	5.9%	1,263	312	-	-	1,575
Bank Loans (variable interest <sup>(a)</sup> )	5.5%	5,226	7,452	44,692	-	57,370
Finance Leases and Hire Purchase contracts (fixed interest)	6.25%	2,008	1,336	529	-	3,873
<b>Derivatives</b>						
Interest Rate Swap Contracts – net settled	-	173	45	-	-	218
		44,330	9,674	45,986	-	99,990
Net maturity		47,866	(8,267)	(45,273)	183	(5,491)

(a) Interest rate swap contracts apply against \$25 million of these loans (see Note 17(c)).

Year ended 30 June 2013	Weighted Average Effective Interest Rate	< 12 months \$'000	1–2 years \$'000	2–5 years \$'000	> 5 years \$'000	Total \$'000
<b>Liquid Financial Assets</b>						
Cash and cash equivalents (variable interest)	2.3%	12,065	-	-	-	12,065
Trade and other receivables	-	83,993	1,714	570	-	86,277
Other loans (fixed interest)	6.4%	25	25	25	410	485
		96,083	1,739	595	410	98,827
<b>Financial Liabilities</b>						
Trade and other payables	-	34,502	564	285	-	35,351
Deferred consideration	-	1,154	401	136	-	1,691
Other Bank Loans (fixed interest)	5.9%	1,239	778	19	-	2,036
Other Bank Loans (variable interest)	5.8%	888	-	-	-	888
Bank Loans (variable interest <sup>(a)</sup> )	5.9%	5,324	7,573	52,500	-	65,397
Finance Leases and Hire Purchase contracts (fixed interest)	7.3%	2,536	1,396	742	-	4,674
<b>Derivatives</b>						
Interest Rate Swap Contracts – net settled	-	68	335	(8)	-	395
		45,711	11,047	53,674	-	110,432
Net maturity		50,372	(9,308)	(53,079)	410	(11,605)

(a) Interest rate swap contracts apply against \$30 million of these loans (see Note 17(c)).



# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

#### (g) Fair value

The fair value of the Group's financial assets and liabilities is approximately equal to their carrying value.

#### *Fair value hierarchy*

The Group uses various methods in estimating the fair value of financial instruments. 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 instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Year Ended 30 June 2014				Year Ended 30 June 2013			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial Assets</b>								
Available for sale financial assets								
– Unquoted equity shares	-	-	3	3	-	-	3	3
– Deferred consideration receivable	-	-	1,031	1,031	-	-	-	-
	-	-	1,034	1,034	-	-	3	3
<b>Financial Liabilities</b>								
Derivatives								
– Interest rate swap contracts	-	218	-	218	-	395	-	395
– Deferred consideration payable	-	-	1,155	1,155	-	-	1,678	1,678
	-	218	1,155	1,373	-	395	1,678	2,073

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The fair value of interest rate swap contracts is calculated as the present value of the estimated future cash flows. Derivative financial instruments are included in Level 2. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in Level 3.

Reconciliation of Level 3 fair value measurements of financial assets for the year ended 30 June 2014

	Financial Assets \$'000	Financial Liabilities \$'000
At 1 July 2012	3	(1,748)
Increases to deferred consideration payable	-	(1,395)
Decreases to deferred consideration payable	-	1,421
Other comprehensive income	-	44
At 30 June 2013	3	(1,678)
At 1 July 2013	3	(1,678)
Increases to deferred consideration receivable/(payable)	1,031	(825)
Decreases to deferred consideration payable	-	564
Other comprehensive income	-	784
At 30 June 2014	1,034	1,155

A gain of \$784,000 (2013: \$44,000) for the year has been recognised in the income statement relating to the contingent consideration shown as level 3 liabilities.

There were no transfers between Level 1, Level 2 and Level 3 during the year.

## 6. INCOME TAX

### Income tax recognised in profit or loss

	2014 \$'000	2013 \$'000
<b>Tax expense/(income) comprises:</b>		
Current tax expense in respect of the current year	2,346	2,342
Adjustments recognised in the current year in relation to the current tax of prior years	242	25
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(600)	2,400
Total tax expense	1,988	4,767
 (Loss)/Profit before income tax expense	 (86,223)	 11,777
 Income tax calculated at 30%	 (25,867)	 3,533
 Non-assessable share of net profit after tax from joint venture	 (134)	 -
Other non-assessable income	(929)	-
Effect of expenses that are not deductible in determining taxable profit:		
– amortisation of intangibles	862	798
– share based payments (equity settled)	(6)	2
– entertainment	307	228
– other	165	186
– impairment of goodwill	27,226	-
Effect of different tax rate on subsidiaries operating in other jurisdictions	122	(5)
Adjustments recognised in the current year in relation to the current tax of prior years	242	25
	1,988	4,767

### Income tax recognised directly in equity

The following current and deferred amounts were charged/(credited) directly to equity during the period:

#### Current tax

Share issue expenses	(1)	-
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#### Deferred tax

Arising on income and expenses taken directly to equity:

– translation of foreign operations	814	816
– revaluations of financial instruments treated as cash flow hedges	53	29

Arising on transactions with equity participants:

– share issue expenses deductible over 5 years	(3)	2
	864	847
	863	847

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 6. INCOME TAX continued

#### Deferred tax balances

Deferred tax assets/(liabilities) arise from the following:

2014	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Acquisitions/ Disposals \$'000	Exchange Differences \$'000	Closing Balance \$'000
<b>Temporary differences</b>						
Doubtful debts	1,315	(342)	-	-	23	996
Employee provisions	9,527	139	-	(196)	46	9,516
Bonus provisions	2,908	(421)	-	-	-	2,487
Non-deductible accruals	283	437	-	-	10	730
Property Provisions	1,621	326	-	-	16	1,963
Derivative financial instruments	119	-	(53)	-	-	66
Equity raising costs	1	-	3	-	-	4
Property Plant and Equipment	(103)	43	-	-	(9)	(69)
Exchange difference on foreign subsidiary	(416)	357	(814)	-	-	(873)
Work in progress	(6,393)	(139)	-	-	(68)	(6,600)
Accrued revenue	(1,423)	(119)	-	123	-	(1,419)
Other	(199)	319	-	-	-	120
	<b>7,240</b>	<b>600</b>	<b>(864)</b>	<b>(73)</b>	<b>18</b>	<b>6,921</b>

Losses available for offsetting against future taxable income in New Zealand

443

**7,364**

Presented in the statement of financial position as follows:

Deferred tax asset

7,364

Deferred tax (liability)

-

**7,364**

2013	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Acquisitions/ Disposals \$'000	Exchange Differences \$'000	Closing Balance \$'000
<b>Temporary differences</b>						
Doubtful debts	1,332	(31)	-	-	14	1,315
Employee provisions	10,069	(596)	-	25	29	9,527
Bonus provisions	3,874	(966)	-	-	-	2,908
Non-deductible accruals	815	(539)	-	-	7	283
Property Provisions	1,142	474	-	-	5	1,621
Restructure Provision	435	(436)	-	-	1	-
Derivative financial instruments	239	(91)	(29)	-	-	119
Equity raising costs	3	-	(2)	-	-	1
Property Plant and Equipment	(111)	16	-	-	(8)	(103)
Exchange difference on foreign subsidiary	744	(344)	(816)	-	-	(416)
Work in progress	(6,549)	209	-	-	(53)	(6,393)
Accrued revenue	(1,455)	32	-	-	-	(1,423)
Other	(71)	(128)	-	-	-	(199)
	<b>10,467</b>	<b>(2,400)</b>	<b>(847)</b>	<b>25</b>	<b>(5)</b>	<b>7,240</b>

Presented in the statement of financial position as follows:

Deferred tax asset

7,266

Deferred tax (liability)

(26)

**7,240**

## 7. DIVIDENDS

	2014 \$'000	2013 \$'000
<b>Recognised Amounts</b>		
<i>2013 Final dividend</i>		
2.0 cents per share (2012: 4.0 cents) fully franked at a 30% tax rate	5,393	10,608
<i>2014 Interim dividend</i>		
Nil cents per share (2013: 3.0 cents) fully franked at a 30% tax rate	-	7,956
	<b>5,393</b>	<b>18,564</b>
<b>Unrecognised Amounts</b>		
<i>2014 Final dividend</i>		
Nil cents per share (2013: 2.0 cents) fully franked at a 30% tax rate	-	5,393

### Recognised Amounts

The 2013 final dividend amount of \$5,393,000 was satisfied by a cash payment of \$3,476,000, an issue of shares under the Company's Dividend Reinvestment Plan with a value of \$1,904,000, with the balance offsetting interest accrued on staff share loans.

### Unrecognised Amounts

The Directors' determined not to declare a final dividend for 2014 and accordingly there are no unrecognised dividend payable amounts in the financial report.

	The Company	
	2014 \$'000	2013 \$'000
<b>Dividend Franking Account</b>		
Adjusted franking account balance (tax paid basis)	45,530	45,479

The franking account balance has been calculated after allowing for the balance of tax payable in respect of the year ended 30 June 2014.

The Group also has NZ\$8,664,000 (2013: NZ\$9,199,000) of imputation credits held by its wholly owned subsidiary, Crowe Horwath (NZ) Limited.

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 8. EARNINGS PER SHARE

The following reflects the income and share data used in the basic and diluted earnings per share calculations:

	2014	2013
Basic (loss)/earnings per share	<b>(32.4) cents</b>	2.6 cents
Diluted (loss)/earnings per share	<b>(32.4) cents</b>	2.6 cents

#### Weighted average number of shares

Weighted average number of ordinary shares used in calculating basic earnings per share

Weighted average number of potential ordinary shares:

– employee performance rights

Weighted average number of ordinary shares used in calculating diluted earnings per share

	2014 No.	2013 No.
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>271,852,328</b>	265,237,346
Weighted average number of potential ordinary shares:		
– employee performance rights	<b>191,781</b>	1,000,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	<b>272,044,109</b>	266,237,346

#### Transactions involving ordinary shares after the end of the reporting period

There were no ordinary fully paid shares issued between the end of the reporting period and the date of completion of these financial statements (2013: Nil).

	2014 \$'000	2013 \$'000
<b>Earnings used in calculating earnings per share</b>		
<i>For basic and diluted earnings per share</i>		
Net (loss)/profit after tax attributable to members	<b>(88,211)</b>	7,010

#### Information concerning the classification of securities

##### Employee Performance Rights

Performance Rights granted to employees in prior years (including Key Management Personnel) as described in Note 25(c) are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are dilutive. These performance rights have not been included in the determination of basic earnings per share.

There are no performance rights on issue as at 30 June 2014.

### 9. CASH AND CASH EQUIVALENTS

	2014 \$'000	2013 \$'000
Cash at bank and on hand	<b>9,748</b>	11,771

Cash and cash equivalents includes \$3,044,000 (2013: \$2,432,000) of trust cash held by Crowe Horwath Insurance Brokers Pty Ltd that is not available for use by the Group other than for the purpose of making payments to underwriters and/or refunds to policy holders.



## 10. TRADE AND OTHER RECEIVABLES

	2014 \$'000	2013 \$'000
<b>Current</b>		
Trade receivables	74,964	77,363
Allowance for impairment of receivables (a)	(3,384)	(4,083)
	<b>71,580</b>	73,280
Other receivables	10,614	10,713
	<b>82,194</b>	83,993
<b>Non-current</b>	<b>2,101</b>	2,284

### (a) Allowance for impairment of receivables

Trade receivables are non-interest bearing and are generally on 15–30 day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment of \$1,523,000 (2013: \$1,210,000) has been recognised by the Group in the current year.

Movements in the allowance for impairment loss were as follows:

At 1 July	(4,083)	(4,141)
Charge for the year	(1,523)	(1,210)
Foreign Exchange Translation	(234)	(58)
Amounts written off	2,283	1,114
Amounts recovered during the year	173	212
At 30 June	<b>(3,384)</b>	(4,083)

Ageing analysis of trade receivables at 30 June:

0–30 days	46,290	45,968
0–30 days CI <sup>#</sup>	-	-
31–60 days PDNI <sup>*</sup>	10,991	12,547
31–60 days CI <sup>#</sup>	-	-
61–90 days PDNI <sup>*</sup>	3,836	5,023
61–90 days CI <sup>#</sup>	-	-
91+ days PDNI <sup>*</sup>	10,463	9,742
91+ days CI <sup>#</sup>	3,384	4,083
Total	<b>74,964</b>	77,363

\* Past due not impaired (PDNI)

<sup>#</sup> Considered impaired (CI)

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 10. TRADE AND OTHER RECEIVABLES continued

Receivables past due but not considered impaired are \$25,290,000 (2013: \$27,312,000). In determining the recoverability of trade receivables the Group considers any change in the credit quality of the trade receivable from the date credit was granted up to the reporting date. Senior management at each member firm has reviewed each of these outstanding balances and considers them to be recoverable in full.

The concentration of credit risk is limited due to the client base being large, geographically diverse across Australia and New Zealand, unrelated and drawn from a number of industry segments. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for impairment of trade receivables.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these balances will be received when due.

#### (b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security.

#### (c) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 5.

### 11. OTHER ASSETS

	2014 \$'000	2013 \$'000
<b>Current</b>		
Prepayments	<b>4,843</b>	4,354

## 12. PLANT AND EQUIPMENT

	Office furniture, fittings, equipment and vehicles \$'000	Computer hardware \$'000	Leasehold improvements \$'000	Total \$'000
<b>Year ended 30 June 2014</b>				
Balance at beginning of year	6,415	4,172	10,500	21,087
Additions	2,138	1,415	2,331	5,884
Acquisitions through business combinations (Note 23)	-	-	-	-
Disposals	(105)	(74)	(83)	(262)
Foreign exchange translation	195	72	350	617
Transfer between asset class	(30)	30	-	-
Depreciation charge for year	(1,695)	(1,950)	(1,742)	(5,387)
Balance at end of year	6,918	3,665	11,356	21,939
<b>At 30 June 2014</b>				
Cost	14,047	13,889	21,150	49,086
Accumulated depreciation	(7,129)	(10,224)	(9,794)	(27,147)
Net carrying amount	6,918	3,665	11,356	21,939
<b>Year ended 30 June 2013</b>				
Balance at beginning of year	7,135	4,484	11,314	22,933
Additions	605	2,467	812	3,884
Acquisitions through business combinations (Note 23)	1	1	-	2
Disposals	(323)	(727)	(232)	(1,282)
Foreign exchange translation	139	43	227	409
Transfer between asset class	35	(31)	(4)	-
Depreciation charge for year	(1,177)	(2,065)	(1,617)	(4,859)
Balance at end of year	6,415	4,172	10,500	21,087
<b>At 30 June 2013</b>				
Cost	11,921	12,458	18,106	42,485
Accumulated depreciation	(5,506)	(8,286)	(7,606)	(21,398)
Net carrying amount	6,415	4,172	10,500	21,087

### (a) Leased Assets

Plant and Equipment includes the following amounts where the Group is a lessee under a finance lease:

	2014 \$'000	2013 \$'000
<b>Office furniture, fittings, equipment and vehicles</b>		
Cost	314	240
Accumulated depreciation	(171)	(139)
Net carrying amount	143	101
<b>Computer hardware</b>		
Cost	653	643
Accumulated depreciation	(645)	(552)
Net carrying amount	8	91
<b>Leasehold improvements</b>		
Cost	1,182	1,182
Accumulated depreciation	(406)	(334)
Net carrying amount	776	848

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 13. INTANGIBLE ASSETS

	Goodwill \$'000	Acquired Client Relationships \$'000	Acquired Intellectual Property \$'000	Acquired Brand Name \$'000	Development Costs \$'000	Software \$'000	Total \$'000
<b>Year Ended 30 June 2014</b>							
Balance at beginning of year	235,940	12,809	-	-	-	1,240	249,989
Additions	-	-	-	-	-	370	370
Additional amounts recognised from business combinations occurring during the period (Note 23)	694	858	-	-	-	-	1,552
Disposals	(7,689)	-	-	-	-	(1)	(7,690)
Foreign exchange translation	2,880	330	-	-	-	31	3,241
Impairment of goodwill	(90,753)	-	-	-	-	-	(90,753)
Amortisation	-	(2,873)	-	-	-	(694)	(3,567)
Balance at end of year	141,072	11,124	-	-	-	946	153,142
<b>At 30 June 2014</b>							
Cost	141,072	29,565	4,285	-	332	5,102	180,356
Accumulated amortisation	-	(18,441)	(4,285)	-	(332)	(4,156)	(27,214)
Net carrying amount	141,072	11,124	-	-	-	946	153,142
<b>Year Ended 30 June 2013</b>							
Balance at beginning of year	231,456	13,797	-	11	76	1,374	246,714
Additions	-	-	-	-	-	680	680
Additional amounts recognised from business combinations occurring during the period (Note 23)	1,730	1,410	-	-	-	-	3,140
Disposals	(111)	-	-	-	-	(18)	(129)
Foreign exchange translation	2,865	246	-	-	-	9	3,120
Amortisation	-	(2,644)	-	(11)	(76)	(805)	(3,536)
Balance at end of year	235,940	12,809	-	-	-	1,240	249,989
<b>At 30 June 2013</b>							
Cost	235,940	27,804	4,285	95	332	4,609	273,065
Accumulated amortisation	-	(14,995)	(4,285)	(95)	(332)	(3,369)	(23,076)
Net carrying amount	235,940	12,809	-	-	-	1,240	249,989

#### (a) Description of the Group's intangible assets and goodwill

##### Acquired client relationships

Acquired client relationships are recognised on the acquisition of some accounting and financial services businesses. The intangible asset recognised represents that part of the purchase consideration that is attributable to the fair value of future cash flows to be derived from established clients of the acquired business that have a proven long term relationship with the business being acquired. These assets are capitalised at fair value as at the date of acquisition. The intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 8–15 years.

##### Acquired brand names

Acquired brand names were carried at cost less accumulated amortisation and accumulated impairment losses. This represented payment made to acquire the sole use of the name "WHK" in Australia and New Zealand. This intangible asset was assessed as having a finite economic life and was amortised using the straight line method over five years. Further to the rebrand to Crowe Horwath from 1 August 2013 the acquired brand name has been written off. At 30 June 2013 the acquired brand name had a carrying value of \$Nil.

## Acquired intellectual property

Acquired intellectual property is measured at fair value at the date of acquisition less accumulated amortisation and accumulated impairment losses and represents the future value of the proprietary web based business consulting toolkits acquired as part of a business combination. The intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of two years.

## Development Costs

Development costs are incurred in association with the development of proprietary software to be made available for sale to clients. This intangible asset has been assessed as having a finite economic life and is amortised using the straight line method over 2.5 years from the date the asset is available for use.

## Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment (refer to section b) of this Note.

## Software

Software includes capitalised development costs.

### (b) Impairment tests for goodwill

#### (i) Description of the cash generating units and other relevant information

Goodwill acquired through business combinations has been allocated to the Group's cash generating units (CGUs) identified according to business segment and country of operation.

Goodwill has been allocated to 3 CGUs, being:

- Business Services Australia;
- Financial Services Australia; and
- Business Services New Zealand.

#### (ii) Carrying amount of goodwill allocated to each of the cash generating units

The carrying amount of goodwill is allocated to the cash generating units as follows:

Cash generating unit	2014 \$'000	2013 \$'000
Business Services Australia	87,007	135,560
Financial Services Australia	44,325	59,535
Business Services New Zealand*	9,740	40,845
Total Goodwill	141,072	235,940

\* The Financial Services New Zealand CGU is currently not material to the Group and is accordingly not presented as a separate CGU.

#### (iii) Basis of impairment calculation and key assumptions

The recoverable amount of goodwill has been determined for all cash generating units based on a value in use calculation as at 30 June 2014 using cash flow projections.

The year 1 cash flow projections are based on detailed financial budgets and estimates for 2014/15 prepared by Management and approved by the Board. The cash flows used for each cash generating unit have then been adjusted to reflect an estimate of risk to the achievement of the budgets. Cash flows beyond the year 1 budgets are forecast using the following assumptions:

- Growth Rate;
- Discount Rate;
- Gross Margin.

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 13. INTANGIBLE ASSETS continued

**Growth rate** – the organic growth rate used to extrapolate cash flows beyond the initial year 1 budget period to year 5 is 2.5% (2013: 4%). The growth rate assumed beyond the initial five year period is 2.5% (2013: 3%). The growth rate used does not exceed the long term average growth rate for the business in which the CGU operates.

**Discount rate** – discount rates reflect Management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. This is the benchmark used by Management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the Group's weighted average cost of capital and adjusted for country and business specific risk particular to the unit.

The pre-tax, risk free discount rate applied to each CGU is:

- Business Services Australia – 13.7% (2013: 13.9%);
- Financial Services Australia – 14.5% (2013: 14.2%);
- Business Services New Zealand – 12.7% (2013: 13.9%).

**Gross margin** – the gross margin used in the forecasts is based on the gross margin forecast by Management in the year 1 risk adjusted budget. The gross margin percentage is forecast to increase by approximately 1% reflecting the incremental benefits of cost savings made in the 2014 financial year, underlying cost increases of approximately 4% relating to inflationary costs and promotions and modest revenue growth. Gross margin is then assumed to stay constant across the forecast period.

#### (iv) Impairment charge

During the year an impairment loss of \$90,753,000 was charged against the carrying value of goodwill. This arose as a result of forecast revenue being below both expectations and prior year earnings.

#### (v) Impact of possible changes in key assumptions

There are reasonably possible changes in key assumptions that would cause the carrying value of the cash generating units to exceed their recoverable amount. The business continues to experience difficult trading conditions. Given this environment management has adjusted the cash flows used for the impairment calculations to reflect an appropriate amount of risk in the attainment of the internal budgets.

In the absence of a supportable change in any other assumption if the net profit achieved by the Business Services Australia cash generating unit was 8% below budget, or the net profit of the Financial Services Australia cash generating unit was 13% below budget, or the net profit of the New Zealand cash generating unit was 2% below budget then the carrying value of these cash generating unit would exceed their recoverable amount.



## 14. INVESTMENT IN JOINT VENTURE

The Group has a 50% equity interest in First Financial Pty Ltd, a jointly controlled entity involved in the provision of financial services.

50% of the equity in the company was sold during the year to the principals who previously were employed in the Financial Services division of the Group's Melbourne member firm. First Financial Pty Ltd began operating from 5 February 2014.

First Financial Pty Ltd is a private entity that is not listed on any public exchange. The Groups interest in First Financial Pty Ltd Limited is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture, based on its Australian Accounting Standards financial statements, and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

	2014 \$'000
Current assets <sup>(a)</sup>	3,210
Non-current assets	9,103
<b>Total assets</b>	<b>12,313</b>
Current liabilities <sup>(b)</sup>	2,492
Non-current liabilities <sup>(b)</sup>	113
<b>Total liabilities</b>	<b>2,605</b>
<b>Total Equity</b>	<b>9,708</b>
Proportion of Group ownership	50%
<b>Carrying amount of the investment</b>	<b>4,854</b>
(a) Includes cash and cash equivalents.	1,744

(b) The company does not have any financial liabilities (excluding trade and other payables and provisions).

	2014 \$'000
Revenue	5,179
Profit before income tax	1,280
Income tax expense	384
<b>Profit for the period</b>	<b>896</b>
Other comprehensive income	-
<b>Total comprehensive income for the period from 5 February 2014</b>	<b>896</b>
<b>Group share of profit</b>	<b>448</b>
Interest income	2
Depreciation and amortisation	(1)

### Dividends

No dividends were received from First Financial Pty Ltd during 2014.

### Contingent Liabilities and Capital Commitments

The joint venture had no contingent liabilities or capital commitments as at 30 June 2014.

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 15. TRADE AND OTHER PAYABLES

	2014 \$'000	2013 \$'000
<b>Current</b>		
Trade creditors and accruals	22,837	20,499
Other payables	12,905	15,157
	<b>35,742</b>	<b>35,656</b>
<b>Non-current</b>		
Property operating lease contracts (a)	4,549	3,862
Other payables	1,294	1,386
	<b>5,843</b>	<b>5,248</b>

#### (a) Property operating lease contracts

The liability for property operating lease contracts represents the effect of recognising rental costs on a straight line basis over the term of the lease contract where the lease contract includes a fixed annual rental increase.

#### Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

#### Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 5.

### 16. INTEREST BEARING LIABILITIES – SECURED

	Note	2014 \$'000	2013 \$'000
<b>Current</b>			
Bank loan (d) (e)		2,500	2,500
Hire purchase liability (d)	30	1,859	2,061
Lease liability (d)	29	28	146
Other bank loans (d)		1,209	2,024
		<b>5,596</b>	<b>6,731</b>
<b>Non-current</b>			
Bank loan (d) (e)		48,377	54,819
Hire purchase liability (d)	30	1,714	2,068
Lease liability (d)	29	48	11
Other bank loans (d)		303	774
		<b>50,442</b>	<b>57,672</b>

#### (a) Fair values

The carrying amounts of the Group's current and non-current borrowings approximate their fair values.

#### (b) Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in Note 5.

#### (c) Defaults and breaches

During the current and prior years, there were no defaults or breaches of any of the loans.

#### (d) Assets pledged as security

Hire purchase and finance leased assets are secured by the assets leased.

The bank facilities are secured by fixed and floating charges over the assets of the Group.

### (e) Reconciliation of Bank Facility

	2014 \$'000	2013 \$'000
Bank loan – secured – current	2,500	2,500
Bank loan – secured – non-current	48,500	55,000
Less: capitalised transaction costs	(123)	(181)
	<u>50,877</u>	<u>57,319</u>

The bank loan includes a \$11,500,000 tranche that is an amortising bank facility. A repayment on this facility of \$2,500,000 is due on or before 1 January and 1 July each year. A \$2,500,000 repayment was made on 30 June 2014 with the next repayment due on or before 1 January 2015. Additional repayments of the facility are permitted at the discretion of the Company.

The remaining \$39,500,000 of the bank loan is drawn against a non-amortising bank facility. The non-amortising facility has a facility limit of \$75,000,000 of which \$35,500,000 was undrawn at year end.

The amortising and the non-amortising bank facilities both expire on 31 July 2016.

Directly attributable transaction costs have been capitalised and are amortised using the effective interest rate method over the term of the bank facility.

## 17. OTHER FINANCIAL ASSETS AND LIABILITIES

	2014 \$'000	2013 \$'000
<b>Other Financial Assets – non-current</b>		
Loans and receivables:		
Other loans (a)	173	385
Available for sale investments:		
Unquoted equity shares (b)	3	3
Total other financial assets – non-current	<u>176</u>	<u>388</u>
<b>Other Financial Liabilities – current</b>		
Derivative financial instruments:		
Interest rate swap contracts (c)	173	67
<b>Other Financial Liabilities – non-current</b>		
Derivative financial instruments:		
Interest rate swap contracts (c)	45	328
Total other financial liabilities	<u>218</u>	<u>395</u>

### (a) Loans and receivables – other loans

Interest on other loans is charged at 5.6% (2013: 6.4%). In a prior period, loans were granted to certain employees of the Group (non-key management personnel) to assist with the purchase of shares in the Company. These loans are repayable in full at the date the employee ceases employment with the Group. A holding lock is placed on the relevant shares to secure the loans and dividends paid on these shares are retained by the Company. Interest is charged annually on the loans, being the lower of a commercial interest rate and the retained dividends. Any excess dividends are used to reduce the loan balance and further repayments can be voluntarily made by an employee at any time. The loans are not past due and are considered to be recoverable in full.

### (b) Available for sale investments – unquoted equity shares

The Group has a minority equity investment in an unquoted entity. The investment is carried at fair value.

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 17. OTHER FINANCIAL ASSETS AND LIABILITIES continued

#### (c) Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates. The Group's treasury policy allows for the Group to enter in to derivative financial instrument contracts for the purpose of minimising financial risks. The Group is precluded from entering in to derivative financial instrument contracts for speculative purposes. There were no foreign exchange contracts open at year end.

##### *Interest rate swap contracts*

Interest bearing loans of the Group currently bear an average interest rate of 5.9% (2013: 5.9%). In order to protect against future interest rate rises and provide certainty with regard to cash interest costs, the Group has entered in to interest rate swap contracts under which it has the right to receive interest at variable rates and pay interest at fixed rates. The floating rate on the interest rate swaps is the Australian BBSY. Swaps settle on a quarterly or monthly basis and are timed to expire at the renewal dates of each loan. The fixed interest rates range between 2.95%–4.09%.

At 30 June 2014, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	Average Contracted Fixed Interest Rate		Notional Principal Amount		Fair Value	
	2014 %	2013 %	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Outstanding floating for fixed contracts</b>						
<i>Cash Flow Hedges</i>						
Less than 1 year	4.03	4.48	15,000	5,000	(172)	(67)
1 to 2 years	2.95	4.03	10,000	15,000	(45)	(335)
2 to 3 years	-	2.95	-	10,000	-	7
			<b>25,000</b>	<b>30,000</b>	<b>(217)</b>	<b>(395)</b>

##### *Cash Flow Hedges*

The interest rate swaps and the interest payments on the loan occur simultaneously. Amounts deferred in equity are recognised in other comprehensive income over the period that the floating interest payments on debt impact other comprehensive income.

#### (d) Interest Rate Risk

Information regarding interest rate risk exposure is set out in Note 5.

#### (e) Credit Risk

Credit risk arises from the potential failure of counterparties to meet their obligations at maturity of contracts. This arises on derivative financial instruments with unrealised gains. The Group's treasury policy provides that derivative financial instrument contracts can only be transacted with financial institutions with a current service agreement in place with the Group. The credit worthiness of any service provider is evaluated as part of the periodic tender assessment process.

## 18. PROVISIONS

	2014 \$'000	2013 \$'000
<b>Current</b>		
Employee benefits	28,483	28,211
Provision for onerous property lease contracts	849	255
	<b>29,332</b>	<b>28,466</b>
<b>Non-current</b>		
Employee benefits	3,360	3,602
Provision for onerous property lease contracts	1,223	1,310
	<b>4,583</b>	<b>4,912</b>

### (a) Movements in provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

	Onerous property lease contracts \$'000
At 1 July 2013	1,565
Arising during the year	694
Utilised during the period	(246)
Discount rate adjustment	59
At 30 June 2014	<b>2,072</b>
Current 2014	849
Non-current 2014	<b>1,223</b>
	<b>2,072</b>

### (b) Nature and Timing of Provisions

#### *Onerous property lease contracts*

The provision for onerous property lease contracts represents the future lease payments that the Group is obliged to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on the lease. This estimate may vary as a result of changes in the utilisation of the leased premises. The unexpired terms of the two lease contracts are 15 months and five years.

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 19. CONTRIBUTED EQUITY

		2014 \$'000	2013 \$'000
273,005,429 ordinary fully paid shares (2013: 269,665,066)		228,314	226,422
<b>Movement in ordinary shares on issue</b>	<b>Number of shares</b>	<b>\$'000</b>	
At 1 July 2012	265,200,652	223,475	
28/06/13 Issue of shares under the Dividend Reinvestment Plan (b)	4,464,444	2,947	
Transaction costs (net of tax benefit) relating to share issues	-	-	
At 30 June 2013	269,665,096	226,422	
04/11/13 Issue of shares under the Dividend Reinvestment Plan (b)	3,340,333	1,904	
Transaction costs (net of tax benefit) relating to share issues	-	(12)	
At 30 June 2014	273,005,429	228,314	

The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

#### (a) Voting and other rights

All shares issued by the Company are fully paid ordinary shares.

A holder of a share in the Company is entitled to receive notice of, attend and vote at all meetings of members of the Company. The voting rights of a share at such meetings are as follows:

- on a show of hands, each member has one vote; and
- on a poll, each member has one vote for each share held.

In a winding up of the Company, each share is entitled to participate equally in the distribution of the capital and surplus assets of the Company.

#### (b) Dividend Reinvestment Plan

The Directors reactivated the Company's Dividend Reinvestment Plan in February 2013. The plan provides eligible shareholders with the opportunity to reinvest all or part of their dividends in additional shares in the Group at a 2.5% discount to the weighted average price of shares sold on the ASX during a period of 10 trading days, with the period commencing on the second trading day after the dividend record date.

#### (c) Treasury Shares

The Group's own shares are acquired and held in trust for allocation under the Crowe Horwath Australasia Ltd Exempt Share Plan (share plan) by CPU Share Plans Pty Ltd (the plan trustee). These shares (Treasury Shares) are deducted from equity.

Under the share plan, eligible Group employees may receive up to \$1,000 per annum of Group shares on a tax free basis via salary sacrifice arrangements. Shares allocated under the plan are acquired on market by the plan trustee in the period up to the allocation date. Shares are allocated to employees at the weighted average price of Group shares traded over the five days prior to the date of allocation.

Shares allocated under the share plan may not be sold until the earlier of three years after allocation or cessation of employment with the Group. Generally, in all other respects the shares rank equally with other fully-paid ordinary shares on issue.



	Number of shares	\$'000
At 1 July 2012	-	-
Acquisition of shares by share plan trustee	(303,646)	(314)
Allocation under exempt share plan	303,646	314
At 30 June 2013	-	-
Acquisition of shares by share plan trustee	(466,848)	(279)
Allocation under exempt share plan	466,848	279
At 30 June 2014	-	-

During the year each share plan participant was allocated shares to the value of approximately \$1,000 which were acquired on-market at a weighted average price of approximately \$0.60 per share (2013: \$1.03).

#### (d) Capital Management

Details of the Group's capital management policies are included in Note 5. The Group is not subject to any externally imposed capital requirements.

## 20. RESERVES

### (a) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary. Movements in the balance of this reserve are disclosed in the Statement of Changes in Equity.

### (b) Performance Rights Reserve

The performance rights reserve records items recognised as expenses on valuation of performance rights issued to designated executives of the Group. Movements in the balance of this reserve are disclosed in the Statement of Changes in Equity.

### (c) Cash Flow Hedge Reserve

The cash flow hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the associated hedged transaction affects the profit or loss. Movements in the balance of this reserve are disclosed in the Statement of Changes in Equity.

### (d) Option Premium on Unsecured Convertible Notes

The option premium on unsecured convertible notes represented the equity component (conversion rights) of the unsecured convertible notes that were on issue during the prior year. Movements in the balance of this reserve are disclosed in the Statement of Changes in Equity. The unsecured convertible notes were redeemed in full in the prior year.

## 21. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly owned controlled entities listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit, and lodgement of financial reports, and Directors' Reports.

It is a condition of the Class Order that the Company and each of the controlled entities enter into a Deed of Cross Guarantee. The effect of the Deed is the Company guarantees to each creditor of the controlled entities, payment in full of any debt in the event of winding up under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event the Company is wound up.

The Company is Crowe Horwath Australasia Ltd and the controlled entities subject to the Deed of Cross Guarantee are Crowe Horwath (Aust) Pty Ltd, Crowe Horwath Sydney Pty Ltd and WHK Central West Pty Ltd.

There are other controlled entities of the Company not covered under the Deed of Cross Guarantee.

A summarised consolidated Income Statement and consolidated Summarised Statement of Financial Position, comprising the Company and controlled entities which are a party to the Deed of Cross Guarantee, after eliminating all transactions between parties to the Deed, at 30 June 2014, are set out on the following pages.

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 21. DEED OF CROSS GUARANTEE continued

<b>Summarised Income Statement</b>	<b>2014 \$'000</b>	<b>2013 \$'000</b>
(Loss)/profit from ordinary activities before related income tax expense	(44,866)	13,905
Income tax (expense)/benefit relating to profit from ordinary activities	(3,190)	(5,005)
<b>Net (loss)/profit from ordinary activities after related income tax expense</b>	<b>(48,056)</b>	<b>8,900</b>
Retained profits at beginning of year	22,084	31,748
Dividends recognised during the year	(5,393)	(18,564)
<b>Accumulated (losses)/retained profits at end of year</b>	<b>(31,365)</b>	<b>22,084</b>
<b>Summarised Statement of Financial Position</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,993	4,326
Trade and other receivables	64,777	67,239
Other assets	24,139	22,719
<b>Total current assets</b>	<b>90,909</b>	<b>94,284</b>
<b>Non-current assets</b>		
Trade and other receivables	2,262	2,669
Other financial assets	94,076	115,811
Plant and equipment	14,445	14,304
Intangible assets	133,216	177,958
Deferred tax assets	6,417	7,377
<b>Total non-current assets</b>	<b>250,416</b>	<b>318,119</b>
<b>Total assets</b>	<b>341,325</b>	<b>412,403</b>
<b>Current liabilities</b>		
Trade and other payables	24,891	26,385
Interest bearing liabilities	4,387	4,707
Current tax liabilities	(236)	(797)
Provisions	26,060	26,215
<b>Total current liabilities</b>	<b>55,102</b>	<b>56,510</b>
<b>Non-current liabilities</b>		
Trade and other payables	50,139	56,898
Interest bearing liabilities	40,976	45,943
Provisions	4,408	4,803
<b>Total non-current liabilities</b>	<b>95,523</b>	<b>107,644</b>
<b>Total liabilities</b>	<b>150,625</b>	<b>164,154</b>
<b>Net assets</b>	<b>190,700</b>	<b>248,249</b>
<b>Equity</b>		
Contributed equity	222,218	226,422
Reserves	(153)	(257)
Accumulated (losses)/retained profits	(31,365)	22,084
<b>Total equity</b>	<b>190,700</b>	<b>248,249</b>

## 22. NOTES TO THE STATEMENT OF CASH FLOWS

### (a) Reconciliation of net profit after income tax to net cash flows from operating activities

	2014 \$'000	2013 \$'000
(Loss)/Profit after income tax	(88,211)	7,010
<b>Non-cash flows in profit from ordinary activities</b>		
Depreciation	5,387	4,859
Amortisation of intangible assets	3,567	3,536
Unrealised foreign exchange gains	(353)	(81)
(Profit)/Loss on sale of assets	(147)	3
Share of profit of joint venture	(448)	-
Fair value adjustment of a contingent consideration	(784)	(44)
Impairment of goodwill	90,753	-
Employee entitlements	696	(1,803)
Impairment of trade receivables	(698)	(59)
Onerous and straight-line property lease movements	1,241	1,503
Restructure provision	-	(1,460)
Net revenue recognised on rights to receive future trail commissions	(310)	70
Performance rights expensed	(21)	7
Fair value gain on derivative financial instruments	-	(302)
Other non-cash finance charges	57	166
<b>Change in assets and liabilities net of the effects of purchase and disposal of controlled entities and businesses:</b>		
Decrease/(increase) in trade receivables	2,399	(1,249)
Decrease/(increase) in other receivables and other assets	(549)	(1,900)
Decrease/(increase) in work in progress	(527)	515
Decrease/(increase) in net deferred income tax asset	(209)	3,249
Increase/(decrease) in trade and other payables	1,494	(3,241)
Increase/(decrease) in other liabilities	209	636
Increase/(decrease) in income tax payable	819	(700)
<b>Net cash provided by operating activities</b>	<b>14,365</b>	<b>10,715</b>

### (b) Proceeds From the Sale of Other Business Assets

Proceeds from the sale of other business assets are presented net of \$608,000 of cash that was divested in the sale of a part of the Melbourne Financial Services division, along with employee liabilities of \$706,000, a liability for unearned income for \$113,000 and a deferred tax asset of \$211,000. A further cash amount of up to \$900,000 is receivable within 12 months of reporting date. The business was transferred into First Financial Pty Ltd with the Group then selling 50% of the equity in the company to the former senior principals in the business.

### (c) Non-cash Financing and Investing Activities

Acquisition of assets by means of hire purchase contracts	1,693	1,484
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# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 22. NOTES TO THE STATEMENT OF CASH FLOWS continued

#### (d) Financing Facilities

The Group has access to the following lines of credit:

	Note	2014 \$'000	2013 \$'000
<b>Total Facilities available:</b>			
Bank loan (secured) (ii)		95,793	103,424
Hire purchase and leasing (secured) (i)		8,067	8,161
Total		103,860	111,585
<b>Facilities utilised at Reporting Date:</b>			
Bank loan	16	52,512	60,298
Hire purchase and leasing	16	3,649	4,286
Total		56,161	64,584
<b>Facilities not utilised at Reporting Date:</b>			
Bank loan		43,281	43,126
Hire purchase and leasing		4,418	3,875
Total		47,699	47,001

Details of the major financing facilities as at 30 June 2014 are summarised as follows:

#### (i) Leasing and Hire Purchase Facility

Uncommitted lease and hire purchase facilities of \$1,067,000 (2013: \$1,331,000) are provided by various banks and finance companies. The lease and hire purchase liabilities are secured over the assets being financed. In addition, the Group also has the following committed asset finance facilities:

- \$4,500,000 (2013: \$4,500,000) with National Australia Bank ('NAB') of which \$3,909,000 (2013: \$2,938,000) is undrawn at year end; and
- \$2,500,000 (2013: \$2,500,000) with Australia and New Zealand Banking Group Limited of which \$509,000 (2013: \$937,000) is undrawn at year end.

#### (ii) Banking Facilities

The Group has the following commercial bill and working capital facilities held with NAB:

- Non-amortising \$75,000,000 (2013: \$75,000,000) commercial bill facility;
- Amortising \$11,500,000 (2013: \$20,000,000) commercial bill facility. The facility is reduced by a minimum of \$2.5 million every six months with the next repayment due on or before 1 January 2015;
- An NZ\$10,000,000 (2013: NZ\$10,000,000) term loan facility with Bank of New Zealand ('BNZ').

All banking facilities are secured in full by a first ranking fixed and floating charge over all the assets and undertakings of the Group, unlimited as to the amount given by the Company.

The Company's non-amortising and amortising commercial bill and working capital facilities with NAB expire on 31 July 2016.

The term loan facility with BNZ is subject to annual renewal each 31 July.

## 23. BUSINESS COMBINATIONS

The Group's policy is to disclose separately all business combinations where the total cost of the combination is in excess of \$2,000,000. All other disclosed acquisitions relate to the acquisition of businesses that are "tuck-in" acquisitions to existing Group businesses. These acquisitions represent aggregate information for the business combinations enacted in the year that are considered to be individually immaterial.

All of the business combinations completed during the year were "tuck-in" (2013: "tuck-in") transactions. "Tuck-in" businesses are integrated in to an existing Group business and the results are not reported separately. As a result the contribution of these businesses to net profit of the Group since acquisition has not been disclosed. In addition a number of these transactions involve acquiring parts of existing businesses that would not be able to accurately measure the revenue and profit or loss attributable to the acquired business pre acquisition. Accordingly the Group has not disclosed the revenue and the profit or loss of the Group had all the business acquisitions been effected at the start of the year.

The Group paid a premium for these businesses as it believes that they will introduce additional synergies to existing Group businesses.

	2014 \$'000	2013 \$'000
<b>Cost of combination</b>		
Cash Paid	703	1,689
Deferred cash consideration	825	1,395
	<b>1,528</b>	<b>3,084</b>

Under the terms of the acquisition agreements the Group is required to make additional cash payments to the vendors' dependent on the retention of acquired client fees for a period of 12 months subsequent to acquisition. The deferred payments are reduced by an agreed ratio for every \$1 of acquired client fees that are not retained. Based on an assessment of the acquired client lists and experience of previous similar transactions, the Group expects to pay the deferred consideration in full and has assessed the fair value of these payments to be the maximum amount payable under the contracts. Future changes to this estimate will be recorded directly in the income statement in the periods in which they occur.

The aggregate fair value of the identifiable assets and liabilities acquired as at the date of acquisition for each of the business combinations undertaken in the year are:

	2014 \$'000	2013 \$'000
<b>Fair value of identifiable assets and liabilities acquired as at the date of the acquisition:</b>		
Plant and Equipment	-	2
Hire Purchase Liabilities	(14)	-
Deferred Tax Assets	4	25
Employee Benefits Provisions	(14)	(83)
Intangible Assets – Acquired client relationships (Note 13)	858	1,410
Fair value of identifiable net assets	<b>834</b>	<b>1,354</b>
Goodwill arising on acquisition (Note 13)	<b>694</b>	<b>1,730</b>
<b>Book value of identifiable assets and liabilities immediately prior to the date of the acquisition:</b>		
Plant and Equipment	-	2
Hire Purchase Liabilities	(14)	-
Employee Benefits Provisions	(14)	(83)
Book value of identifiable net assets/(liabilities) prior to acquisition	<b>(28)</b>	<b>(81)</b>

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 23. BUSINESS COMBINATIONS continued

Acquisition related costs incurred by the Group include legal fees, stamp duty and other transaction related costs. These costs have been accounted for separately from the business combination and are included in other expenses in the Income Statement.

	2014 \$'000	2013 \$'000
Direct costs relating to the acquisitions	1	127

#### The cash outflow on acquisition of business assets acquired is as follows:

Cash paid	703	1,689
Deferred acquisition paid	564	1,421
Net consolidated cash outflow	1,267	3,110

### 24. CONTINGENT LIABILITIES

#### Outstanding Claims

As previously disclosed to the ASX on 22 August 2013, a Group member firm in New Zealand was served with a statement of claim in the High Court of New Zealand on behalf of the receivers of OPI Pacific Finance Limited (in liquidation and in receivership) (**OPI**). The statement of claim relates to an audit undertaken by the member firm of the accounts of OPI as at 31 March 2007.

The outcome of any legal proceeding is inherently uncertain. The claim is at the discovery stage and continues to be strongly defended. Given the current status of the claim and available information, the possibility that the Group will suffer any future economic loss from this matter is uncertain.

In addition, as at 30 June 2014, there are other outstanding professional indemnity notifications of circumstances and claims (**Claims**) which have not already been provided for which liability may arise with respect to controlled entities. The individual amounts involved with these Claims are not considered material having regard to professional indemnity insurance cover and are not expected to exceed \$2,500,000 (2013: \$2,000,000). Any possible future economic loss from these Claims is uncertain.

#### Fee Financing Arrangements

The Group has entered into fee financing agreements whereby a third party fee financing company will pay to the Group, the full invoice value of specified debts owed by clients. The client will then agree to enter in to a separate finance agreement with the third party fee financing supplier to repay the debt at a set interest rate over a term of not more than 12 months. The Group retains the liability for any outstanding principal debt owing should a default occur on the finance contract.

As at 30 June 2014 the following fee funding agreements were in place. A total principal amount of \$2,837,000 (2013: \$2,572,000) was owed to the fee finance providers by Group clients. The average value of the invoices subject to financing arrangements is \$12,959 (2013: \$11,179). The term of repayment of these invoices is less than 12 months.

The Group remains ultimately liable for these amounts should default occur. The timing or extent (if any) of a default on any particular individual invoice is not known with certainty and is not considered to be probable. The likelihood that default would occur across sufficient individual clients and invoices to result in a material liability being payable is considered to be remote.

#### Transaction Costs

The Group is in discussion with Findex Australia Pty Ltd in relation to a proposal to acquire all of the shares in Crowe Horwath by way of a scheme of arrangement. The Group is being advised by Macquarie Capital (Australia) Limited ("Macquarie") in relation to this proposal. Macquarie's fees relative to this engagement are contingent upon a transaction being successfully executed. At the date of this report there is no certainty that a transaction will proceed. Accordingly no potential fee has been recognised in the financial statements. Should a transaction occur a fee would be payable on market based terms.

#### Deed of Cross Guarantee

The Company's total obligations and liabilities with respect to the entities under the Deed of Cross Guarantee as detailed in Note 21 is \$150,625,000 (2013: \$164,154,000).



## Net Assets of Controlled Entities

No material deficiency of net assets existed in any of the controlled entities as at 30 June 2014.

## Termination Benefits

There are no contingent liabilities in respect of termination benefits under service agreements with either Directors or others who take part in the management of the Company.

## 25. SHARE BASED PAYMENT PLANS

### (a) Recognised share based payment expenses

The credit arising from equity settled share based payment transactions recognised for employee services received during the year is \$21,000 (2013: charge of \$7,000) for the consolidated entity.

### (b) Type of share-based payment plan

The performance rights issued to Mr Lombard under the Group's Performance Share Plan were at no monetary consideration. The performance rights convert to ordinary fully paid shares in the Company subject to achievement of specific performance criteria over a 3 year performance period or earlier under certain circumstances. The performance criteria are based on the performance of the Company's share price and continuity of employment during the term of the performance period. Performance rights do not carry voting or dividend rights until they are converted to shares. There are no cash settlement alternatives.

### (c) Summaries of performance rights granted under the Group Performance Share Plan

The following table illustrates the number of, and movements in, performance rights on issue during the year:

	2014	2013
Outstanding at the beginning of the year	1,000,000	1,000,000
Lapsed during the year	(1,000,000)	-
Outstanding at the end of the year	-	1,000,000
Convertible at the end of the year	-	-

The weighted average conversion price of performance rights is \$nil.

### (d) Weighted average remaining contractual life

There are no performance rights outstanding at 30 June 2014 (2013: remaining contractual life was one year).

### (e) Weighted average fair value

There were no performance rights granted during the year. The weighted average fair value of the performance rights that lapsed during the year was \$0.034.

### (f) Performance rights pricing model

The fair value of the equity-settled performance rights granted under the Group Performance Share Plan was estimated at the date of grant using a Monte-Carlo simulation valuation model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used in the valuation of the unvested rights on issue. The rights have a grant date of 21 November 2011:

Dividend yield (%)	7.90
Expected volatility (%)	20.00
Risk-free interest rate (%)	3.20
Expected life of performance right (years)	2.60
Conversion price (\$)	Nil
Weighted average share price at measurement date (\$)	0.88

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future patterns, which may not eventuate.

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 26. RELATED PARTY DISCLOSURES

#### Ultimate Parent Entity

The Company, Crowe Horwath Australasia Ltd, is the ultimate parent entity and is incorporated in Victoria, Australia.

#### Transactions with joint venture entity – First Financial Pty Ltd

At 30 June 2014 the Group owed \$75,000 to First Financial Pty Ltd in relation to financial services trailing commissions received by the Group on behalf of First Financial. These amounts are disclosed within other current payables. In addition First Financial Pty Ltd owed the Group an amount of \$379,000 in relation to service fees payable at year end. These amounts are disclosed within other receivables.

During the year the Group charged First Financial Pty Ltd an amount of \$901,000 on commercial terms for service fees in relation to the lease of office space and associated services.

#### Transactions with Key Management Personnel

The remuneration of key management personnel, which includes executive members of the Board, are set out below:

	2014 \$'000	2013 \$'000
Short term employee benefits	3,259,331	2,870,951
Post-employment benefits	106,994	120,714
Other long-term benefits	80,939	35,631
Share based payments	(10,400)	7,000
	<b>3,436,864</b>	<b>3,034,296</b>

### 27. AUDITORS' REMUNERATION

	2014 \$	2013 \$
<b>Amounts due and receivable by:</b>		
Grant Thornton for:		
Audit and review of the financial report of the entity and any other entity within the Group	210,500	249,000
Non-Audit Services – internal control review	-	9,160
	<b>210,500</b>	<b>258,160</b>

### 28. LEASE RENTAL COMMITMENTS

The Group leases various office spaces under non-cancellable operating leases expiring at various times up to ten years from the reporting date. The leases have varying terms, options and rent renewals. The Group also leases various office equipment under non-cancellable operating leases.

	2014 \$'000	2013 \$'000
<b>Operating lease rental commitments:</b>		
Within 12 months	23,908	21,616
12 months or longer and not longer than five years	66,783	65,198
Longer than five years	37,489	39,394
	<b>128,180</b>	<b>126,208</b>

## 29. FINANCE LEASE COMMITMENTS

The Group leases various office equipment and leasehold improvements under finance leases. The future commitments under these leases are as follows:

	2014 \$'000	2013 \$'000
<b>Financial Lease commitments:</b>		
Not later than 12 months	32	172
Between 12 months and five years	52	11
Total minimum lease payments	84	183
Less: future finance charges	(8)	(26)
	76	157
<b>Amounts recognised in the financial statement (refer Note 16):</b>		
Current interest bearing liabilities	28	146
Non-current interest bearing liabilities	48	11
	76	157

## 30. HIRE PURCHASE COMMITMENTS

The Group acquires office equipment and leasehold improvements under hire purchase agreements. The future commitments under these arrangements are as follows:

	2014 \$'000	2013 \$'000
<b>Hire purchase commitments:</b>		
Not later than 12 months	1,976	2,364
Between 12 months and five years	1,813	2,127
Minimum hire purchase payments	3,789	4,491
Less: future hire purchase charges	(216)	(362)
	3,573	4,129
<b>Amounts recognised in the financial statement (refer Note 16):</b>		
Current interest bearing liabilities	1,859	2,061
Non-current interest bearing liabilities	1,714	2,068
	3,573	4,129

# NOTES TO FINANCIAL STATEMENTS continued

## FOR YEAR ENDED 30 JUNE 2014

### 31. CROWE HORWATH AUSTRALASIA LTD PARENT COMPANY INFORMATION

	The Company	
	2014	2013
	\$'000	\$'000
<b>Assets</b>		
Current assets	11,449	9,357
Non-current assets	404,898	386,563
<b>Total assets</b>	<b>416,347</b>	<b>395,920</b>
<b>Liabilities</b>		
Current liabilities	9,693	8,807
Non-current liabilities	162,551	148,817
<b>Total liabilities</b>	<b>172,244</b>	<b>157,624</b>
<b>Net assets</b>	<b>244,103</b>	<b>238,296</b>
<b>Equity</b>		
Issued capital	228,314	226,422
Retained earnings	15,941	12,131
Performance Rights Reserve	-	20
Cash Flow Hedge Reserve	(152)	(277)
<b>Total equity</b>	<b>244,103</b>	<b>238,296</b>
<b>Financial performance</b>		
Profit for the year	9,205	14,539
Other comprehensive income	125	67
<b>Total comprehensive income</b>	<b>9,330</b>	<b>14,606</b>

Other than as stated in Note 24 to the Financial Statements, the Company is not subject to any contingent liabilities or contractual capital commitments.

The Company has provided guarantees in relation to the debts of certain subsidiaries provided under the Deed of Cross Guarantee, as disclosed in Note 21 to the Financial Statements.

## 32. CONTROLLED ENTITIES

Name	Group Interest	
	2014 %	2013 %
<b>Parent Entity</b>		
Crowe Horwath Australasia Ltd	-	-
<b>Controlled Entities</b>		
Crowe Horwath Holdings Pty Ltd	100	100
Crowe Horwath (Aust) Pty Ltd	100	100
Crowe Horwath Financial Advice Pty Ltd	100	100
WHK Central West Pty Ltd	100	100
Crowe Horwath (NZ) Limited	100	100
Prescott Securities Ltd	100	100
Crowe Horwath Sydney Pty Ltd	100	100
WHK Financial Services Pty Ltd	100	100
Crowe Horwath Corporate Finance (Aust) Ltd	100	100
Crowe Horwath Auckland Limited	100	100
Crowe Horwath Premium Funding Pty Ltd	100	100
Crowe Horwath EIS Pty Ltd	100	100
EIS One Pty Ltd	100	100
Jadd Technologies Pty Ltd	100	100
Crowe Horwath Property Securities Ltd	100	100
Horwath (Brisbane) Pty Limited	100	100
Horwath (Brisbane) Financial Services Pty Ltd	100	100
TEO Training Limited	100	100
Crowe Horwath Insurance Brokers Pty Ltd	100	100
HKWA Pty Ltd	100	100
Crowe Horwath NZ Financial Advice Limited	100	100

Crowe Horwath (NZ) Limited, Crowe Horwath Auckland Limited, TEO Training Limited and Crowe Horwath NZ Financial Advice Limited are incorporated in and carry on business in New Zealand. All other controlled entities were incorporated in Australia.

## 33. CAPITAL COMMITMENTS

The Group has contractual commitments for capital expenditure totalling \$2,543,000 as at 30 June 2014 (2013: \$490,000). These commitments relate to the refurbishment of leasehold properties and are due to be settled within 12 months of the reporting date.

## 34. EVENTS AFTER THE REPORTING DATE

On 4 June 2014 the Group advised the ASX that it had signed a process agreement with Findex Australia Pty Ltd (FIWA) in relation to a proposal by FIWA to acquire all of the shares in the Group by way of a scheme of arrangement. The exclusivity period associated with this agreement expired on 30 July 2014 and whilst discussions were continuing the exclusivity period was not renewed. This was advised to the ASX on 31 July 2014.

On 13 August 2014 the Group announced to the ASX that it had received an updated conditional, non-binding and indicative proposal from FIWA. The terms of this proposal (including consideration and structure of the transaction) were incomplete. The Group has continued discussions with FIWA and has continued to provide additional due diligence information to them.

At the date of this report discussions are on-going with a view to finalising proposal terms and structure. There can be no assurance that any transaction will result.

No other adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation of the financial report.

# DIRECTORS' DECLARATION

The Directors of Crowe Horwath Australasia Ltd declare that:

1. the consolidated financial statements and notes, as set out on pages 40 to 97, and the Directors' and Executives' Remuneration disclosures included in the Directors' Report, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Australian Accounting Standards and International Financial Reporting Standards as disclosed in note 2(a);
  - (b) comply with the Corporations Regulations 2001 and other mandatory professional reporting requirements;
  - (c) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated entity;
2. the Managing Director and Group Chief Financial Officer have each declared that:
  - (a) the financial records of the consolidated entity for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Australian Accounting Standards and International Financial Reporting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view of the financial position and performance;
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Company and some wholly-owned controlled entities have entered into a Deed of Cross Guarantee under which the Company and these controlled entities guarantee the debts of each other.

At the date of this Declaration, there are reasonable grounds to believe that the companies which are party to this Deed of Cross Guarantee will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed.

This declaration is made in accordance with a resolution of the Board of Directors.

Dated at Melbourne on 29 August 2014



Richard Grellman  
Chairman



Chris Price  
Managing Director



# AUDITOR'S INDEPENDENCE DECLARATION

## TO THE DIRECTORS OF CROWE HORWATH AUSTRALASIA LTD



Grant Thornton Audit Pty Ltd  
ACN 130 913 594

The Rialto, Level 30  
525 Collins Street  
Melbourne Victoria 3000  
GPO Box 4736  
Melbourne Victoria 3001

**T** +61 3 8320 2222  
**F** +61 3 8320 2200  
**E** [info.vic@au.gt.com](mailto:info.vic@au.gt.com)  
**W** [www.grantthornton.com.au](http://www.grantthornton.com.au)

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Crowe Horwath Australasia Ltd for the year ended 30 June 2014, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in black ink, appearing to read "Adam Pitts".

Adam Pitts  
Partner – Audit and Assurance

Melbourne, 29 August 2014

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# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF CROWE HORWATH AUSTRALASIA LTD



Grant Thornton Audit Pty Ltd  
ACN 130 913 594

The Rialto, Level 30  
525 Collins Street  
Melbourne Victoria 3000  
GPO Box 4736  
Melbourne Victoria 3001

**T** +61 3 8320 2222  
**F** +61 3 8320 2200  
**E** [info.vic@au.gt.com](mailto:info.vic@au.gt.com)  
**W** [www.grantthornton.com.au](http://www.grantthornton.com.au)

### Report on the financial report

We have audited the accompanying financial report of Crowe Horwath Australasia Ltd (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

### **Auditor's opinion**

In our opinion:

- (a) the financial report of Crowe Horwath Australasia Ltd is in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Report on the remuneration report**

We have audited the remuneration report included in pages 18 to 28 of the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### **Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Crowe Horwath Australasia Ltd for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in black ink, appearing to read "Adam Pitts".

Adam Pitts  
Partner – Audit and Assurance

Melbourne, 29 August 2014

# ASX SHAREHOLDER INFORMATION

In accordance with the Australian Securities Exchange ("ASX") Listing Rules, the Directors provide the following information as at 5 August 2014:

## (a) Distribution of Shareholders

Holding	Number of Ordinary Shareholders
1–1,000	591
1,001–5,000	1,301
5,001–10,000	692
10,001–100,000	1,369
100,001–Over	200
	4,153

There are 758 shareholders holding less than a marketable parcel of shares (i.e. less than \$500 per parcel of shares).

## (b) Twenty Largest Shareholders

Shareholder	Number of Shares Held	% Held
1. Rotarn Pty Ltd (The Rotarn Operating A/C)	54,237,342	19.87
2. JP Morgan Nominees Australia Limited	24,985,012	9.15
3. Citicorp Nominees Pty Limited	19,722,464	7.22
4. HSBC Custody Nominees (Australia) Limited	17,765,759	6.51
5. National Nominees Limited	15,611,180	5.72
6. UBS Nominees Pty Ltd	12,645,735	4.63
7. Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	5,453,465	2.00
8. RBC Investor Services Australia Nominees Pty Limited (Bkcust A/C)	5,055,774	1.85
9. BNP Paribas Noms Pty Ltd (DRP A/C)	2,794,728	1.02
10. Bodyelectric Pty Ltd (The Myers Family No 2 A/C)	2,652,088	0.97
11. CPU Share Plans Pty Limited (WHG Exempt Control A/C)	2,200,784	0.81
12. J K M Securities Pty Limited (LJK Noms P/L Pen Fund A/C)	2,000,000	0.73
13. One Managed Investment Funds Limited (ACF Sardon Capital Investment LI A/C)	1,881,901	0.69
14. HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C)	1,616,176	0.59
15. Quotidian No 2 Pty Limited	1,500,000	0.55
16. Sandhurst Trustees Ltd (TBF Small Cap Val Grwth A/C)	1,500,000	0.55
17. HSBC Custody Nominees (Australia) Limited – A/C 3	1,455,683	0.53
18. Masfen Securities Limited	1,430,000	0.53
19. NSR Investments Pty Ltd (NSR Superfund A/C)	1,354,000	0.50
20. Mr Barry Martin Lambert + Mrs Joy Wilma Lillian Lambert (Lambert Superannuation A/C)	1,100,000	0.40
	176,962,091	64.82

### (c) Substantial Shareholders

A substantial shareholder is one who has a relevant interest in 5% or more of the total issued shares in the Company. Following are the substantial shareholders in the Company based on notifications provided to the Company under the Corporations Act 2001:

Shareholder	Ordinary Shares Held		Notification Date
	Number	% Held*	
Alceon GT Pty Limited and associated parties	54,237,342	19.87%	15/05/14

\* Percentage of shares held of the total issued capital of the Company at the time the substantial shareholder notice was provided to the Company.

### (d) Class of Securities and Voting Rights

#### Ordinary Shares

Ordinary shares of the Company are listed (quoted) on the ASX. There are 4,153 holders of ordinary shares, holding 273,005,429 fully paid ordinary shares.

The voting rights attaching to ordinary fully paid shares are set out in the Company's Constitution, which are as follows:

Subject to the Constitution, the ASX Listing Rules, the Corporations Act 2001 (the Act) and to any rights or restrictions attaching to any class of shares, at a meeting of the Company's members:

- (i) on a show of hands, each member has one vote;
- (ii) subject to section 250L (4) of the Act, on a poll, each member has:
  - for each fully paid share held by the member, one vote; and
  - for each partly-paid share held by the member, a fraction of a vote equivalent to the proportion which the amount paid (not credited nor paid in advance of a call) is of the total amounts paid and payable (excluding amounts credited) for the share.

### (e) Share Buy Back Scheme

The Company has a current on-market share buy-back scheme in place which was introduced in December 2002. To date a total of 864,438 ordinary shares have been acquired and cancelled under the scheme, which currently provides for a maximum of 3 million shares to be acquired over an unlimited duration.

### (f) On-market Share Acquisitions

The Company operates an Exempt Share Plan for the Group's Australian employees. A total of 466,848 shares in the Company were acquired on-market during the 2013/14 financial year by the share plan trustee (CPU Share Plans Pty Limited) for allocation under the plan. The average purchase price of these shares was \$0.60 each.

### (g) Performance Share Plan Participation by the Former Managing Director

In accordance with ASX Listing Rule 10.14, shareholder approval was obtained at the Company's 2011 Annual General Meeting for the former Managing Director, Mr J Lombard, to participate in the Company's Performance Share Plan. In accordance with this approval, 1 million performance rights were issued to Mr Lombard in November 2011. A summary of the terms of issue follows:

- The rights were issued for no monetary consideration;
- The rights would vest as ordinary shares in the Company if Mr Lombard remained employed by the Company on 30 June 2014 and if the one month volume weighted average price of the Company's shares at 30 June 2014 was at least \$1.40; and
- If Mr Lombard's employment was terminated by the Company before 30 June 2014 without proper cause or due to his redundancy, his death or total and permanent incapacity then a pro rata portion of the performance rights would vest if an adjusted minimum one month volume weighted average price of the Company's shares was met.

Mr Lombard ceased employment with the Company on 3 September 2013. As the performance criteria were not achieved, his LTI performance rights did not vest and having lapsed were cancelled.

# FIVE YEAR SUMMARY

	2013/14	2012/13	2011/12	2010/11	2009/10
<b>Financial Results</b>					
Operating revenue – Business Services Division (\$million)	<b>301.8</b>	311.3	321.9	308.7	312.3
Operating revenue – Financial Services Division (\$million)	<b>92.4</b>	94.6	91.6	97.4	100.7
Total operating revenue (\$million)	<b>394.2</b>	405.9	413.5	406.1	413.0
Net profit (loss) after tax (\$million)	<b>(88.2)</b>	7.0	10.2	17.8	23.4
Cash earnings (\$million)	<b>5.4</b>	9.7	12.8	25.9	28.5
Operating cash flow (\$million)	<b>14.4</b>	10.7	20.7	35.6	47.8
Cash earnings per share (cents)	<b>2.0</b>	3.7	4.8	9.8	10.8
Dividends per share (cents)	-	5.0	7.0	7.0	6.0
Dividend payout rate (%)	-	90*	85*	71	55
<b>Other Statistics – at financial year end</b>					
Net assets (\$million)	<b>177.1</b>	264.7	269.8	278.0	281.4
Net debt (\$million)	<b>46.3</b>	52.6	40.9	31.5	40.0
Gearing (%)	<b>26</b>	20	15	11	14
Shares on issue (million)	<b>273.0</b>	269.7	265.2	265.1	264.9
Share price (\$)	<b>0.42</b>	0.67	0.84	0.92	0.98
Share market capitalisation (\$million)	<b>114.7</b>	180.7	222.8	243.9	259.6
Number of shareholders	<b>4,153</b>	4,467	4,751	4,757	4,455
Dividend yield (%)	-	7.5	8.3	7.6	6.1
Number of offices	<b>110</b>	113	110	110	122
Number of principals	<b>272</b>	290	291	302	323
Number of employees (FTE) – including principals	<b>2,622</b>	2,691	2,887	2,771	2,941
Funds under advice and contract administration (\$billion)	<b>6.5</b>	7.0	6.3	7.0	7.9
Loans under administration (\$billion)	<b>2.4</b>	2.7	2.8	2.9	2.8

\* Adjusted for non-recurring costs.



# COMPANY PARTICULARS

**Directors:**

Richard John Grellman AM – Chairman  
Peter Hastings Warne – Deputy Chairman  
Christopher Murray Price – Managing Director  
Raymond Maxwell Smith  
Melanie Victoria Rose Willis  
Nancy Jane Milne OAM  
Peeyush Kumar Gupta  
Trevor Loewensohn

**Company Secretary:**

Bruce Craig Paterson

**Registered Office and Corporate Office:**

Level 17, 181 William Street  
Melbourne Victoria 3000

PO Box 1913  
Melbourne Victoria 3001

Telephone: +61 3 9522 0888  
Facsimile: +61 3 9522 0899

**Company Website:**

[www.crowehorwath.com.au](http://www.crowehorwath.com.au)

**Company Numbers:**

ACN 006 650 693 ABN 93 006 650 693

**Auditors:**

Grant Thornton  
Level 30, 525 Collins Street  
Melbourne Victoria 3000

**Bankers:**

National Australia Bank Limited  
Level 28, 500 Bourke Street  
Melbourne Victoria 3000

**Securities Exchange Listing:**

Crowe Horwath Australasia Ltd shares are listed on the Australian Securities Exchange. The Home Exchange is Melbourne.  
ASX Code: CRH

**Share/Security Registers:**

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford Victoria 3067

GPO Box 2975  
Melbourne Victoria 3001

Telephone Toll Free: 1300 850 505 (Australia)  
Telephone: +61 3 9415 4000 (Overseas)  
Facsimile: +61 3 9473 2500

**Investor Centre**

Website: [www.investorcentre.com](http://www.investorcentre.com)  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)



Crowe Horwath Australasia Ltd  
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Melbourne Victoria 3000

Telephone: +61 3 9522 0888  
Facsimile: +61 3 9522 0899

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