



Via ASX Online

ASX Market Announcements Office  
ASX Limited  
22 August 2013

**RELEASE OF PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2013**

Attached are:

1. Appendix 4E, Preliminary Final Report for the year ended 30 June 2013
2. Chairman's Letter to Shareholders including the Managing Director's summary
3. 2013 Full Year Presentation

**For further information, please contact:**

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Managing Director  
Ph: 03 9661 0444



**EASTON INVESTMENTS LIMITED**  
**ABN 48 111 695 357**

**APPENDIX 4E**  
**PRELIMINARY FINAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2013**

**RULE 4.3A**

# Appendix 4E

## Preliminary Final Report

### EASTON INVESTMENTS LIMITED

ASX CODE: EAS

48 111 695 357

#### 1. Reporting period and previous corresponding reporting period

Current reporting period	The financial year ended 30 June 2013
Previous corresponding reporting period	The financial year ended 30 June 2012

#### 2. Results for announcement to the market

2.1	Revenues from ordinary activities	up	27%	to	\$3,505,940
2.2	Loss from ordinary activities after tax attributable to members	up	110%	to	(\$3,489,563)
2.3	Net loss for the period attributable to members	up	110%	to	(\$3,489,563)
2.4	No dividends have been paid during the current or previous reporting period and it is not proposed that dividends will be paid in respect of the current reporting period.				
2.5	It is not proposed to pay dividends in respect of the current reporting period.				
2.6	Explanation of the figures reported above.				

The increase in revenues from ordinary activities for the period was driven by the acquisition of Easton Asset Management Limited (**EAML**), an asset and funds management business operating across Australian and Asian financial markets, acquired by the group on 28 August 2012. Net revenue contribution from EAML was \$1.22mil for the period 28 August 2012 to 30 June 2013.

The net loss after tax for the year was significantly adversely impacted by the following:

- a) The disposal of investments held for sale resulting in a pre-tax loss of \$0.22mil following a review and restructure of the group's activities;
- b) a revaluation to fair value of the group's operating assets resulting in pre-tax impairment charges of \$2.02mil; and
- c) pre-tax direct costs relating to asset disposals and acquisitions totalling \$0.33mil.

Further commentary on the results is set out at note 15 of this report.

**3. Consolidated Statement of Comprehensive Income**  
**For the year ended 30 June 2013**

	2013 \$	2012 \$
Revenue from continuing operations	<b>3,505,940</b>	2,753,026
Net loss on investments held for trading	<b>(219,421)</b>	(210,947)
Gain on disposal of subsidiaries	<b>22,129</b>	-
Salaries and employee benefits expenses	<b>(2,182,368)</b>	(2,036,951)
Finance costs	<b>(89,929)</b>	(117,800)
Depreciation and amortisation	<b>(474,487)</b>	(350,154)
Impairment losses	<b>(2,018,278)</b>	-
Premises and equipment	<b>(321,328)</b>	(311,731)
Legal and business services	<b>(923,379)</b>	(752,194)
General administration	<b>(315,009)</b>	(109,843)
Other expenses	<b>(568,845)</b>	(383,676)
Loss before tax	<b>(3,584,975)</b>	(1,520,270)
Income tax benefit/(expense)	<b>177,899</b>	(50,761)
Loss from continuing operations after income tax	<b>(3,407,076)</b>	(1,571,031)
Loss for the year	<b>(3,407,076)</b>	(1,571,031)
Other comprehensive income		
Net fair value gain on available-for-sale financial assets	<b>225,961</b>	33,511
Income tax expense on items of other comprehensive income	<b>(67,788)</b>	(10,054)
Other comprehensive income for the year, net of tax	<b>158,173</b>	23,457
Total comprehensive loss for the year	<b>(3,248,903)</b>	(1,547,574)
Profit/(losses) for the year is attributable to:		
Non-controlling interests	<b>82,487</b>	89,266
Owners of the Company	<b>(3,489,563)</b>	(1,660,297)
Loss for the year	<b>(3,407,076)</b>	(1,571,031)
Total comprehensive income/(loss) for the year is attributable to:		
Non-controlling interests	<b>82,487</b>	89,266
Owners of the Company	<b>(3,331,390)</b>	(1,636,840)
Total comprehensive loss for the year	<b>(3,248,903)</b>	(1,547,574)
Basic earnings per share (cents)	<b>(6.05)</b>	(4.54)
Diluted earnings per share (cents)	<b>(6.05)</b>	(4.54)

#### 4. Consolidated Statement of Financial Position

As at 30 June 2013

		2013 \$	2012 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,464,509	663,546
Receivables		287,089	290,325
Assets held for sale		644,415	-
Other current assets	7	1,399,132	-
<b>Total current assets</b>		<b>3,795,145</b>	<b>953,871</b>
<b>Non-current assets</b>			
Other financial assets		86,106	924,479
Plant and equipment		95,071	132,639
Deferred tax assets		210,259	424,914
Investments		1,124,155	-
Intangible assets and goodwill		8,239,365	5,994,295
<b>Total non-current assets</b>		<b>9,754,956</b>	<b>7,476,327</b>
<b>TOTAL ASSETS</b>		<b>13,550,101</b>	<b>8,430,198</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		774,787	515,503
Current tax liability		100,716	72,431
Provisions and employee benefits		124,509	66,554
Borrowings		891,318	1,036,247
Other liabilities	7	2,156,675	-
Liabilities associated with assets held for sale		9,928	-
<b>Total current liabilities</b>		<b>4,057,933</b>	<b>1,690,735</b>
<b>Non-current liabilities</b>			
Provisions and employee benefits		-	6,963
<b>Total non-current liabilities</b>		<b>-</b>	<b>6,963</b>
<b>TOTAL LIABILITIES</b>		<b>4,057,933</b>	<b>1,697,698</b>
<b>NET ASSETS</b>		<b>9,492,168</b>	<b>6,732,500</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Contributed equity		14,991,285	8,887,884
Reserves		83,918	(83,173)
Accumulated losses		(5,951,322)	(2,536,759)
<b>Owners interests</b>		<b>9,123,881</b>	<b>6,267,952</b>
<b>Non-controlling interests</b>		<b>368,287</b>	<b>464,548</b>
<b>TOTAL EQUITY</b>		<b>9,492,168</b>	<b>6,732,500</b>

## 5. Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	2013 \$	2012 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(6,412,597)	(4,002,745)
Proceeds from sale of financial investments held for trading	-	6,227,511
Payments for purchase of financial investments and settlement of financial liabilities held for trading	-	(6,199,336)
Fees and commissions received	5,990,748	3,008,797
Dividends and distributions received	-	181,201
Interest received	15,918	17,764
Finance costs paid	(89,929)	(117,800)
Income tax paid	(121,988)	(177,426)
<b>Net cash flows used in operating activities</b>	<b>(617,848)</b>	<b>(1,062,034)</b>
 <b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(10,678)	(108,498)
Proceeds from sale of plant and equipment	-	347
Payments for other intangible assets	(45,487)	(9,467)
Deferred payment for subsidiary <sup>1</sup>	-	(587,133)
Payments for acquisition of a subsidiary, net of cash acquired	(263,901)	-
Payments for separately identifiable intangible assets	(300,000)	-
Proceeds from sale of 'available-for-sale' financial assets	741,606	1,100,000
Payments for other investments	(932,763)	(24,465)
<b>Net cash flows (used in)/from investing activities</b>	<b>(811,223)</b>	<b>370,784</b>
 <b>Cash flows from financing activities</b>		
Proceeds from issue of shares (net of listing fees)	1,699,389	300,000
Proceeds in advance of share issue	752,411	-
Payments for return of capital	-	(62,500)
Distributions paid	-	(24,516)
Loans to related parties	(40,000)	-
Proceeds from borrowings	850,000	-
Repayment of borrowings	(989,764)	-
Dividends paid to minority interest in subsidiaries	(42,000)	-
<b>Net cash flows from financing activities</b>	<b>2,230,037</b>	<b>212,984</b>
 Net increase/(decrease) in cash held	<b>800,963</b>	<b>(478,266)</b>
Cash at the beginning of the financial year	<b>663,546</b>	<b>1,141,812</b>
<b>Cash at the end of the financial year</b>	<b>1,464,509</b>	<b>663,546</b>

<sup>1</sup> Relates to the acquisition of Snyderdale Financial Services by Altitude Private Wealth in May 2010.

## 6. Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	Ordinary shares \$	Accumulated losses \$	Options reserve \$	Other reserves \$	Owners of the parent \$	Non- controlling interest \$	Total \$
<b>At 1 July 2012</b>	8,887,884	(2,536,759)	75,000	(158,173)	6,267,952	464,548	6,732,500
Profit/(Loss) for the year	-	(3,489,563)	-	-	(3,489,563)	82,487	(3,407,076)
Other comprehensive income	-	-	-	158,173	158,173	-	158,173
<b>Total comprehensive profit/(loss) for the year</b>	-	(3,489,563)	-	158,173	(3,331,390)	82,487	(3,248,903)
<b>Transactions with owners in their capacity as owners:</b>							
Issue of new equity	6,302,812	-	-	-	6,302,812	-	6,302,812
Costs associated with the issue of new equity	(199,410)	-	-	-	(199,410)	-	(199,410)
Equity transfer for expired options	-	75,000	(75,000)	-	-	-	-
Options granted on acquisition of investment	-	-	58,580	-	58,580	-	58,580
Dividend Paid	-	-	-	-	-	(42,000)	(42,000)
Acquisition of remaining interest in subsidiary	-	-	-	(14,014)	(14,014)	50,518	36,504
Disposal of non-controlling interest in subsidiary	-	-	-	39,352	39,352	(187,315)	(147,963)
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	49	49
<b>At 30 June 2013</b>	<b>14,991,285</b>	<b>(5,951,322)</b>	<b>58,580</b>	<b>25,338</b>	<b>9,123,881</b>	<b>368,287</b>	<b>9,492,168</b>

	Ordinary shares \$	Accumulated losses \$	Employee equity benefits reserve \$	Net unrealised gains / (losses) reserve \$	Owners of the parent \$	Non- controlling interest \$	Total \$
<b>At 1 July 2011</b>	8,587,884	(876,462)	75,000	(181,630)	7,604,792	462,298	8,067,090
Profit/(Loss) for the year	-	(1,660,297)	-	-	(1,660,297)	89,266	(1,571,031)
Other comprehensive income	-	-	-	23,457	23,457	-	23,457
<b>Total comprehensive profit/(loss) for the year</b>	-	(1,660,297)	-	23,457	(1,636,840)	89,266	(1,547,574)
<b>Transactions with owners in their capacity as owners:</b>							
Issue of new equity	300,000	-	-	-	300,000	-	300,000
Dividend paid	-	-	-	-	-	(24,516)	(24,516)
Return of capital	-	-	-	-	-	(62,500)	(62,500)
<b>At 30 June 2012</b>	<b>8,887,884</b>	<b>(2,536,759)</b>	<b>75,000</b>	<b>(158,173)</b>	<b>6,267,952</b>	<b>464,548</b>	<b>6,732,500</b>

**7. Other Current Assets and Other Liabilities**

The Company undertook a fully underwritten 1 for 3 rights issue just prior to year end. As at 30 June 2013, the balance of cash receivable from the rights issue was \$1,399,132. This "Other Current Asset" was received in early July 2013.

The total proceeds of the rights issue of \$2,156,675 was disclosed as "Other Liabilities" at 30 June 2013. This liability was transferred to contributed equity on the issue of securities in early July 2013.

The Company had a technical working capital deficiency at 30 June 2013 of \$262,788 due to the other liability created by the rights issue. However, upon completion of the rights issue in July 2013 and the transfer of this liability to equity, the working capital position of the Company is in surplus and this position has been further strengthened by the placement as referred to at Note 16 hereof.

**8. Details of individual and total dividends or distributions and dividend or distribution payments.**

Not applicable.

**9. Details of dividend or distribution reinvestment plans in operation are described below.**

Not applicable.

**10. Net tangible assets per security.**

Net tangible asset backing per ordinary security

Current period	Previous corresponding period
1.62¢	0.83¢

**11. Details of entities over which control has been gained or lost during the period.**

**(a) Control gained over entities**

**(i) Incito Wealth Pty. Ltd.**

Name of the entity	Incito Wealth Pty. Ltd. ( <b>Incito</b> )
Ownership interest acquired	51.0%
The date control was gained	30 October 2012
<b>Incito</b> is a newly created company incorporated on 30 October 2012 operating as an authorised representative under the Easton Wealth Australia Ltd AFSL. Incito incurred a small loss which has been included in the consolidated statement of comprehensive income for the eight months from 1 November 2012 to 30 June 2013.	



(ii) Easton Asset Management Ltd

Name of the entity	Easton Asset Management Ltd ( <b>EAML</b> )
Ownership interest acquired	100.0%
The date control was gained	28 August 2012
<b>EAML</b> is a well-established funds and asset management business with its own AFSL operating in a number of financial markets in Australia and Asia. EAML produced a profit before tax of \$205,817 (before deduction of an intercompany management fee) for the ten months from 29 August 2012 to 30 June 2013. This result has been included in the consolidated statement of comprehensive income.	

(iii) Absolute Asset Management Ltd

Name of the entity	Absolute Asset Management Ltd ( <b>AbsAM</b> )
Ownership interest acquired	100.0%
The date control was gained	28 August 2012
<b>AbsAM</b> is a wholly owned subsidiary of EAML and was acquired by the group as part of the EAML acquisition. AbsAM is a funds management business domiciled in the Cayman Islands. It produced a profit before tax of \$41,000 for the ten months from 29 August 2012 to 30 June 2013. This result has been included in the consolidated statement of comprehensive income.	

**(b) Control lost over entities**

(i) Cochrane Shaw Capital Management Pty Ltd

Name of the entity	Cochrane Shaw Capital Management Pty Ltd ( <b>CSCM</b> )
Ownership interest disposed	75.04%
The date control was lost	27 July 2012
Easton Wealth Australia Limited ( <b>EWAL</b> ), a wholly owned subsidiary of EAS, disposed of its 75% interest in CSCM for \$1.5mil. In the same transaction, EWAL acquired the financial planning and insurance client book from CSCM for \$1.8mil. CSCM did not contribute any profit or loss to the group for the period up to the date of disposal.	

(ii) Altitude Private Wealth Pty Ltd

Name of the entity	Altitude Private Wealth Pty Ltd ( <b>APW</b> )
Ownership interest disposed	60.1%
The date control was lost	8 February 2013
<b>EWAL</b> disposed of its 60.1% interest in APW for \$1 and acquired the underlying Snyderdale insurance client book for \$1.34mil via the offset of an intercompany loan and assumption of bank debt. The company refinanced the bank debt via a new facility with Westpac Bank for \$850,000. The client book is now carried on the Easton Wealth Protection Pty Ltd (EWP) balance sheet at fair value. APW incurred a small loss for the period up to the date of disposal which is included in the statement of comprehensive income.	

**12. Details of associates.**

(i) Axial Wealth Management Pty Ltd

Name of the entity	Axial Wealth Management Pty Ltd ( <b>AWM</b> )
Ownership interest acquired	20.0% of the ordinary shares
The date of the acquisition of the ownership interest	17 February 2013
<b>AWM</b> is a newly created company which acquired the CSCM financial planning client book from EWAL for \$644,000. EWAL acquired its 20% interest in AWM for \$1 and is funding the acquisition of the CSCM book by AWM via a loan facility. AWM did not contribute any profit or loss to the group for the period 17 February 2013 to 30 June 2013.	

(ii) Financial Partners Strategic Holdings Ltd

The company has previously announced its intention to acquire a 35% interest in Financial Partners Strategic Holdings Ltd (**FP**), a Hong Kong based financial planning business, subject to Hong Kong regulatory approval and other conditions precedent. Whilst discussions between the parties are ongoing, it is unlikely the Easton will proceed with the proposed acquisition of FP at this time.

**13. Significant information relating to the entity's financial performance and financial position.**

Refer to section 15 for detailed commentary on the Company's financial performance and financial position.

**14. The financial information provided in the Appendix 4E is based on the annual financial report, which is in the process of being prepared in accordance with Australian accounting standards.**

**15. Commentary on the results for the period.**

(a) Financial Performance

The financial performance of EAS over the last 12 months has been disappointing, culminating in a full year loss for 2013 of \$3,489,563 (2012: \$1,660,297 loss) after tax and write-downs.

The directors are of the view that the most appropriate measure to best assess the operational performance of the group is "Normalised EBITA" which is earnings before interest, tax and amortisation (EBITA) excluding the impact of: a) one-off non-operational items (acquisition-related costs, impairment charges, and gains/losses on the sale of investments); and b) non-cash amortisation charges relating to separately identifiable intangible assets acquired under business combinations.

The table below shows the reconciliation of Easton's Normalised EBITA to the Statutory NPAT.

	30 June 2013 \$	30 June 2012 \$
Net revenue from continuing operations	3,505,940	2,753,026
Total operating costs	(4,083,092)	(3,379,670)
Normalised EBITA	(577,152)	(626,644)
Interest expense	(89,929)	(117,800)
Loss on disposal of investments held for sale	(219,421)	(210,947)
Impairment losses	(2,018,279)	-
Acquisition-related costs	(331,183)	(239,015)
Amortisation of separately identifiable intangible assets	(349,011)	(325,864)
Operating loss before tax	(3,584,975)	(1,520,270)
Income tax benefit/(expense)	177,899	(50,761)
Loss for the year after tax	(3,407,076)	(1,571,031)
NPAT Attributable to Non-controlling Interest	82,487	89,266
NPAT Attributable to Members	(3,489,563)	(1,660,297)

During the financial year, but particularly in the second half, important steps were taken by the Directors to better position the Company for improved financial performance in 2014. These steps included the reorganisation and rationalisation of certain under-performing investments, together with some internal restructuring. As a consequence, the pre-tax result was significantly adversely impacted by the following:

- (i) loss on disposal of investments held for sale totalling \$219,421; and
- (ii) impairment charges to write-down asset values by \$2,018,278.

During the year, the group has also incurred \$331,183 of one-off acquisition-related costs, primarily legal and consulting advice/services to assist the group in respect of the acquisition of EAML, the acquisition of unlisted investments and other restructuring activities. After removing abnormal items, the normalised loss on an EBITA basis for 2013 is \$577,152 (2012: \$626,644 loss).

### Operating Segments

#### *Funds Management*

The full year result includes the normalised EBITA contribution of EAML for the ten months from 29 August 2012 to 30 June 2013 of \$252,000 from net revenues of \$1,221,000. The result from EAML did not meet expectations in its first year. The EAML purchase agreement provided for contingent consideration of up to \$1,220,000 payable on achievement of certain profit hurdles. As previously disclosed in the half year financial report, the fair value of the contingent consideration at acquisition date was \$nil. As at the date of this report the profit hurdles have not been met and the contingent consideration has not been brought to account. The group expects to achieve a significant improvement in contribution from the asset management business as a result of the higher funds under management at 30 June 2013.

#### *Australian Wealth Management*

The Australian wealth management business after the restructure incorporates the following entities:

- Easton Wealth Australia Limited – AFSL holder;
- Easton Wealth Protection Pty Ltd – insurance and risk;
- Chesterfields Financial Services Pty Ltd – financial planning and advice;
- Incito Wealth – financial planning and advice; and
- Axial Wealth Management Pty Ltd – financial planning and advice.

The contribution to the normalised result during the year from these businesses amounted to a normalised EBITA of \$150,000.

#### *Asian Wealth Management*

The Asian wealth management business is comprised of a 19.9% interest in AAM Advisory Pte Ltd (AAMA) based in Singapore. AAMA is one of the largest financial planning and advisory practices in Singapore catering to a significant portfolio of high net worth clients in the domestic and expatriate community in Asia. There has been no dividend declared by AAMA for the year ended 30 June 2013.

#### *Reconciliation of Operating Segment Results to Normalised EBITA*

The operating segment results comprising Australian Wealth Management of \$150,000 and Funds Management of \$252,000 are offset by corporate overheads totalling \$979,000 comprising primarily of costs associated with operating the listed entity.

#### (b) Financial Position

The full year loss of \$3,489,563 million had a significant adverse impact on the Company's balance sheet and its financial position as at 30 June 2013.

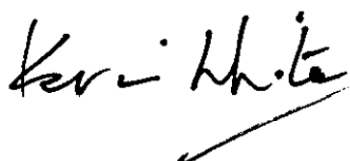
At year end, however, the Company was in a sound financial position as a result of a fully underwritten rights issue as referred to at Note 7 hereof.

#### **16. Subsequent Events**

Subsequent to year end, the balance of funds raised from the 1 for 3 rights issue of \$1,399,132 was received. In addition, a further amount of \$1,500,000 was raised by way of a private placement. The funds raised from this placement were received in early August 2013 and further strengthened the company's financial position.

#### **17. Audit of the financial report.**

The financial report is in the process of being audited. The financial report is not likely to be the subject of dispute or qualification.



K White

Managing Director

22 August 2013

22 August 2013

Dear Shareholder

As Chairman, I advise that Easton Investments Limited (**Easton** or **Company**) has announced its full year result for the 12 months to 30 June 2013 today.

Regrettably, the financial performance of Easton over the last 12 months has been disappointing.

The Company has announced a full year loss for 2013 of \$3.5 million after tax and write-downs.

I am pleased to confirm, however, that during the financial year, but particularly in the second half, important steps were taken by the Directors to better position the Company for improved financial performance and future growth.

As a result of those actions, I am confident that our Company is now in good shape and with markedly improved prospects. I would especially like to draw your attention to the appointment of our new Managing Director, Mr Kevin White, at the end of May 2013. We are delighted that Kevin has joined Easton and I look forward to working with him in improving Easton's performance.

Kevin has a successful track record in the financial services sector, having been the founder and managing director of WHK Group Limited, an ASX listed company, for 15 years until he stepped down in the middle of 2011.

I am sure that Easton will benefit significantly from Kevin's long experience, sector knowledge, understanding of markets and industry wide contacts.

Following Kevin's appointment and other important developments, including the completion of two capital raisings which have together netted \$3.6 million, I am pleased to be able to advise that your Company is currently well positioned, both from a strategic and financial perspective, and has sound prospects for future growth.

A summary report from Kevin is attached hereto, setting out his first impressions of the Company and his immediate priorities. A more detailed report will of course be included in Easton's Annual Report which will be forwarded to shareholders on or around 24 September 2013, but in the meantime I felt that shareholders would be interested in his initial observations, which I encourage you to read.

I thank you for your interest in and support for Easton and I confirm that your Board is genuinely committed to the Company's future growth and prosperity. Whilst 2013 has been disappointing in many respects, I am confident that 2014 will prove to be the start of a sustained period of growth for our Company under a new and highly experienced leader and with a strengthened balance sheet.



**Rodney Green**  
**Chairman**

## **MANAGING DIRECTOR'S SUMMARY REPORT**

Whilst I have only been with the Company for some 3 months, I am pleased to advise that I am most impressed with our main operating businesses, the key people managing and working in those businesses and the inherent growth potential within each of those operations.

Our existing businesses, however, are currently small in listed company terms and over the previous 12 months they have not generated sufficient income to cover corporate overheads.

This position, coupled with asset write-down and losses from underperforming investments, has resulted in a significant after tax loss in 2013 of \$3.5 million, which is clearly a disappointing outcome and has adversely impacted the Company's financial position.

As a consequence, my initial priorities have necessarily been twofold:

- (a) to put the Company on a sound financial footing; and
- (b) to make the Company profitable and cash flow positive, with good long term earnings prospects.

In terms of the first of these priorities, we have already achieved a sound financial position through the recent 1 for 3 rights issue which raised \$2.15 million, together with the subsequent placement to raise a further \$1.50 million.

These funds provide both general working capital and, potentially, initial capital for business development and investment in profitable, well performing businesses which are aligned with the Company's strategic direction.

With respect to the second of these priorities, I believe that we are tackling the key issues in the right order and we are making good progress on three separate fronts, as follows:

- (1) reviewing and refining the Company's strategic direction and plan;
- (2) reviewing each of the Company's businesses and investments; and
- (3) reviewing the Company's corporate overhead structure.

Brief comments on our progress to date in each of these areas are set out below.

### **Strategic Direction and Plan**

It is of fundamental importance to our future success that we have a well considered, executable strategy and business plan that has the potential to create value for our shareholders.

Our strategy going forward will not be markedly different from the one that is currently in place, although it will be more concentrated and narrowly focussed on the further development of a significant distribution capability in the Australian financial services sector.

We intend to do this by selectively acquiring equity interests in quality accounting and financial planning businesses that are fully aligned with Easton's strategic direction and are capable of helping us deliver on our strategic intent and broader aspirations.

It is worth noting that our intention is to acquire meaningful interests in accounting and financial planning firms, preferably minority interests. In this way, our business model will be different to most other comparable companies operating in the listed space who have mainly opted for 100% ownership of member firms.

We believe that this important point of difference will allow us to build a substantial distribution capability and, at the same time, eliminate many, if not all, of the problems typically affecting others in our sector.

As we build and strengthen our distribution capability, we will of course look for opportunities to grow and develop our funds management operations, both in Australia and Asia, which are highly saleable businesses and which would benefit most significantly from increased fund flows.

Our strategy and its effective execution are fundamental and otherwise essential to the achievement of our objective of creating a company with sustainable earnings, having excellent longer term growth prospects and having high strategic value.

### **Businesses and Investments**

The Company performed poorly during 2013 and reported a loss from operations before interest, tax and amortisation of \$1.2 million, as well as significant asset write-downs at 30 June 2013 totalling \$2.0 million. After removing abnormal items, the normalised loss on an EBITA basis (earnings before interest, tax and amortisation) for 2013 was \$0.6 million.

We confidently expect this normalised operating position to be substantially improved in 2014 following the divestment and/or closure during the year of certain under-performing investments, together with some internal restructuring. My predecessor, Mr Campbell McComb, played an essential role in repositioning and restructuring the Company into its present form.

Importantly, as mentioned at the beginning of this Report, the main operating businesses and investments in place at financial year end are performing well and the outlook for further improvement in 2014 is most encouraging. I am especially encouraged by the quality and capability of our key people, as well as their high level of engagement and commitment to achieve better results in the new financial year.

In the case of our asset management business, we start the new financial year with FUM (funds under management) of \$257 million, compared with FUM a year earlier of \$175 million. This improved position gives us good reason to expect improved performance from this operating unit over the next 12 months in the absence of a material decline in financial markets.



## Corporate Overheads

We have reviewed our corporate overhead structure on the basis of our requirements going forward to properly support our existing businesses and to effectively execute our strategy and business plans.

As a result of that review, we now have a more streamlined corporate structure and an accompanying cost base that we believe is consistent with the near term needs of the Company.

## Outlook

As we move into 2014, I believe that the Company has a promising future with excellent long term prospects.

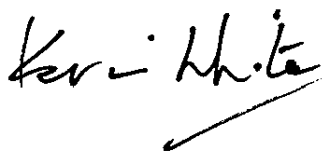
The Company is now in a sound financial position, we have a clear strategic direction, business plan and a differentiated business model, our existing businesses are performing well as we reasonably look for further improvement in the current year, and we have an appropriate corporate overhead structure to support both our businesses and our strategy.

An important focus during 2014 will necessarily be on improved profitability and operating cash flow. To this end, new business acquisitions consistent with our strategic intent and business model will be rigorously pursued.

Please rest assured that as a substantial shareholder in Easton, I am committed to creating value for shareholders, as are my fellow Easton Directors.

I am confident that we can build Easton into a successful company over the next 5 years and beyond.

I look forward to reporting to shareholders regularly on our plans and progress.



**Kevin White**  
**Managing Director**

# **EASTON INVESTMENTS LIMITED**

## **2013 Full Year Presentation**

**August 2013**

Kevin White – Managing Director

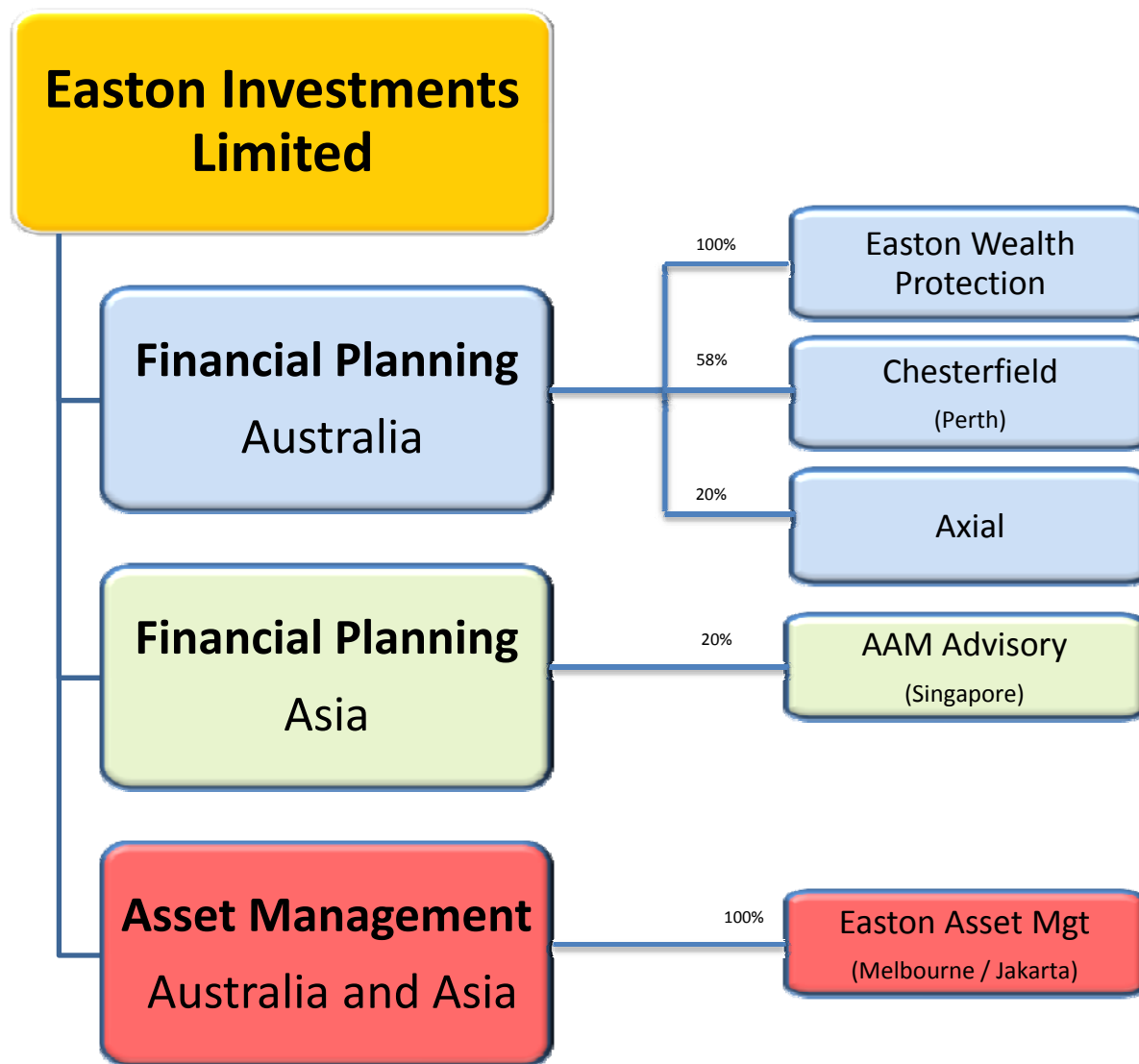
# 2013 in Review

- ❑ Disappointing result: loss of \$3.5m after tax
- ❑ Includes impairment charge of \$2.0m
- ❑ Loss from Operations (EBITA) - \$1.2m
- ❑ Normalised Loss from Operations (EBITA) - \$0.6m
- ❑ Non-core activities reorganised or restructured
  - Some further internal restructuring being evaluated
- ❑ New Managing Director appointed at the end of May 2013
- ❑ 1 for 3 rights issued completed early July 2013
  - Raised \$2.15m
- ❑ A small private placement completed early August 2013
  - Raised \$1.5m

# Current Position

- ❑ Sound financial position following recent capital raisings
  - \$3.5m available for investment, business development and general working capital
  
- ❑ Significant improvement in financial performance expected at an operating level
  - Corporate structure stream-lined to support our strategy and plans
  - Businesses expected to perform better
  - Asset management business better positioned with FUM at 30 June 2013 of \$257m (28 August 2012: \$175m)
  - Perth financial planning firm is a good business with good potential
  
- ❑ Management team re-engaged and refocused
  - New CFO providing improved systems, processes, controls and reporting

# Existing Operations



Easton also holds interests in 3 other entities which do not make a material contribution to earnings

# Future Direction

- ❑ No material change to Easton's strategic direction
  - Integrated approach to distribution (advice) and manufacturing (product)
- ❑ Narrower focus on building a meaningful distribution capability in financial services (especially in Australia)
- ❑ Aim is to acquire interests in quality and aligned accounting and financial planning businesses
  - Accountants are the “gate keepers” with key client relationships in the HNW and SME sectors
  - A network has strategic value in a distribution context
  - Provides access to the high growth SMSF sector
- ❑ Apply a different (superior) business model
  - Prefer “meaningful” interests, not 100% ownership
  - Eliminates many of the issues others in the sector have to deal with
  - Provides benefits of listed company involvement and broad network of firms with common businesses, aspirations and cultures

# Future Direction (cont'd)

- ❑ Grow and develop funds management capability
  - Supported by opportunities identified by distribution networks
- ❑ Significant growth potential
  - By acquisition – plenty of good opportunities
  - Organic – core business plus cross-sell
  - Focus on creating shareholder value
    - Growth in earnings per share
    - Satisfactory return on capital

**Looking to  
attract firms with the  
right culture**

# 2014 Outlook

- ❑ Sound financial position
- ❑ Clear strategic intent
  - Realistic plans
  - A differentiated business model
- ❑ Existing businesses performing satisfactorily
- ❑ Improved operating performance over 2013
- ❑ (New) management team in place
- ❑ Focus on quality acquisitions
  - Very selective
  - Must be earnings accretive
  - Support share price appreciation
  - Execution, alignment and culture are critical
- ❑ A 5-year planning horizon



# Disclaimer

The information contained in this presentation is not intended to be exhaustive and must be considered in conjunction with all other publicly available information disclosed by Easton to the Australia Securities Exchange from time to time.

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This presentation is based on final preliminary results at 30 June 2013 and has not been subject to auditor review.