



25<sup>th</sup> February 2014

The Manager  
Company Announcements  
Australian Securities Exchange  
Level 6, Exchange Centre,  
20 Bridge Street  
Sydney, NSW 2000

Dear Sir / Madam,

**Re: Appendix 4D and Financial Report for the Half Year Ended 31<sup>st</sup> December 2013**

Attached for immediate release is the Austbrokers Holdings Limited (AUB):

1. Appendix 4D – Half-Year Report 31<sup>st</sup> December 2013 and
2. Attachment A to Appendix 4D – Financial Statements for the half year ended 31<sup>st</sup> December 2013

The following associated documents will be provided separately:

- Media Release
- Presentation on the Half Year results

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'SR' followed by a stylized flourish.

Stephen Rouvray  
**Company Secretary**  
Austbrokers Holdings Limited

For further information, contact Steve Rouvray Tel: (02) 9935 2201  
Mobile: 0412 259 158



**Austbrokers Holdings Limited**

ABN 60 000 000 715

ASX Disclosure – Appendix 4D

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**ASX DISCLOSURE – APPENDIX 4D  
Half-Year Report – 31 December 2013**

Under Listing Rule 4.2.A.3 of the Australian Stock Exchange Limited (the “ASX”), the following information must be given to the ASX.

**1. Reporting Period**

Current reporting period – six months ended 31 December 2013

Previous corresponding period – six months ended 31 December 2012

**2. Results for Announcement to the Market**

- \$'000
- 2.1 Revenue from ordinary activities down 1.2% to 92,184  
Previous period’s revenue of \$93,320 included fair value adjustments of \$12,630
- 2.2 Profit from ordinary activities  
after tax attributable to members down 47.8% to 12,791
- 2.3 Net profit attributable to members down 47.8 % to 12,791  
Previous period’s Net profit of \$24,489 included fair value adjustments and adjustments to contingent consideration totaling \$12,216

**2.4 Dividends**

|                  | Amount Per Security | Franking at 30% Tax Rate | Franked Amount Per Security |
|------------------|---------------------|--------------------------|-----------------------------|
| Interim Dividend | 12.0 cents          | 100%                     | 12.0 cents                  |

Record date for determining entitlement to the interim dividend.

Thursday, 10 April 2014

A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood is contained in the Directors’ Report section of the Half-Year Report – 31 December 2013 attached as Attachment A.

**3. Net Tangible Assets Per Security**

|                  |         |
|------------------|---------|
| 31 December 2013 | \$1.530 |
| 31 December 2012 | \$1.413 |

#### 4. **Entities Over Which Control has been Gained or Lost During the Period**

Control has been gained or lost over the following entities during the period.

Details of entities over which control has been gained during the period.

|  | Date         | Contribution to Profit |                |
|--|--------------|------------------------|----------------|
|  |              | 2013<br>\$'000         | 2012<br>\$'000 |
| Celestial Underwriting Agency Pty Ltd<br>Equity increased from 50% to 100% | October 2013 | (46)                   | (39)           |

Details of entities over which control has been lost during the period.

Nil

#### 5. **Dividends**

On 25 February 2014, the Directors declared a fully franked interim dividend of 12.0 cents per share. This dividend is payable on 30 April 2014. Based on issued shares of 59,642,171 shares, this dividend will total \$7,157,061.

#### 6. **Dividend Reinvestment Plan**

The proposed dividend of 12.0 cents per share will be eligible for reinvestment under the Company's Dividend Reinvestment Plan (DRP). The DRP will be open to future dividends until further notice.

For shareholders to be eligible for the DRP in relation to the interim dividend for the year ended 30 June 2014 elections will need to be received by the share registry by 5pm on 11 April 2014.

If a shareholder has previously submitted an election to participate in the DRP, those instructions will apply to the forthcoming interim dividend and all future dividends. If a shareholder wishes to vary its participation status, a notice of variation must be received by the share registry by 5pm on 11 April 2014 in order to be effective for the forthcoming interim dividend.

The price for Austbrokers shares allocated under the DRP will be the "price" determined under the DRP rules (being the daily volume weighted average market price of all ordinary shares sold in the ordinary course of trading on the ASX during the 5 day trading period starting on the second business day following the record date of the dividend) less any applicable discount determined by the Austbrokers' board.

For the forthcoming interim dividend for the year to 30 June 2014, ordinary shares will be issued at a 2.5% discount to the relevant "price". Austbrokers may determine a different discount for subsequent dividends.

Austbrokers does not propose to have any DRP shortfall for the interim dividend underwritten.

The DRP will be open to shareholders whose registered address is in Australia or New Zealand at the relevant record date.

**7. Associates and Joint Venture Entities**

Details of associates are shown in the Half-Year Financial Report.

**8. Accounting Standards Applied to Foreign Entities**

Not Applicable.

**9. Audit Dispute or Qualification**

There is no audit dispute or qualification. Refer to the Independent Auditor's Review Report to the members of Austbrokers Holdings Limited dated 25 February 2014 prepared by Ernst & Young and included in the Half-Year Report – 31 December 2013 attached as Attachment A.

# Austbrokers Holdings Limited

ABN 60 000 000 715

Appendix 4D Attachment A

Financial Report  
for Half-Year Ended  
31 December 2013

**AUSTBROKERS HOLDINGS LIMITED**  
A.B.N. 60 000 000 715

**FINANCIAL REPORT  
FOR THE HALF YEAR ENDED  
31 DECEMBER 2013**



**AUSTBROKERS HOLDINGS LIMITED****A.B.N. 60 000 000 715****TABLE OF CONTENTS**

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**AUSTBROKERS HOLDINGS LIMITED**  
**A.B.N. 60 000 000 715**  
**DIRECTORS' REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

## Directors' Report

Your directors submit their report for the half-year ended 31 December 2013.

### DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are as below. Directors were in office for the whole period unless otherwise stated.

R A Longes (Chairman)  
M P L Searles (Chief Executive)  
D C Clarke (appointed 3 February 2014)  
R J Carless  
D J Harricks  
R J Low (appointed 3 February 2014)  
P R Shirriff (retired 20 November 2013)

### REVIEW AND RESULTS OF OPERATIONS

#### Results for Half-year

Net profit after tax attributable to equity holders of the parent has declined by 48% to \$12.791 million (2012: \$24.489 million). The profit last year included a fair value adjustment to the carrying value of associates on the date at which they became controlled entities of \$12.630 million and an adjustment to the contingent consideration on the acquisition of a controlled entity. If the above mentioned items, together with the amortisation of intangibles are excluded (as shown in the table below), the resulting net profit (Adjusted NPAT) was \$14.607 million in 2013 (2012: \$13.759 million), an increase of 6%. In the table below, the Adjusted NPAT from operations of \$14.607 million is reconciled to the Net profit attributable to equity holders of the parent as reported in the Income Statement.

|  | 2013<br>\$'000 | 2012<br>\$'000 | INCREASE<br>% |
|--|----------------|----------------|---------------|
| <b>Adjusted NPAT from operations attributable to equity holders of the parent</b>  | 14,607         | 13,759         | 6%            |
| Adjustment to contingent consideration on acquisition of controlled entity, net of non controlling interests. (no income tax applicable*)  |                | (414)          |               |
| Fair value adjustment to the carrying value of associates on the date at which they became controlled entities (no income tax applicable)* |                | 12,630         |               |
| Net profit after tax from operations before amortisation of intangibles  | 14,607         | 25,975         | -44%          |
| Less Amortisation of intangibles (net of tax credit)*  | (1,816)        | (1,486)        | -22%          |
| <b>Net profit attributable to equity holders of the parent as reported in the Income Statement</b>   | <b>12,791</b>  | <b>24,489</b>  | <b>-48%</b>   |

\*This information has been extracted from the consolidated financial statements which have been subject to review by the company's auditors

### Overview

The fair value adjustment of \$12.630 million arose last year as a result of the Group increasing its equity in three associates where upon they became controlled entities. As required by accounting standards the carrying values for the existing investments have been adjusted to fair value and the increase included in net profit. Such adjustments will only occur in future if further acquisitions of this type are made.

Excluding items shown in the above table, which are not considered operating nor necessarily recurring income, and amortisation of intangibles which is a non-cash expense, Adjusted NPAT increased by 6% over the corresponding period last year. The Group's growth in profits compared to the prior period reflects the organic growth achieved in the underlying broking and underwriting agency businesses. Acquisitions made only a small contribution to profit due to the pattern of earnings and are expected to make a larger contribution in the second half. The level of growth achieved in the period was tempered by flat premium rates, slow economic growth and lower interest rates impacting interest earnings, as well as the increase in corporate expenses arising from the strategic employment of additional management and technology resources to underpin future growth.

Share of broker profits increased 3.5%, including acquisitions and smaller bolt on acquisitions and contributed 3.9% to the increase in profit over the corresponding prior period. Of this approximately one quarter was contributed through direct acquisitions. Profit contribution from these acquisitions is heavily weighted to the second half of the financial year. Profits in the first half were impacted by the slow down in the mining sector and related services in Western Australia as well as interest deposit rates being lower than in 2012.



**AUSTBROKERS HOLDINGS LIMITED**  
**A.B.N. 60 000 000 715**  
**DIRECTORS' REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

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**REVIEW AND RESULTS OF OPERATIONS**

**Overview (cont)**

Total commission and fee income in the broker network increased by 14.6% (6.5% excluding acquisitions) and total income by 12.4% (5.2% excluding acquisitions) over the prior period despite a 8.5% (16.5% excluding acquisitions) reduction in interest income due to lower interest rates. Expenses increased by 14.6% (6.0% excluding acquisitions).

Underwriting agency profits were 20.5% above last year due to the expansion of the business. Income overall increased by 37.4% with commission and fees excluding profit commissions increasing by 39%. Expenses increased by 39.5% due to acquisitions and additional resourcing to support growth. Acquisitions did not contribute to growth for the period. The increase in profit contributed 3.4% of the overall profit growth.

Corporate expenses increased by \$635,000 or 11.7% above the corresponding prior period as a result of the strategic decision to build management and systems capability to underpin future growth. These increases were partially offset by a reduction in incentive accruals in line with the results achieved. The net increase in these cost reduced overall profit growth by 3.2%.

Borrowing costs were lower due to lower interest rates, contributing 0.6% to profit growth.

The effective rate of income tax was lower compared to last year due to a lower level of non deductible expenses and some small adjustments relating to prior periods. This contributed 1.6% to profit growth.

**DIVIDEND PAYMENTS**

A final dividend of \$14.277 million was paid in October 2013.

The Directors have declared a fully franked interim dividend of 12.0 cents per share payable to shareholders at the record date of 10 April 2014 which will be paid on 30 April 2014.

**SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

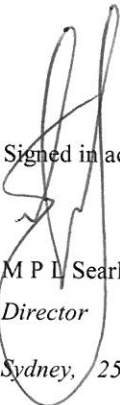
Other than as disclosed in Note 23 to the Financial Statements, there were no significant events occurring after the balance date.

**ROUNDING**

The amounts contained in the half-year financial report and this report have been rounded to the nearest \$1000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditors independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 33.

Signed in accordance with a resolution of the directors.

M P L Searles  
*Director*

Sydney, 25 February 2014

**AUSTBROKERS HOLDINGS LIMITED**  
**A.B.N. 60 000 000 715**  
**INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

|  | Notes           | Consolidated                       |                                    |
|--|-----------------|------------------------------------|------------------------------------|
|  |                 | 6 months ended<br>31 December 2013 | 6 months ended<br>31 December 2012 |
|  |                 | \$'000                             | \$'000                             |
| Revenue  | 4 (i)           | 78,725                             | 67,786                             |
| Other income   | 4 (ii)          | 3,477                              | 3,950                              |
| Share of profit of associates  | 4 (iii)         | 9,982                              | 8,954                              |
| Expenses   | 4 (iv)          | (70,551)                           | (58,700)                           |
| Finance costs  | 4 (v)           | (1,476)                            | (1,547)                            |
|  |                 | <u>20,157</u>                      | <u>20,443</u>                      |
| Income arising from adjustments to carrying values of associates, sale of interests in associates and broking portfolios |                 |                                    |                                    |
| - Adjustments to carrying value of associates  | 4(vi), 7(l),(m) | -                                  | 12,630                             |
| - Adjustment in contingent consideration on acquisition of controlled entity   | 4(vii), 7(n)    | -                                  | (490)                              |
|  |                 | <u>20,157</u>                      | <u>32,583</u>                      |
| <b>Profit before income tax</b>  |                 | <b>20,157</b>                      | <b>32,583</b>                      |
| Income tax expense   | 5               | 4,241                              | 5,269                              |
|  |                 | <u>15,916</u>                      | <u>27,314</u>                      |
| <b>Net Profit after tax for the period</b>   |                 |                                    |                                    |
| <b>Net Profit after tax for the period attributable to:</b>  |                 |                                    |                                    |
| Equity holders of the parent   |                 | 12,791                             | 24,489                             |
| Non-controlling interests  |                 | 3,125                              | 2,825                              |
|  |                 | <u>15,916</u>                      | <u>27,314</u>                      |
|  |                 |                                    |                                    |
| Basic earnings per share (cents per share)   | 6               | 21.78                              | 43.41                              |
| Diluted earnings per share (cents per share)   | 6               | 21.60                              | 43.14                              |

**AUSTBROKERS HOLDINGS LIMITED**  
**A.B.N. 60 000 000 715**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

|   | Consolidated                       |                                    |
|---|------------------------------------|------------------------------------|
| Notes   | 6 months ended<br>31 December 2013 | 6 months ended<br>31 December 2012 |
|   | \$'000                             | \$'000                             |
| <b>Net Profit after tax for the period</b>                                  | <b>15,916</b>                      | <b>27,314</b>                      |
| <b>Other comprehensive income</b>   |                                    |                                    |
| Other comprehensive income during the period                                | -                                  | -                                  |
| Income tax revenue relating to components of other comprehensive income     | -                                  | -                                  |
| <b>Other comprehensive (expense) after tax for the period</b>               | -                                  | -                                  |
| <b>Total comprehensive income after tax for the period</b>                  | <b>15,916</b>                      | <b>27,314</b>                      |
| <br>  |                                    |                                    |
| <b>Total comprehensive income after tax for the period attributable to:</b> |                                    |                                    |
| Equity holders of the parent  | 12,791                             | 24,489                             |
| Non-controlling interests   | 3,125                              | 2,825                              |
|   | <b>15,916</b>                      | <b>27,314</b>                      |

**AUSTBROKERS HOLDINGS LIMITED**  
**A.B.N. 60 000 000 715**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2013**

|  | Notes | Consolidated                        |                                 |
|--|-------|-------------------------------------|---------------------------------|
|  |       | As at<br>31 December 2013<br>\$'000 | As at<br>30 June 2013<br>\$'000 |
| <b>ASSETS</b>  |       |                                     |                                 |
| <b>Current Assets</b>                                      |       |                                     |                                 |
| Cash and cash equivalents                                  | 7     | 45,813                              | 38,083                          |
| Cash and cash equivalents - Trust                          | 7     | 104,106                             | 112,610                         |
| Trade and other receivables                                | 9     | 110,040                             | 156,698                         |
| Other financial assets                                     | 10    | 1,160                               | 1,716                           |
| <b>Total Current Assets</b>                                |       | <b>261,119</b>                      | <b>309,107</b>                  |
| <b>Non-current Assets</b>                                  |       |                                     |                                 |
| Trade and other receivables                                | 11    | 49                                  | 264                             |
| Investment in associates                                   | 12    | 87,515                              | 82,169                          |
| Other financial assets                                     | 13    | 463                                 | 424                             |
| Property, plant and equipment                              | 15    | 7,762                               | 7,455                           |
| Intangible assets and goodwill                             | 16    | 157,383                             | 158,639                         |
| Deferred income tax asset                                  |       | 5,379                               | 6,006                           |
| <b>Total Non-current Assets</b>                            |       | <b>258,551</b>                      | <b>254,957</b>                  |
| <b>TOTAL ASSETS</b>  |       | <b>519,670</b>                      | <b>564,064</b>                  |
| <b>LIABILITIES</b>   |       |                                     |                                 |
| <b>Current Liabilities</b>                                 |       |                                     |                                 |
| Trade and other payables                                   | 18    | 197,433                             | 253,395                         |
| Income tax payable   | 5     | 3,878                               | 6,071                           |
| Provisions   | 19    | 8,899                               | 9,963                           |
| Interest bearing loans and borrowings                      | 20    | 10,671                              | 10,132                          |
| <b>Total Current Liabilities</b>                           |       | <b>220,881</b>                      | <b>279,561</b>                  |
| <b>Non-current Liabilities</b>                             |       |                                     |                                 |
| Provisions   | 19    | 2,303                               | 2,469                           |
| Deferred tax liabilities                                   |       | 7,828                               | 8,883                           |
| Interest bearing loans and borrowings                      | 20    | 42,334                              | 42,753                          |
| <b>Total Non-current Liabilities</b>                       |       | <b>52,465</b>                       | <b>54,105</b>                   |
| <b>TOTAL LIABILITIES</b>                                   |       | <b>273,346</b>                      | <b>333,666</b>                  |
| <b>NET ASSETS</b>  |       | <b>246,324</b>                      | <b>230,398</b>                  |
| <b>EQUITY</b>  |       |                                     |                                 |
| Issued capital   | 21    | 105,147                             | 90,586                          |
| Retained earnings  |       | 99,876                              | 100,390                         |
| Share based payments reserve                               |       | 5,704                               | 5,173                           |
| Asset revaluation reserve                                  |       | 1,247                               | 1,500                           |
| <b>Equity attributable to equity holders of the parent</b> |       | <b>211,974</b>                      | <b>197,649</b>                  |
| <b>Non-controlling interests</b>                           |       | <b>34,350</b>                       | <b>32,749</b>                   |
| <b>TOTAL EQUITY</b>  |       | <b>246,324</b>                      | <b>230,398</b>                  |

**AUSTBROKERS HOLDINGS LIMITED**  
**A.B.N. 60 000 000 715**  
**STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

|   | Notes            | Consolidated                                 |  |
|---|------------------|--|--|
|   |                  | 6 months ended<br>31 December 2013<br>\$'000 | 6 months ended<br>31 December 2012<br>\$'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                  |  |  |
| Receipts from customers   |                  | 88,966                                       | 74,091                                       |
| Net (decrease) in cash held in customer trust accounts  |                  | (8,504)                                      | (1,548)                                      |
| Dividends/trust distributions received  |                  | 9,406  | 9,717  |
| Interest received   |                  | 2,273  | 2,442  |
| Management fees received from associates / related entities                                     |                  | 3,121  | 2,645  |
| Payments to suppliers and employees   |                  | (75,433)                                     | (60,369)                                     |
| Interest paid   |                  | (1,476)                                      | (1,515)                                      |
| Income tax (paid)   |                  | (6,763)                                      | (5,796)                                      |
|   |                  | <b>11,590</b>                                | <b>19,667</b>                                |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                  |  |  |
| <b>CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES</b>   |                  |  |  |
| Proceeds from new shares issued to non controlling interests                                    | 7 (a),7(b), 7(c) | 2,846  | 2,243  |
| Payment for increase in interests in controlled entities  | 7 (d), (e)       | -  | (1,744)                                      |
| Payment for new associates  | 7(f),(g),(i),(j) | (4,916)                                      | (976)  |
| Payment for new consolidated entity, net of cash acquired                                       | 7 (k)            | (142)  | -  |
| Net proceeds received for new consolidated entities, net of cash acquired                       | 7 (l),(m)        | -  | 9,859  |
| Payment for new broking portfolios purchased by member of the economic entity                   | 7 (n)            | (234)  | (4,291)                                      |
| Proceeds from disposal of broking portfolio by members of the economic entity                   | 7 (o)            | 122  | -  |
| Proceeds from disposal of associate by member of the economic entity                            | 7 (p)            | 220  | -  |
| Proceeds from /(payment) for purchase of other financial assets                                 |                  | 217  | (212)  |
| Proceeds from sale of plant and equipment   |                  | 40   | 33   |
| Payment for plant and equipment   |                  | (1,212)                                      | (731)  |
| Proceeds from mortgage repayments from associates / related entities                            |                  | 300  | 30   |
|   |                  | <b>(2,759)</b>                               | <b>4,211</b>                                 |
| <b>NET CASH FLOWS (USED IN) / FROM INVESTING ACTIVITIES</b>                                     |                  |  |  |
| <b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>  |                  |  |  |
| Dividends paid to shareholders  |                  | (6,666)                                      | (5,149)                                      |
| Dividends paid to non controlling interests   |                  | (3,700)                                      | (2,249)                                      |
| Net Proceeds from issue of share capital  |                  | 6,950  | 2,248  |
| Payment for deferred settlement on prior year acquisitions                                      |                  | (3,732)                                      | (1,433)                                      |
| Net proceeds from issue of share capital resulting from underwritten dividend reinvestment plan |                  | -  | -  |
| Net (decrease)/increase in borrowings and lease liabilities                                     |                  | (759)  | 2,054  |
| (Advances) to related entities  |                  | (1,698)                                      | (1,118)                                      |
|   |                  | <b>(9,605)</b>                               | <b>(5,647)</b>                               |
| <b>NET CASH FLOWS (USED IN) FINANCING ACTIVITIES</b>  |                  |  |  |
| <b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>                                   |                  | <b>(774)</b>                                 | <b>18,231</b>                                |
| Cash and cash equivalents at beginning of the period  |                  | 150,693                                      | 115,602                                      |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>   | 7                | <b>149,919</b>                               | <b>133,833</b>                               |

**AUSTBROKERS HOLDINGS LIMITED**  
**A.B.N. 60 000 000 715**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

|  | <i>Attributable to equity holders of the parent</i> |                      |                                 |                                   |                | <i>Non-<br/>controlling<br/>interest</i> | <i>Total<br/>equity</i> |
|--|---|----------------------|---------------------------------|-----------------------------------|----------------|--|-------------------------|
|  | Issued<br>Capital                                   | Retained<br>earnings | Asset<br>revaluation<br>reserve | Share based<br>payment<br>reserve | Total          |  |                         |
|  | \$'000  | \$'000               | \$'000                          | \$'000                            | \$'000         | \$'000                                   | \$'000                  |
| <b>CONSOLIDATED</b>  |   |                      |                                 |                                   |                |  |                         |
| <b>At 1 July 2012</b>  | <b>76,036</b>                                       | <b>77,017</b>        | <b>2,109</b>                    | <b>3,873</b>                      | <b>159,035</b> | <b>13,255</b>                            | <b>172,290</b>          |
| Profit for the period  | -   | 24,489               | -                               | -                                 | 24,489         | 2,825                                    | 27,314                  |
| Other comprehensive income   | -   | -                    | -                               | -                                 | -              | -  | -                       |
| Total comprehensive income for the six months 1 July 2012 to 31 December 2012  | -   | 24,489               | -                               | -                                 | 24,489         | 2,825                                    | 27,314                  |
| Adjustment on dilution of voting shares in controlled entities resulting from additional shares issued to non controlling interests. These adjustments are treated as transaction between owners and credited directly to retained earnings (see note 7 (c))                           | -   | 720                  | -                               | -                                 | 720            | 1,523                                    | 2,243                   |
| Buyback of shares from non controlling interests by controlled entity (see note 7 (d))   | -   | -                    | (99)                            | -                                 | (99)           | (145)                                    | (244)                   |
| Adjustment resulting from the consolidated entity acquiring an additional 10% interest in the voting shares of a controlled entity. The acquisition is treated as a transaction between owners and the resulting goodwill is recognised directly in retained earnings (see note 7 (e)) | -   | (753)                | -                               | -                                 | (753)          | (747)                                    | (1,500)                 |
| Non controlling interests relating to new acquisitions   |   |                      |                                 |                                   | -              | 10,037                                   | 10,037                  |
| Transfer from asset revaluation reserve for amortisation of broking register recognised on step acquisition of broking subsidiaries  | -   | 351                  | (351)                           | -                                 | -              | -  | -                       |
| Tax effect of transfer from asset revaluation reserve for amortisation of broking register recognised on step acquisition of broking subsidiaries  | -   | (105)                | 105                             | -                                 | -              | -  | -                       |
| Cost of share-based payment  | -   | -                    | -                               | 166                               | 166            | -  | 166                     |
| Tax benefit arising from payments made to employee share trust to acquire shares to satisfy exercise of share options  | -   | -                    | -                               | 674                               | 674            | -  | 674                     |
| Adjustment to tax benefit arising from expected future payments to acquire shares to satisfy vested and partially vested options which were unexercised at balance date (net of any benefit previously recognised in the income statement relating to share based payment expense).    | -   | -                    | -                               | (194)                             | (194)          | -  | (194)                   |
| Issued capital resulting from net proceeds from Dividend Reinvestment Plan   | 6,904   | -                    | -                               | -                                 | 6,904          | -  | 6,904                   |
| On 13 September 2012 allotted 36,100 shares at an issue price of \$3.47 (see note 21)  | 125   | -                    | -                               | -                                 | 125            | -  | 125                     |
| On 13 September 2012 allotted 20,000 shares at an issue price of \$4.20 (see note 21)  | 84  | -                    | -                               | -                                 | 84             | -  | 84                      |
| On 18 December 2012 allotted 9,747 shares at an issue price of \$4.22 (see note 21)  | 41  | -                    | -                               | -                                 | 41             | -  | 41                      |
| On 18 December 2012 allotted 223,200 shares at an issue price of \$3.47 (see note 21)  | 775   | -                    | -                               | -                                 | 775            | -  | 775                     |
| On 18 December 2012 allotted 297,300 shares at an issue price of \$4.20 (see note 21)  | 1,249   | -                    | -                               | -                                 | 1,249          | -  | 1,249                   |
| Share issue expenses   | (26)  | -                    | -                               | -                                 | (26)           | -  | (26)                    |
| Equity dividends   | -   | (12,053)             | -                               | -                                 | (12,053)       | (2,249)                                  | (14,302)                |
| <b>At 31 December 2012</b>   | <b>85,188</b>                                       | <b>89,666</b>        | <b>1,764</b>                    | <b>4,519</b>                      | <b>181,137</b> | <b>24,499</b>                            | <b>205,636</b>          |

**AUSTBROKERS HOLDINGS LIMITED**  
**A.B.N. 60 000 000 715**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

|  | <i>Attributable to equity holders of the parent</i> |                             |                                     |                                       | <i>Non-controlling interest</i> | <i>Total equity</i> |                |
|--|---|-----------------------------|-------------------------------------|---------------------------------------|---------------------------------|---------------------|----------------|
|  | Issued Capital<br>\$'000                            | Retained earnings<br>\$'000 | Asset revaluation reserve<br>\$'000 | Share based payment reserve<br>\$'000 | Total<br>\$'000                 | \$'000              | \$'000         |
| <b>CONSOLIDATED</b>  |   |                             |                                     |                                       |                                 |                     |                |
| <b>At 1 January 2013</b>   | <b>85,188</b>                                       | <b>89,666</b>               | <b>1,764</b>                        | <b>4,519</b>                          | <b>181,137</b>                  | <b>24,499</b>       | <b>205,636</b> |
| Profit for the period  | -   | 16,714                      | -                                   | -                                     | 16,714                          | 3,509               | 20,223         |
| Other comprehensive income   | -   | -                           | -                                   | -                                     | -                               | -                   | -              |
| Total comprehensive income for the six months 1 January 2013 to 30 June 2013   | -   | 16,714                      | -                                   | -                                     | 16,714                          | 3,509               | 20,223         |
| Adjustment on dilution of voting shares in controlled entities resulting from additional shares issued to non controlling interests. These adjustments are treated as transaction between owners and credited directly to retained earnings  | -   | 90                          | -                                   | -                                     | 90                              | 682                 | 772            |
| Buyback of shares from non controlling interests by controlled entity  | -   | (5)                         | -                                   | -                                     | (5)                             | (8)                 | (13)           |
| Non controlling interests relating to new acquisitions   |   |                             |                                     |                                       | -                               | 6,915               | 6,915          |
| Transfer from asset revaluation reserve for amortisation of broking register recognised on step acquisition of broking subsidiaries  | -   | 377                         | (377)                               | -                                     | -                               | -                   | -              |
| Tax effect of transfer from asset revaluation reserve for amortisation of broking register recognised on step acquisition of broking subsidiaries  | -   | (113)                       | 113                                 | -                                     | -                               | -                   | -              |
| Cost of share-based payment  | -   | -                           | -                                   | 338                                   | 338                             | -                   | 338            |
| Tax benefit arising from payments made to employee share trust to acquire shares to satisfy exercise of share options  | -   | -                           | -                                   | 80                                    | 80                              | -                   | 80             |
| Adjustment to tax benefit arising from expected future payments to acquire shares to satisfy vested and partially vested options which were unexercised at balance date (net of any benefit previously recognised in the income statement relating to share based payment expense) | -   | -                           | -                                   | 236                                   | 236                             | -                   | 236            |
| Issued capital resulting from net proceeds from Dividend Reinvestment Plan   | 3,165   | -                           | -                                   | -                                     | 3,165                           | -                   | 3,165          |
| On 2 April 2013 allotted 38,900 shares at an issue price of \$3.47 (see note 21)   | 135   | -                           | -                                   | -                                     | 135                             | -                   | 135            |
| On 2 April 2013 allotted 10,412, shares at an issue price of \$4.20 (see note 21)  | 44  | -                           | -                                   | -                                     | 44                              | -                   | 44             |
| On 13 June 2013 allotted 193,348, shares at an issue price of \$10.692 as part of an acquisition   | 2,067   | -                           | -                                   | -                                     | 2,067                           | -                   | 2,067          |
| Share issue expenses   | (13)  | -                           | -                                   | -                                     | (13)                            | -                   | (13)           |
| Equity dividends   | -   | (6,339)                     | -                                   | -                                     | (6,339)                         | (2,848)             | (9,187)        |
| <b>At 30 June 2013</b>   | <b>90,586</b>                                       | <b>100,390</b>              | <b>1,500</b>                        | <b>5,173</b>                          | <b>197,649</b>                  | <b>32,749</b>       | <b>230,398</b> |

**AUSTBROKERS HOLDINGS LIMITED**  
**A.B.N. 60 000 000 715**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

|   | <i>Attributable to equity holders of the parent</i> |                             |                                     |                                       | <i>Non-controlling interest</i> | <i>Total equity</i> |                |
|---|---|-----------------------------|-------------------------------------|---------------------------------------|---------------------------------|---------------------|----------------|
|   | Issued Capital<br>\$'000                            | Retained earnings<br>\$'000 | Asset revaluation reserve<br>\$'000 | Share based payment reserve<br>\$'000 | Total<br>\$'000                 | \$'000              | \$'000         |
| <b>CONSOLIDATED</b>   |   |                             |                                     |                                       |                                 |                     |                |
| <b>At 1 July 2013</b>   | <b>90,586</b>                                       | <b>100,390</b>              | <b>1,500</b>                        | <b>5,173</b>                          | <b>197,649</b>                  | <b>32,749</b>       | <b>230,398</b> |
| Profit for the period   | -   | 12,791                      | -                                   | -                                     | 12,791                          | 3,125               | 15,916         |
| Other comprehensive income  | -   | -                           | -                                   | -                                     | -                               | -                   | -              |
| Total comprehensive income for the six months 1 July 2013 to 31 December 2013   | -   | 12,791                      | -                                   | -                                     | 12,791                          | 3,125               | 15,916         |
| Adjustment resulting from a controlled entity issuing additional shares to non controlling interests. The dilution in voting shares is treated as a transaction between owners and the resulting adjustment is recognised directly in retained earnings (see note 7 (a))            | -   | 758                         | -                                   | -                                     | 758                             | 2,088               | 2,846          |
| Adjustment relating to reduction of voting shares in a controlled entity resulting in an increase in voting shares by non controlling interests. This adjustment was treated as transaction between owners and adjusted directly to retained earnings (see note 7 (b))              | -   | (39)                        | -                                   | -                                     | (39)                            | (9)                 | (48)           |
| Non controlling interests relating to disposals of broking portfolios and investment in associates. (see note 7(o),(p))   | -   | -                           | -                                   | -                                     | -                               | 97                  | 97             |
| Transfer from asset revaluation reserve for amortisation of broking register recognised on step acquisition of broking subsidiaries   | -   | 361                         | (361)                               | -                                     | -                               | -                   | -              |
| Tax effect of transfer from asset revaluation reserve for amortisation of broking register recognised on step acquisition of broking subsidiaries   | -   | (108)                       | 108                                 | -                                     | -                               | -                   | -              |
| Cost of share-based payment   | -   | -                           | -                                   | 386                                   | 386                             | -                   | 386            |
| Tax benefit arising from payments made to employee share trust to acquire shares to satisfy exercise of share options   | -   | -                           | -                                   | 340                                   | 340                             | -                   | 340            |
| Adjustment to tax benefit arising from expected future payments to acquire shares to satisfy vested and partially vested options which were unexercised at balance date (net of any benefit previously recognised in the income statement relating to share based payment expense). | -   | -                           | -                                   | (195)                                 | (195)                           | -                   | (195)          |
| Issued capital resulting from net proceeds from Dividend Reinvestment Plan  | 14,277  | -                           | -                                   | -                                     | 14,277                          | -                   | 14,277         |
| On 11 September 2013 allotted 49,350 shares at an issue price of \$3.47 (see note 21)   | 171   | -                           | -                                   | -                                     | 171                             | -                   | 171            |
| On 11 September 2013 allotted 70,100 shares at an issue price of \$4.20 (see note 21)   | 295   | -                           | -                                   | -                                     | 295                             | -                   | 295            |
| Share issue expenses  | (182)   | -                           | -                                   | -                                     | (182)                           | -                   | (182)          |
| Equity dividends  | -   | (14,277)                    | -                                   | -                                     | (14,277)                        | (3,700)             | (17,977)       |
| <b>At 31 December 2013</b>  | <b>105,147</b>                                      | <b>99,876</b>               | <b>1,247</b>                        | <b>5,704</b>                          | <b>211,974</b>                  | <b>34,350</b>       | <b>246,324</b> |



**AUSTBROKERS HOLDINGS LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

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**1. CORPORATE INFORMATION**

The financial report of Austbrokers Holdings Limited for the six months ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors on 25 February 2014.

Austbrokers Holdings Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The principal activities during the period of entities within the consolidated group, were the provision of insurance broking services, distribution of ancillary products and conducting underwriting agency businesses.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation of the half year financial statements**

The general purpose condensed financial statements for the half year ended 31 December 2013 have been prepared in accordance with AASB 134 "Interim Financial Reporting" and the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except where otherwise stated.

The financial report is presented in Australian dollars (\$) and all values are rounded to the nearest \$1000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated group as the full financial report.

It is recommended that the half year financial report be read in conjunction with the annual report for the year ended 30 June 2013 and considered together with any public announcements made by Austbrokers Holdings Limited in accordance with the continuous disclosure obligations of the ASX listing rules.

**3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES, INTERPRETATIONS AND NEW ACCOUNTING STANDARDS,**

The accounting policies and methods of computation are the same as those adopted in prior years except for the adoption of new accounting standards that took effect from 1 July 2013 as detailed in note 3 of the 30 June 2013 Financial Statements. The adoption of these new accounting standards did not have a material effect on the financial position or performance of the Consolidated group.

There are a number of Standards and Interpretations, mandatory for annual periods beginning on or after 1 January 2014. The Group has reviewed the impact of these changes and has determined that the adoption of these standards will not have any material effect on the financial position or performance of the Consolidated group.

**AUSTBROKERS HOLDINGS LIMITED**  
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**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

|   | 6 months ended<br>31 December 2013<br>\$'000 | Consolidated<br>6 months ended<br>31 December 2012<br>\$'000 |
|---|--|--|
| <b>4. REVENUE AND EXPENSES</b>  |  |  |
| <b>(i) Revenue</b>  |  |  |
| Commission, Brokerage and Fee Income  | 75,604                                       | 65,141   |
| Management fees   | 3,121  | 2,645  |
| <b>Total revenue</b>  | <b>78,725</b>                                | <b>67,786</b>  |
| <b>(ii) Other income</b>  |  |  |
| Dividends from other persons  | 9  | 30   |
| Interest from related parties   | 49   | 44   |
| Interest from other persons / corporations  | 2,224  | 2,398  |
| Other income  | 1,195  | 1,478  |
| <b>Total other income</b>   | <b>3,477</b>                                 | <b>3,950</b>   |
| <b>(iii) Share of profit of associates</b>  |  |  |
| Share of Net Profits of Associates Accounted for using the Equity Method before amortisation                              | 10,814                                       | 9,619  |
| Amortisation of Intangibles - Associates  | (832)  | (665)  |
| <b>Total share of profit of associates</b>  | <b>9,982</b>                                 | <b>8,954</b>   |
| <b>(iv) Expenses</b>  |  |  |
| Amortisation of Intangibles - controlled entities   | 1,955  | 1,665  |
| Salaries and wages  | 43,256                                       | 35,327   |
| Share-based payments  | 386  | 166  |
| Audit fees  | 680  | 430  |
| Travel/Telephone/ Motor/Stationery  | 2,548  | 2,508  |
| Depreciation of property plant and equipment  | 875  | 943  |
| Other expenses  | 9,685  | 9,288  |
| Rent (operating leases)   | 3,906  | 3,032  |
| Commission expense  | 5,481  | 3,704  |
| Insurance   | 1,779  | 1,637  |
| <b>Total expenses</b>   | <b>70,551</b>                                | <b>58,700</b>  |
| <b>(v) Finance costs</b>  |  |  |
| Borrowing costs   | 1,476  | 1,547  |
| <b>Total finance costs</b>  | <b>1,476</b>                                 | <b>1,547</b>   |
| <b>(vi) Adjustments to carrying value of associates</b>   |  |  |
| Fair value adjustment to carrying value of associates on the date they became controlled entities (see note 7(k),(l),(m)) | -  | 12,630   |
| <b>(vii) Contingent consideration adjustments</b>   |  |  |
| Adjustment to contingent consideration on acquisition of controlled entity (see note 7(n))                                | -  | (490)  |

**AUSTBROKERS HOLDINGS LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

|   | Consolidated                                 |  |
|---|--|--|
|   | 6 months ended<br>31 December 2013<br>\$'000 | 6 months ended<br>31 December 2012<br>\$'000 |
| <b>5. INCOME TAX</b>  |  |  |
| A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the company's applicable income tax rate is as follows: |  |  |
| Profit before income tax  | 20,157                                       | 32,583                                       |
| At the company's statutory income tax rate of 30% (2012:30%)  | 6,047  | 9,775  |
| Non assessable income from associated entities  | (2,094)                                      | (984)  |
| Under/(Over) provision prior year   | 186  | (51)   |
| Adjustment to contingent consideration on acquisition of controlled entity  | -  | 147  |
| Fair value adjustment to carrying value of associate on the date it became a controlled entity  | -  | (3,789)                                      |
| Non deductible expenses/other   | 102  | 171  |
| Income tax expense reported in the consolidated income statement  | 4,241  | 5,269  |
|   | As at  | As at  |
|   | 31 December 2013                             | 30 June 2013                                 |
|   | \$'000                                       | \$'000                                       |
| Provision for income tax  | 3,878  | 6,071  |

**6. EARNINGS PER SHARE (EPS)**

**(a) Earnings used in calculating EPS**

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

**(b) Changes in weighted average number of shares**

There have been no significant transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

**AUSTBROKERS HOLDINGS LIMITED**  
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| 7. CASH AND CASH EQUIVALENTS           | Consolidated                        |                                     |
|--|-------------------------------------|-------------------------------------|
|  | As at<br>31 December 2013<br>\$'000 | As at<br>31 December 2012<br>\$'000 |
| Cash and cash equivalents              | 45,813                              | 44,800                              |
| Cash and cash equivalents - Trust      | 104,106                             | 89,033                              |
| <b>Total cash and cash equivalents</b> | <b>149,919</b>                      | <b>133,833</b>                      |

Trust cash cannot be used to meet business obligations/operating expenses other than payments to underwriters and/or refunds to policyholders.

**Business combinations**

All the business combinations referred to in note 7(a) - 7(p) relate to insurance broking or underwriting agency businesses.

A major strategy of the group is to acquire insurance broking portfolios or interests in insurance broking businesses generally ranging from 50%-100%. The terms of these acquisitions vary in line with negotiations with individual vendors but are structured to achieve the group's benchmarks for return on investment and to take advantage of the rationalisation in the broking industry where many current owners of businesses are approaching retirement.

Where acquisitions include an element of purchase price contingent on business performance, management has estimated the fair value of these contingent considerations based on a probability weighted best estimates of future outcomes for income or profit, on which the purchase price is determined, discounted to present value. Historical trends and any relevant external factors are taken into account in determining the likely outcome.

*Equity transactions between owners - current period*

- a) Effective 1 July 2013, the Consolidated entity diluted its voting shares in Austbrokers AEI Transport Pty Ltd (AB AEIT) by 10%, when AB AEIT issued additional shares to existing shareholders for \$2,846,405 reducing the equity ownership to 55%.

|   | AB AEIT<br>Carrying value<br>\$'000 |
|---|-------------------------------------|
| Cash  | 9,578                               |
| Receivables   | 13,976                              |
| Property plant and equipment  | 100                                 |
| Deferred tax assets   | 48                                  |
| Intangibles   | 12,793                              |
| <b>TOTAL ASSETS</b>   | <b>36,495</b>                       |
| Payables and provisions   | 20,944                              |
| Borrowings  | 4,650                               |
| Tax Liabilities   | 771                                 |
| <b>TOTAL LIABILITIES</b>  | <b>26,365</b>                       |
| <b>NET ASSETS</b>   | <b>10,130</b>                       |
| Non controlling interests   | (963)                               |
| <b>NET ASSETS ATTRIBUTABLE TO PARENT BEFORE SHARE ISSUE</b>                           | <b>9,167</b>                        |
| <b>Cash received on share issue</b>   | <b>2,846</b>                        |
| Net assets attributable to parent after share issue                                   | <b>12,013</b>                       |
| <b>Cash received on share issue</b>   | <b>2,846</b>                        |
| Adjustment to non controlling interests   | 2,088                               |
| <b>Transfer to retained earnings on dilution of shareholding in controlled entity</b> | <b>758</b>                          |

AUSTBROKERS HOLDINGS LIMITED  
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7. CASH AND CASH EQUIVALENTS (Continued)

**Business combinations (continued)**

*Equity transactions between owners - current period (continued)*

- b) Effective 1 July 2013, a controlled entity, Adroit Holdings Limited sold 1.89% of the units in Austbrokers Employee Equity Trust (AEET) decreasing the equity ownership to 74.59%.

|  | AEET<br>Carrying value<br>\$'000 |
|--|----------------------------------|
| Cash   | 6                                |
| Investment   | 344                              |
| Receivables  | 1                                |
| <b>TOTAL ASSETS</b>  | <b>351</b>                       |
| Payables and provisions  | 4                                |
| <b>NET ASSETS ATTRIBUTABLE TO PARENT BEFORE SHARE DISPOSAL</b>   | <b>347</b>                       |
| <b>Sale proceeds</b>   | -                                |
| <b>Less:</b>   |                                  |
| Value of net assets disposed                                     | (7)                              |
| Adjustment to carrying value                                     | (41)                             |
| Plus adjustment to non controlling interests                     | 9                                |
| <b>Transfer to retained earnings on adjustment voting shares</b> | <b>(39)</b>                      |

*Equity transactions between owners - previous period*

- (c) Effective 1 July 2012, the Consolidated entity diluted its voting shares of Austbrokers Financial Solutions (Syd) Pty Ltd (AFS) by 25%, when AFS issued additional shares to a new shareholder for \$1,224,920 reducing the equity ownership to 75%.

Effective 1 July 2012, the Consolidated entity diluted its voting shares of Austbrokers Terrace Pty Ltd (ABT) from 85% to 70.83% when ABT issued additional shares to non controlling interests for \$1,018,035.

The value of the non-controlling interests in AFS and ABT was determined based on their 25% and 29.17% interest in the carrying value of the identifiable net assets of each company respectively as at the date of dilution of shareholding.

The carrying value of the identifiable assets and liabilities of AFS and ABT as at the date of the dilution in equity were:

|   | AFS<br>Carrying value<br>\$'000 | ABT<br>Carrying value<br>\$'000 |
|---|---------------------------------|---------------------------------|
| Cash  | 482                             | 3,020                           |
| Receivables   | 456                             | 3,650                           |
| Other investments   | -                               | 121                             |
| Property plant and equipment  | 28                              | 52                              |
| Intangibles   | 3,832                           | 2,172                           |
| <b>TOTAL ASSETS</b>   | <b>4,798</b>                    | <b>9,015</b>                    |
| Payables and provisions   | 2,237                           | 6,319                           |
| Borrowings  | -                               | 410                             |
| Tax Liabilities   | 18                              | 16                              |
| <b>TOTAL LIABILITIES</b>  | <b>2,255</b>                    | <b>6,745</b>                    |
| <b>NET ASSETS</b>   | <b>2,543</b>                    | <b>2,270</b>                    |
| Non controlling interests   | (108)                           | (69)                            |
| <b>NET ASSETS ATTRIBUTABLE TO PARENT BEFORE SHARE ISSUE</b>                           | <b>2,435</b>                    | <b>2,201</b>                    |
| <b>Cash received on share issue</b>   | <b>1,225</b>                    | <b>1,018</b>                    |
| Net assets attributable to parent after share issue                                   | <b>3,660</b>                    | <b>3,219</b>                    |
| <b>Cash received on share issue</b>   | <b>1,225</b>                    | <b>1,018</b>                    |
| Adjustment to non controlling interests   | 915                             | 608                             |
| <b>Transfer to retained earnings on dilution of shareholding in controlled entity</b> | <b>310</b>                      | <b>410</b>                      |

**AUSTBROKERS HOLDINGS LIMITED**  
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**7. CASH AND CASH EQUIVALENTS (Continued)**

**Business combinations (continued)**

*Equity transactions between owners - previous period (continued)*

(d) Effective 1 July 2012, Interfin Pty Ltd, an entity within the consolidated group, cancelled voting shares resulting in a payment of \$244,000 to non controlling interests. The cancellation of voting shares previously issued to non controlling interests, increased the voting shares owned by Aprikeesh Pty Ltd in Interfin from 67.8% to 78.8%. The cancellation of voting shares was treated as a transaction between owners and the resulting change of \$99,000 was reflected in equity.

(e) Effective 1 July 2012, the Consolidated entity acquired an additional 10% of the voting shares of Austbrokers Canberra Pty Ltd for \$1,500,000 increasing the equity ownership to 85%.

The value of the non-controlling interests was determined based on its 10% interest in the carrying value of the identifiable net assets as at the date of acquisition.

The carrying value of the identifiable assets and liabilities of Austbrokers Canberra Pty Ltd as at the date of the acquisition were:

|   | Carrying value<br>\$'000 |
|---|--------------------------|
| Cash  | 6,880                    |
| Receivables   | 8,589                    |
| Property plant and equipment  | 187                      |
| Intangibles   | 5,695                    |
| <b>TOTAL ASSETS</b>   | <b>21,351</b>            |
| <br>  |                          |
| Payables and provisions   | 14,200                   |
| Tax Liabilities   | 220                      |
| <b>TOTAL LIABILITIES</b>  | <b>14,420</b>            |
| <br>  |                          |
| <b>NET ASSETS</b>   | <b>6,931</b>             |
| <br>  |                          |
| <b>Purchase price - cash paid for additional voting shares</b>                  | <b>1,500</b>             |
| Less:   |                          |
| Non controlling interest share- acquired  | 693                      |
| Non controlling interest share- adjustment                                      | 54                       |
| <br>  |                          |
| <b>Transfer to retained earnings on acquisition of additional voting shares</b> | <b>(753)</b>             |

The Group had acquired a call option to purchase additional voting shares in Austbrokers Canberra Pty Ltd in the event that the annual profit during the following 12 months fell below \$2,700,000. Based on the expected profit from this entity, the fair value of this option had been estimated at \$NIL.

*Acquisition/sales of associates - current period*

f) On 1 July 2013, the consolidated entity acquired 50% of the voting shares of WRI insurance Brokers Pty Ltd for \$4,876,264 which includes an amount of \$876,264 that represents the value of identifiable net assets acquired at the time of acquisition of the business.

g) On 1 September 2013, a controlled entity, Adroit Holdings Pty Limited, acquired 20% of the voting shares of NRIG Pty Limited for \$40,000.

h) On 1 September 2013, a controlled entity, Adroit Holdings Pty Limited, sold all of the voting shares in Interprac General Insurance Pty Limited for \$219,600 net of sale expenses.

*Acquisition of associates - previous period*

i) On 1 December 2012, the consolidated entity acquired 50% of the voting shares of Brett Grant and Associates Pty Ltd for \$1,728,603 including an amount of \$752,978 which represents the fair value of the contingent consideration expected to be paid 15 months after the acquisition date.

j) During the previous period, the consolidated entity incorporated or acquired the following entities, Angel Accident and Health Underwriting Agency Pty Ltd, One Liability Underwriting Pty Ltd, New Surety Pty Ltd and Aust Re Brokers Pty Ltd. The capital contribution for 50% of the voting shares in each entity was \$50, \$100, \$100 and \$10 respectively.

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**7. CASH AND CASH EQUIVALENTS (Continued)**

**Business combinations (continued)**

**Acquisition of new controlled entity - current period**

- (k) On 4 October 2013, a controlled entity acquired an additional 50% of the voting shares in Celestial Underwriting Agency Pty Ltd for \$300,000 bringing the total equity to 100%.

Fair values of the identifiable assets and liabilities of Celestial Underwriting Agency Pty Ltd as at the date of acquisition were:

|  | Fair value<br>recognised on<br>acquisition<br>\$'000 | Carrying value<br>\$'000 |
|--|--|--------------------------|
| Cash   | 158  | 158                      |
| Receivables  | 897  | 897                      |
| Right to future income   | 180  | -                        |
| Plant and equipment  | 10   | 10                       |
| Other assets   | 19   | 19                       |
| Deferred tax asset   | 30   | 30                       |
| Intangibles  | -  | -                        |
| <b>TOTAL ASSETS</b>  | <b>1,294</b>   | <b>1,114</b>             |
| Payables   | 777  | 777                      |
| Provisions   | 81   | 27                       |
| <b>TOTAL LIABILITIES</b>   | <b>858</b>   | <b>804</b>               |
| <b>NET ASSETS</b>  | <b>436</b>   | <b>310</b>               |
| Carrying value of existing 50% equity at the date of acquisition                                       | 451  |                          |
| Fair value adjustment on existing holding at the date of acquisition (see note 4(vi))                  | -  |                          |
| Adjusted carrying value of existing 50% equity at the date of acquisition                              | 451  |                          |
| Purchase price - cash paid for additional voting shares (including payment for right to future income) | <b>300</b>   |                          |
| Carrying value of controlled entity  | 751  |                          |
| Less net assets acquired   | 436  |                          |
| Goodwill arising on acquisition  | 315  |                          |
| Cash outflow on acquisition is as follows;   |  |                          |
| Net cash acquired with the controlled entity   | 158  |                          |
| Cash paid  | (300)  |                          |
| <b>Net cash outflow</b>  | <b>(142)</b>   |                          |

The acquisition of an additional 50% of Celestial Underwriting Agency Pty Ltd was effective on 1 July 2013. The acquisition contributed a loss \$46,120 to net profit after tax and \$63,149 to revenue.

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of the business. As at acquisition date, any goodwill relates to benefits from the combination of synergies as well as the entity's ability to generate future profits.

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**7. CASH AND CASH EQUIVALENTS (Continued)**

**Business combinations (continued)**

**Acquisition of new controlled entities - previous period**

- 1) Effective 1 July 2012, the Company acquired an additional 18.5% of the voting shares in Adroit Holdings Pty Ltd for \$4,406,000 ( including a deferred payment of \$185,000), bringing the total equity to 68.5%.

On 1 November 2012, the Company acquired an additional 30% of the voting shares in Comsure Insurance Brokers Pty Ltd for \$2,237,131 (including a deferred payment of \$500,000), bringing the total equity to 80%.

Fair values of the identifiable assets and liabilities of Adroit Holdings Pty Ltd and Comsure Insurance Brokers Pty Ltd as at the date of acquisition were:

|  | Adroit Holdings Pty Ltd                           |                          | Comsure Insurance Brokers Pty Ltd                    |                          |
|--|---|--------------------------|--|--------------------------|
|  | Fair value recognised<br>on acquisition<br>\$'000 | Carrying value<br>\$'000 | Fair value<br>recognised on<br>acquisition<br>\$'000 | Carrying value<br>\$'000 |
| Cash   | 13,958  | 13,958                   | 2,740  | 2,740                    |
| Receivables  | 13,885  | 13,885                   | 2,823  | 2,824                    |
| Plant and equipment  | 2,311   | 2,311                    | 63   | 63                       |
| Other assets   | 310   | 310                      | 29   | 29                       |
| Deferred tax asset   | 321   | 321                      | 69   | 69                       |
| Intangibles  | 6,445   | -                        | 1,780  | -                        |
| <b>TOTAL ASSETS</b>  | <b>37,230</b>                                     | <b>30,785</b>            | <b>7,504</b>   | <b>5,725</b>             |
| Payables   | 26,563  | 26,563                   | 5,175  | 5,175                    |
| Provisions   | 516   | 516                      | 222  | 222                      |
| Borrowings   | 4,739   | 4,739                    | -  | -                        |
| Deferred Tax Liabilities   | 1,934   | -                        | 534  | -                        |
| <b>TOTAL LIABILITIES</b>   | <b>33,752</b>                                     | <b>31,818</b>            | <b>5,931</b>   | <b>5,397</b>             |
| <b>NET ASSETS</b>  | <b>3,478</b>                                      | <b>(1,033)</b>           | <b>1,573</b>   | <b>328</b>               |
| Value attributable to non controlling interests  | 1,041   | 1,041                    | (7)  | (7)                      |
| Net assets attributable to equity holders of the parent                                      | <b>2,437</b>                                      | <b>(2,074)</b>           | <b>1,580</b>   | <b>335</b>               |
| Carrying value of existing 50% equity at the date of acquisition                             | 2,512   |                          | 520  |                          |
| <b>Fair value adjustment on existing holding at the date of acquisition (see note 4(vi))</b> | <b>9,284</b>                                      |                          | <b>3,209</b>   |                          |
| Adjusted carrying value of existing 50% equity at the date of acquisition                    | 11,796  |                          | 3,729  |                          |
| <b>Purchase price - cash paid for additional voting shares</b>                               | <b>4,221</b>                                      |                          | <b>1,737</b>   |                          |
| Purchase price - deferred consideration  | 185   |                          | 500  |                          |
| Carrying value of controlled entity  | <b>16,202</b>                                     |                          | <b>5,966</b>   |                          |
| Goodwill arising on acquisition  | 14,533  |                          | 4,702  |                          |
| Goodwill relating to non controlling interests   | 6,735   |                          | 1,175  |                          |
| Total Goodwill arising on acquisition  | <b>21,268</b>                                     |                          | <b>5,877</b>   |                          |
| Cash inflow on acquisition is as follows;  |   |                          |  |                          |
| Net cash acquired with the controlled entity   | 13,958  |                          | 2,740  |                          |
| Cash paid  | (4,221)   |                          | (1,737)  |                          |
| <b>Net cash inflow</b>   | <b>9,737</b>                                      |                          | <b>1,003</b>   |                          |

The acquisition of an additional 18.5% of Adroit Holdings Pty Ltd was effective on 1 July 2012. The additional acquisition contributed \$975,843 to net profit after tax and \$10,076,245 to revenue.

The acquisition of an additional 30% of Comsure Insurance Brokers Pty Ltd was effective on 1 November 2012. The additional acquisition contributed \$391,493 to net profit after tax and \$1,428,857 to revenue. Had the acquisition taken place at the beginning of the period, the profit after tax contribution would have been \$480,207 and revenue would have been \$2,549,068.

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of the business. As at acquisition date, any goodwill relates to benefits from the combination of synergies as well as the entity's ability to generate future profits.



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7. CASH AND CASH EQUIVALENTS (Continued)

**Business combinations (continued)**

**Acquisition of new controlled entities - previous period (continued)**

- m) On 1 July 2012, the Company acquired the remaining 50% interest in Insurics Pty Ltd it did not already own for \$2,527,000.

Fair values of the identifiable assets and liabilities of Insurics Pty Ltd as at the date of acquisition were:

|  | Fair value<br>recognised on<br>acquisition<br>\$'000 | Carrying value<br>\$'000 |
|--|--|--------------------------|
| Cash   | 1,646  | 1,646                    |
| Receivables  | 358  | 343                      |
| Plant and equipment  | 155  | 155                      |
| Deferred tax asset   | 98   | 98                       |
| Intangibles  | 993  | -                        |
| <b>TOTAL ASSETS</b>  | <b>3,250</b>   | <b>2,242</b>             |
| Payables   | 2,091  | 2,090                    |
| Borrowings   | 324  | 324                      |
| Deferred Tax Liabilities   | 298  | -                        |
| <b>TOTAL LIABILITIES</b>   | <b>2,713</b>   | <b>2,414</b>             |
| <b>NET ASSETS</b>  | <b>537</b>   | <b>(172)</b>             |
| <b>Fair value adjustment on existing holding at the date of acquisition (see note 4(vi))</b> | <b>137</b>   |                          |
| Carrying value of existing 50% share   | 1,149  |                          |
| Purchase price - cash paid   | 2,527  |                          |
| Total cost base  | 3,813  |                          |
| Less Fair value of assets acquired   | 537  |                          |
| Goodwill arising on acquisition  | 3,276  |                          |
| Cash inflow on acquisition is as follows;  |  |                          |
| Net cash acquired with the controlled entity   | 1,646  |                          |
| Cash paid  | (2,527)  |                          |
| <b>Net cash outflow</b>  | <b>(881)</b>   |                          |

The acquisition of an additional 50% of Insurics Pty Ltd was effective on 1 July 2012. The additional acquisition contributed \$321,030 to net profit after tax and \$1,533,869 to revenue.

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of the business. As at acquisition date, any goodwill relates to benefits from the combination of synergies as well as the entity's ability to generate future profits.

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**7. CASH AND CASH EQUIVALENTS (Continued)**

**Business combinations (continued)**

**Acquisition of new broking portfolios (current and previous period)**

- n) The Consolidated Entity acquired broking portfolios by way of business combinations as follows:

|   | <i>Fair value</i>                |                  |
|---|----------------------------------|------------------|
|   | <i>recognised on acquisition</i> |                  |
|   | Total                            | Total            |
|   | 6 months ended                   | 6 months ended   |
|   | 31 December 2013                 | 31 December 2012 |
|   | \$'000                           | \$'000           |
| Intangibles   | 137                              | 1,594            |
| Deferred tax liabilities                                    | (42)                             | (478)            |
| Fair value of assets acquired                               | 95                               | 1,116            |
| <b>Purchase price - cash paid</b>                           | <b>234</b>                       | <b>4,291</b>     |
| Deferred /contingent consideration on portfolio acquisition | 321                              | 1,028            |
|   | 555                              | 5,319            |
| Less: Fair value of assets acquired                         | 95                               | 1,116            |
| <b>Goodwill arising on acquisition</b>                      | <b>460</b>                       | <b>4,203</b>     |

During the period, a controlled entity acquired 100% of a broking portfolio which included an element of deferred consideration payable after balance date. The deferred amount is expected to be paid by 31 March 2014.

During the previous period, controlled entities acquired 100% of broking portfolios which included an element of contingent consideration which is finally determined on a multiple of commission and fees achieved in the financial year immediately following acquisition. The potential undiscounted amount of all future payments that could be required is between \$908,000 and \$1,371,000. The fair value of this contingent consideration had been estimated as \$1,028,000.

During the previous period, the consolidated entity had revised contingent consideration estimates relating to broking portfolio acquisitions acquired in the year ended 30 June 2012. Based on results achieved in the 12 months since the portfolios were acquired, the final settlement was \$490,000 higher than the fair value estimate included in the 30 June 2012 financial statement. This amount was shown as an expense in note 4 (vi).

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of the business. As at acquisition date, any goodwill relates to benefits from the combination of synergies as well as the entity's ability to generate future profits.

**Disposals - current period**

- o) The Consolidated Entity disposed of broking portfolios as follows:

|  |            |          |
|--|------------|----------|
| <b>Proceeds from sale of broking portfolio ( net of sale expenses)</b> | <b>122</b> | -        |
| Less:  |            |          |
| Book value assets disposed - intangibles.                              | 84         | -        |
| Non controlling interests  | 38         | -        |
| <b>Profit on sale of broking portfolio</b>                             | <b>-</b>   | <b>-</b> |

- p) During the period a controlled entity disposed of all of its voting shares in Interprac General Insurance Pty Ltd for \$300,000 (\$219,600 net of disposal costs)

|   |            |          |
|---|------------|----------|
| <b>Proceeds from sale of broking portfolio ( net of disposal costs)</b> | <b>220</b> | -        |
| Less:   |            |          |
| Book value assets disposed - intangibles.                               | 129        | -        |
| Carrying value of associate   | 32         | -        |
| Non controlling interests   | 59         | -        |
| <b>Profit on sale of Associate</b>                                      | <b>-</b>   | <b>-</b> |

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|   | Consolidated               |                            |
|---|----------------------------|----------------------------|
|   | 6 months ended             | 6 months ended             |
|   | 31 December 2013<br>\$'000 | 31 December 2012<br>\$'000 |
| <b>8. DIVIDENDS PAID AND PROPOSED</b>   |                            |                            |
| <b>Equity dividends on ordinary shares:</b>   |                            |                            |
| <b>(a) Dividends paid during the period</b>   |                            |                            |
| Final franked dividend for financial year ended 30 June 2012: 21.5 cents  | -                          | 12,053                     |
| Final franked dividend for financial year ended 30 June 2013: 24.5 cents  | 14,277                     | -                          |
| Total dividends paid in current period  | <u>14,277</u>              | <u>12,053</u>              |
| In addition to the above, dividends paid to non controlling interests totalled \$3,700,000 (2012: \$2,249,000). |                            |                            |
| <b>(b) Dividends proposed and not recognised as a liability</b>   |                            |                            |
| Interim franked dividend for financial year ending 30 June 2013: 11.0 cents                                     | -                          | 6,333                      |
| Interim franked dividend for financial year ending 30 June 2014: 12.0 cents                                     | 7,157                      | -                          |
|   | <u>7,157</u>               | <u>6,333</u>               |
| Dividends paid per share (cents per share)  | 24.5                       | 21.5                       |
| Dividends proposed per share (cents per share) not recognised at balance date                                   | <u>12.0</u>                | <u>11.0</u>                |

|  | Consolidated               |                        |
|--|----------------------------|------------------------|
|  | As at                      | As at                  |
|  | 31 December 2013<br>\$'000 | 30 June 2013<br>\$'000 |
| <b>9. TRADE AND OTHER RECEIVABLES (CURRENT)</b>  |                            |                        |
| Trade receivables  | 14,570                     | 18,118                 |
| Amount due from customers on broking/underwriting agency operations  | 93,455                     | 137,664                |
| Related party receivables<br>- other related   | 2,015                      | 916                    |
| Total receivables (current)  | <u>110,040</u>             | <u>156,698</u>         |
| The reduction in receivables from 30 June to 31 December is in line with industry cyclical movements where a large proportion of policies are renewed at June each year. |                            |                        |
| <b>10. OTHER FINANCIAL ASSETS (CURRENT)</b>  |                            |                        |
| Mortgages - related entities (amortised cost)  | 1,157                      | 1,457                  |
| Other  | 3                          | 259                    |
| Total other financial assets (current)   | <u>1,160</u>               | <u>1,716</u>           |

The mortgages are secured by registered fixed and floating charges over assets in the business, securities and supplemented with cross guarantees and indemnities where necessary.

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|  | Consolidated                        |                                 |
|--|-------------------------------------|---------------------------------|
|  | As at<br>31 December 2013<br>\$'000 | As at<br>30 June 2013<br>\$'000 |
| <b>11. TRADE AND OTHER RECEIVABLES (NON CURRENT)</b> |                                     |                                 |
| Trade receivables                                    | 49                                  | 264                             |
| Loans to associated entities                         | -                                   | -                               |
| Total receivables (non current)                      | 49                                  | 264                             |

**12. INVESTMENT IN ASSOCIATES**

**Investments at equity accounted amount:**

|                                       |        |        |
|---------------------------------------|--------|--------|
| Associated entities - unlisted shares | 87,515 | 82,169 |
|---------------------------------------|--------|--------|

| Name  | Dec-13<br>% | Jun-13<br>% | Equity accounted                    |                                 |
|---|-------------|-------------|-------------------------------------|---------------------------------|
|   |             |             | As at<br>31 December 2013<br>\$'000 | As at<br>30 June 2013<br>\$'000 |
| Austral Insurance Brokers Pty Ltd   | 50.0        | 50.0        | 2,896                               | 2,977                           |
| A & I Member Services Pty Ltd   | 50.0        | 50.0        | -                                   | -                               |
| Austbrokers RIS Pty Ltd   | 49.9        | 49.9        | 2,490                               | 2,490                           |
| Austbrokers ABS Aviation Pty Ltd  | 50.0        | 50.0        | 57                                  | 106                             |
| Bruce Park Pty Ltd  | 49.9        | 49.9        | 1,352                               | 1,457                           |
| Brett Grant and Associates Pty Ltd  | 50.0        | 50.0        | 1,612                               | 1,562                           |
| Citycover (Aust) Pty Ltd  | 49.9        | 49.9        | 1,663                               | 1,725                           |
| Austbrokers Dalby Insurance Brokers Pty Ltd   | 50.0        | 50.0        | 2,698                               | 2,467                           |
| Insurance Advisernet Australia Pty Ltd/ Insurance Advisernet Australia Unit Trust             | 49.9        | 49.9        | 15,767                              | 15,386                          |
| Insurance Advisernet Holdings Pty Ltd / Insurance Advisernet Holdings Unit Trust              | 49.9        | 49.9        | 801                                 | 592                             |
| JMD Ross Insurance Brokers Pty Ltd  | 49.9        | 49.9        | 824                                 | 963                             |
| Markey Group Pty Ltd  | 49.9        | 49.9        | 3,385                               | 3,803                           |
| Global Assured Finance Pty Ltd  | 49.9        | 49.9        | -                                   | -                               |
| MGA Management Services Pty Ltd   | 49.9        | 49.9        | 8,287                               | 7,590                           |
| Northern Tablelands Insurance Brokers Pty Ltd   | 49.9        | 49.9        | 72                                  | 103                             |
| Northlake Holdings Pty Ltd  | 50.0        | 50.0        | 5,025                               | 5,074                           |
| Peter L Brown & Associates Pty Ltd  | 49.9        | 49.9        | 509                                 | 571                             |
| Power Insurance Brokers Pty Ltd   | 49.9        | 49.9        | 197                                 | 101                             |
| Rivers Insurance Brokers Pty Ltd  | 49.9        | 49.9        | 2,961                               | 3,199                           |
| Strathearn Insurance Group Pty Ltd  | 49.9        | 49.9        | 21,947                              | 22,153                          |
| Supabrook Pty Ltd   | 49.9        | 49.9        | 1,047                               | 1,030                           |
| SRG Group Pty Ltd   | 50.0        | 50.0        | 1,965                               | 2,000                           |
| Western United Financial Services Pty Ltd   | 49.9        | 49.9        | 1,290                               | 1,513                           |
| Countrywide Tolstrup Financial Services Group Pty Ltd / Countrywide Tolstrup Group Unit Trust | 49.9        | 49.9        | 2,183                               | 1,976                           |
| Oxley Insurance Brokers Pty Ltd / Port Macquarie Insurance Brokers Unit Trust                 | 49.9        | 49.9        | 782                                 | 539                             |
| Coffs Harbour Insurance Brokers Unit Trust  | 37.5        | 37.5        | 30                                  | 109                             |
| Aust Re Brokers Pty Ltd   | 50.0        | 50.0        | 457                                 | 235                             |
| Tasman Underwriting Pty Ltd   | 50.0        | 50.0        | 545                                 | 490                             |
| Millennium Underwriting Agency Pty Ltd *  | 50.0        | 50.0        | 271                                 | 264                             |
| One Liability Underwriting Pty Ltd  | 50.0        | 50.0        | -                                   | -                               |
| Angel Accident and Health Underwriting Agency Pty Ltd   | 50.0        | 50.0        | -                                   | -                               |
| Longitude Insurance Pty Ltd **  | 56.1        | 56.1        | 597                                 | 286                             |
| NewSurety Pty Ltd   | 50.0        | 50.0        | -                                   | -                               |
| Celestial Underwriting Agency Pty Ltd   | 0.0         | 50.0        | -                                   | 452                             |
| Interprac General Insurance Pty Ltd   | 0.0         | 18.8        | -                                   | 32                              |
| WRI Insurance Brokers Pty Ltd   | 50.0        | 0.0         | 4,603                               | -                               |
| NRIG Pty Ltd  | 20.0        | 0.0         | 40                                  | -                               |
| HQ Insurance Brokers Pty Ltd  | 47.5        | 47.5        | 1,162                               | 924                             |
|   |             |             | 87,515                              | 82,169                          |

\* The controlled entity owns 18.4% of Millennium Underwriting Agency Pty Ltd. The consolidated entity has a further 31.6% interest indirectly through an associate.

\*\* A controlled entity owns 37.5% of Longitude Insurance Pty Ltd. The consolidated entity has a further 18.58% interest indirectly through an associate.

On 1 July 2013, the consolidated entity acquired 50% of the voting shares of WRI insurance Brokers Pty Ltd for \$4,876,264 which includes an amount of \$876,264 that represents the value of identifiable net assets acquired at the time of acquisition of the business.

On 1 September 2013, a controlled entity, Adroit Holdings Pty Limited, sold all of the voting shares in Interprac General Insurance Pty Limited for \$300,000 (\$219,600 net of disposal costs).

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**12. INVESTMENT IN ASSOCIATES (continued)**

On 1 September 2013, a controlled entity, Adroit Holdings Pty Limited, acquired 20% of the voting shares of NRIG Pty Limited for \$40,000.

On 4 October 2013, a controlled entity, acquired an additional 50% of the voting shares in Celestial Underwriting Agency Pty Ltd for \$300,000 bringing the total equity to 100%. Celestial Underwriting Agency Pty Ltd ceased to be an associate on that date.

On 1 July 2012, the consolidated entity acquired additional voting shares in Insurics Pty Ltd and Adroit Holdings Pty Ltd on which date they ceased to be associates and became controlled entities.

On 1 November 2012, the consolidated entity acquired additional voting shares in Comsure Pty Ltd on which date it ceased to be an associate and became a controlled entity.

On 1 December 2012, the consolidated entity acquired 50% of the voting shares of Brett Grant and Associates Pty Ltd for \$1,728,603 including an amount of \$752,978 which represents the fair value of the contingent consideration expected to be paid 15 months after the acquisition date.

During the previous period, the consolidated entity incorporated or acquired the following entities, Angel Accident and Health Underwriting Agency Pty Ltd, One Liability Underwriting Pty Ltd, New Surety Pty Ltd and Aust Re Brokers Pty Ltd. The capital contribution for 50% of the voting shares in each entity was \$50, \$100, \$100 and \$10 respectively.

Other information in respect of associated entities which carry on business directly or through controlled entities.

- (a) The principal activity of each associate - insurance broking, except for associates owned by Austagencies Pty Ltd, which are underwriting agents.
- (b) The proportion of voting power held by the controlling entity in respect of each associate is 50% except for Coffs Harbour Unit Trust and Longitude Insurance Pty Ltd where voting power is 37.5%, Millennium Underwriting where the voting power is 18.4%, HQ Insurance Brokers Pty Ltd where the voting power is 47.5% and NRIG Pty Ltd where the voting power is 20%.
- (c) The reporting date of each associate is 31 December 2013 (prior period reporting date 31 December 2012).
- (d) There have been no significant subsequent events affecting the associates' profits for the period.
- (e) There were no impairment issues relating to the investment in associates.
- (f) All associates, including unit trusts, were incorporated or established in Australia.

|   | Consolidated                        |                                    |
|---|-------------------------------------|------------------------------------|
|   | 6 months ended<br>31 December 2013  | 6 months ended<br>31 December 2012 |
|   | \$'000                              | \$'000                             |
| (g) The group's share of associates' profits/(losses) |                                     |                                    |
| Share of associates':                                 |                                     |                                    |
| Revenue   | 41,738                              | 37,898                             |
| Operating profits before income tax                   | 13,359                              | 11,108                             |
| Amortisation of intangibles                           | (832)                               | (665)                              |
| Net profit before income tax                          | 12,527                              | 10,443                             |
| Income tax expense attributable to operating profits  | (2,545)                             | (1,489)                            |
| Share of associates' net profits                      | 9,982                               | 8,954                              |
|   | As at<br>31 December 2013<br>\$'000 | As at<br>30 June 2013<br>\$'000    |

**13. OTHER FINANCIAL ASSETS (NON CURRENT)**

|       |     |     |
|-------|-----|-----|
| Other | 463 | 424 |
|       | 463 | 424 |

The mortgages are secured by registered fixed and floating charges over assets in the business, securities and supplemented with cross guarantees and indemnities where necessary.

**14. SHARES IN CONTROLLED ENTITIES**

A full list of controlled entities is contained in the 30 June 2013 financial statements.

During the current period, the following transactions occurred;

- Effective 1 July 2013, the consolidated entity diluted its voting shares of Austbrokers AEI Transport Pty Ltd (AB AEIT) by 10%, when AB AEIT issued additional shares to existing shareholders for \$2,846,405 reducing the equity ownership to 55%.
- Effective 1 July 2013, a controlled entity, Adroit Holdings Limited sold 1.89% of the units in Austbrokers Employee Equity Trust decreasing the equity ownership to 74.59%.
- On 4 October 2013, a controlled entity, acquired an additional 50% of the voting shares in Celestial Underwriting Agency Pty Ltd for \$300,000 bringing the total equity to 100%. Celestial Underwriting Agency Pty Ltd ceased to be an associate on that date.

During the prior period, the following transactions occurred;

- On 1 July 2012, the consolidated entity acquired the remaining 50% interest in Insurics Pty Ltd it did not already own for \$2,527,000.

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**14. SHARES IN CONTROLLED ENTITIES (continued)**

During the prior period, the following transactions occurred; (continued)

- Effective 1 July 2012, the consolidated entity acquired an additional 18.5% interest in Adroit Holdings Pty Ltd for \$4,406,000, bringing the total equity to 68.5%.
- Effective 1 July 2012, the consolidated entity diluted its voting shares of Austbrokers Terrace Pty Ltd from 85% to 70.83% when Austbrokers Terrace Pty Ltd issued additional shares to non controlling interests for \$1,018,035. During the period, Austbrokers Terrace increased its shareholding in Austbrokers Financial Solutions (SA) from 50.98% to 66.67%.
- Effective 1 July 2012, the consolidated entity acquired an additional 10% of the voting shares of Austbrokers Canberra Pty Ltd for \$1,500,000 increasing the equity ownership to 85%.
- Effective 1 July 2012, the consolidated entity diluted its voting shares of Austbrokers Financial Solutions (Syd) Pty Ltd (AFS) by 25%, when AFS issued additional shares to a new shareholder for \$1,224,920 reducing the equity ownership to 75%.
- Effective 1 July 2012, a controlled entity Aprikeesh Pty Ltd increased its equity in Interfin Pty Ltd from 67.5% to 78.68%. The acquisition was treated as a transaction between owners. See note 7(b).
- On 1 November 2012, the consolidated entity acquired an additional 30% interest in Comsure Insurance Brokers Pty Ltd for \$2,237,131, bringing the total equity to 80%.
- On 15 October 2012, the consolidated entity incorporated Cinsure Pty Ltd. The capital contribution for 100% of the voting shares was \$1000.

|   | Consolidated                        |                                 |
|---|-------------------------------------|---------------------------------|
|   | As at<br>31 December 2013<br>\$'000 | As at<br>30 June 2013<br>\$'000 |
| <b>15. PLANT AND EQUIPMENT</b>              |                                     |                                 |
| Property                                    | 730                                 | 730                             |
| Plant and equipment                         | 17,700                              | 16,721                          |
| Motor Vehicles                              | 1,570                               | 1,448                           |
| <b>Total cost</b>                           | <b>20,000</b>                       | <b>18,899</b>                   |
| <b>Depreciation</b>                         |                                     |                                 |
| Property                                    | 99                                  | 94                              |
| Plant and equipment                         | 11,520                              | 10,809                          |
| Motor Vehicles                              | 619                                 | 541                             |
| <b>Total Accumulated Depreciation</b>       | <b>12,238</b>                       | <b>11,444</b>                   |
| <b>Net carrying amount at end of period</b> |                                     |                                 |
| Property                                    | 631                                 | 636                             |
| Plant and equipment                         | 6,180                               | 5,912                           |
| Motor Vehicles                              | 951                                 | 907                             |
| <b>Net Carrying value</b>                   | <b>7,762</b>                        | <b>7,455</b>                    |
| <b>16. INTANGIBLE ASSETS AND GOODWILL</b>   |                                     |                                 |
| Goodwill                                    | 135,335                             | 134,772                         |
| Insurance Broking Registers                 | 43,920                              | 43,783                          |
| <b>Total cost</b>                           | <b>179,255</b>                      | <b>178,555</b>                  |
| <b>Amortisation</b>                         |                                     |                                 |
| Insurance Broking Registers                 | 21,872                              | 19,916                          |
| <b>Total Accumulated Amortisation</b>       | <b>21,872</b>                       | <b>19,916</b>                   |
| <b>Net carrying amount at end of period</b> |                                     |                                 |
| Goodwill                                    | 135,335                             | 134,772                         |
| Insurance Broking Registers                 | 22,048                              | 23,867                          |
| <b>Net Carrying value</b>                   | <b>157,383</b>                      | <b>158,639</b>                  |

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**17. SHARE-BASED PAYMENT PLANS**

**Employee Share Option Plan**

Share options are granted to senior executives by the ultimate parent company Austbrokers Holdings Ltd.

The share-based payments expense recognised in the income statement is included in note 4 (iv) Expenses.

Unless otherwise stated, all options are granted over shares in the ultimate controlling entity, Austbrokers Holdings Ltd.

|  | As at<br>31 December 2013 | As at<br>30 June 2013 |
|--|---------------------------|-----------------------|
|  | No.                       | No.                   |
| Share Options  |                           |                       |
| Outstanding at the beginning of the year                       | 667,853                   | 1,118,673             |
| Granted during the period - Zero priced options                | 41,855                    | 271,320               |
| Exercised during the period: Options issued during 2006        | (49,350)                  | (298,200)             |
| Exercised during the period: Options issued during 2007        | (70,100)                  | (317,300)             |
| Exercised during the period: Options issued during 2008        | (3,305)                   | (20,159)              |
| Exercised during the period: Options issued during 2008        | -                         | (13,181)              |
| Exercised during the period: Options issued during 2009        | (4,730)                   | (49,655)              |
| Exercised during the period: Options issued during 2010        | (52,861)                  | -                     |
| Lapsed/forfeited during the period: Options issued during 2009 | (787)                     | (23,645)              |
| Outstanding at the end of the period                           | <u>528,575</u>            | <u>667,853</u>        |

During the period the following options were issued or exercised

- 41,855 Share options were granted on 30 October 2013, exercisable 3 years from 30 October 2013 at an exercise price of \$NIL. The volume weighted average share price for the 5 business days prior to the date the options were issued was \$11.15. The options were valued using the dividend yield method resulting in an option price of \$10.0575.
- 49,350 Share options were exercised on 11 September 2013 at an exercise price of \$3.47. The volume weighted average price for the 5 business days prior to the date the options were exercised was \$10.89.
- 70,100 Share options were exercised on 11 September 2013 at an exercise price of \$4.20. The volume weighted average price for the 5 business days prior to the date the options were exercised was \$10.89.
- 787 options lapsed due to vesting conditions over the 4 years ended 30 June 2013, not being met.
- 3,305 Share options were exercised on 11 September 2013 at an exercise price of \$NIL. The volume weighted average price for 5 business days prior to the date the options were exercised was \$10.89.
- 4,730 Share options were exercised on 30 October 2013 at an exercise price of \$NIL. The volume weighted average price for 5 business days prior to the date the options were exercised was \$11.68.
- 52,861 Share options were exercised on 30 October 2013 at an exercise price of \$NIL. The volume weighted average price for 5 business days prior to the date the options were exercised was \$11.68.

During the prior year the following options were issued, exercised, lapsed or forfeited

- 233,000 Share options were granted on 15 January 2013, exercisable 3 years from 1 January 2013 at an exercise price of \$NIL. The options were valued using the dividend yield method resulting in an option price of \$7.38.
- 38,320 Share options were granted on 31 October 2012, exercisable 3 years from 31 October 2012 at an exercise price of \$NIL. The volume weighted average share price for the 5 business days prior to the date the options were issued was \$7.71.
- 36,100 Share options were exercised on 13 September 2012 at an exercise price of \$3.47. The volume weighted average price for the 5 business days prior to the date the options were exercised was \$7.8065.
- 223,200 Share options were exercised on 18 December 2012 at an exercise price of \$3.47. The volume weighted average price for the 5 business days prior to the date the options were exercised was \$8.27.
- 20,000 Share options were exercised on 13 September 2012 at an exercise price of \$4.20. The volume weighted average price for the 5 business days prior to the date the options were exercised was \$7.8065.
- 297,300 Share options were exercised on 18 December 2012 at an exercise price of \$4.20. The volume weighted average price for the 5 business days prior to the date the options were exercised was \$8.27.
- 8,307 Share options were exercised on 13 September 2012 at an exercise price of \$NIL. The volume weighted average price for 5 business days prior to the date the options were exercised was \$7.8065.
- 9,747 Share options were exercised on 18 December 2012 at an exercise price of \$4.22. The volume weighted average price for 5 business days prior to the date the options were exercised was \$8.27.
- 54,529 Share options were exercised on 18 December 2012 at an exercise price of \$NIL. The volume weighted average price for 5 business days prior to the date the options were exercised was \$8.27.
- 38,900 Share options were exercised on 2 April at an exercise price of \$3.47. The volume weighted average price for 5 business days prior to the date the options were exercised was \$9.80.
- 10,412 Share options were exercised on 2 April 2013 at an exercise price of \$4.22. The volume weighted average price for 5 business days prior
- 23,645 options lapse due to vesting conditions over the 4 years ended 30 June 2013, not being met.

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|  | Consolidated                        |                                 |
|--|-------------------------------------|---------------------------------|
|  | As at<br>31 December 2013<br>\$'000 | As at<br>30 June 2013<br>\$'000 |
| <b>18. TRADE AND OTHER PAYABLES</b>                      |                                     |                                 |
| <b>Current</b>   |                                     |                                 |
| Trade payables   | 8,448                               | 14,395                          |
| Amount payable on broking/underwriting agency operations | 176,789                             | 220,115                         |
| Other payables   | 11,827                              | 17,918                          |
| Related party payables                                   |                                     |                                 |
| - Related entities                                       | 369                                 | 967                             |
|  | 197,433                             | 253,395                         |

The reduction in payables from 30 June to 31 December is in line with industry cyclical movements where a large proportion of policies are renewed at June each year and therefore a higher level of payments to insurers are payable.

**19. PROVISIONS**

|                       |        |        |
|-----------------------|--------|--------|
| Employee entitlements | 10,428 | 11,692 |
| Make good provision   | 774    | 740    |
|                       | 11,202 | 12,432 |
| <b>Current</b>        | 8,899  | 9,963  |
| <b>Non-current</b>    | 2,303  | 2,469  |
|                       | 11,202 | 12,432 |

**20. INTEREST BEARING LOANS AND BORROWINGS**

|  |        |        |
|--|--------|--------|
| <b>Current</b>   |        |        |
| Obligations under finance leases and hire purchase contracts | 893    | 567    |
| Unsecured loan from other related parties                    | 135    | 128    |
| Secured bank loan *  | 9,643  | 9,437  |
|  | 10,671 | 10,132 |
| <b>Non-current</b>   |        |        |
| Obligations under finance leases and hire purchase contracts | 1,157  | 596    |
| Unsecured loan from other parties                            | 34     | 51     |
| Secured bank loan *  | 41,143 | 42,106 |
|  | 42,334 | 42,753 |

\* The Group has negotiated facilities through various banks including St George Bank, Macquarie Bank, Commonwealth Bank, Bendigo Bank and National Australia Bank. Details of those facilities are as follows;

|                                      |        |        |
|--------------------------------------|--------|--------|
| <i>Summary of secured bank loans</i> |        |        |
| <i>St George Bank</i>                | 41,999 | 42,115 |
| <i>Macquarie Bank</i>                | 395    | 337    |
| <i>Commonwealth Bank</i>             | 1,257  | 1,312  |
| <i>National Australia Bank</i>       | 2,305  | 2,588  |
| <i>Hunter Premium Funding</i>        | 762    | 838    |
| <i>Bendigo Bank</i>                  | 4,068  | 4,353  |
|                                      | 50,786 | 51,543 |
| <i>Total secured bank loans</i>      |        |        |

The facilities are subject to financial undertakings and warranties typical of facilities of this nature and have sub-limits for various purposes including acquisitions.

During the current and prior years, there were no defaults or breaches of terms and conditions of any of these facilities.



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**20. INTEREST BEARING LOANS AND BORROWINGS (continued)**

***St George Bank Facilities***

St George Bank has provided finance facilities to Austbrokers Holdings Ltd amounting to \$40,000,000 (30 June 2013: \$40,000,000), plus a further \$600,000 in credit card facilities (30 June 2013: \$600,000). The facility expires on 30 May 2016.

Austbrokers Holdings Ltd facilities have been utilised to the amount of \$33,053,489 (30 June 2013: \$32,820,435) in bill acceptance/discount facilities totalling \$30,000,000 and bank guarantees/credit cards/overdraft facilities totalling \$3,053,489 (30 June 2013: \$2,820,435). The unutilised amount of the facility at 31 December 2013 was \$7,546,511 (30 June 2013: \$7,779,565).

- Austbrokers Holdings Ltd has utilised \$3,053,489 at 31 December 2013 (30 June 2013: \$2,820,435) in respect of bank guarantees, credit card and overdraft facilities.
- Austbrokers Holdings Ltd, has utilised \$25,000,000 (30 June 2013: \$25,000,000) in commercial bill facilities at period end. Interest rates have been fixed at an effective rate of 5.35% (30 June 2013: 5.35%) until 31 August 2015. Bills are rolled over on quarterly intervals. Rollover of the bills is guaranteed for the duration of the facility as long as there are no breaches of the facility agreement.
- Austbrokers Holdings Ltd, has utilised \$5,000,000 in commercial bill facilities at 31 December 2013 (30 June 2013: \$5,000,000). The commercial bill has a variable rate of 4.33% (30 June 2013: 4.79%). Bills are rolled over on quarterly intervals. Rollover of the bills is guaranteed for the duration of the facility as long as there are no breaches of the facility agreement.
- The facilities are secured by registered fixed and floating charges over the assets and undertakings of the Group and cross guarantees and indemnities given by each of the wholly owned subsidiaries.

A controlled entity, Austbrokers AEI Transport Pty Ltd has negotiated a loan facility amounting to \$4,000,000 (30 June 2013: \$4,650,000). These facilities have been utilised to the amount of \$4,000,000 (30 June 2013: \$4,650,000) This facility expires on 15 May 2015.

- A commercial bill for \$650,000 was drawn down at 30 June 2013. During the period this amount was repaid which reduced the overall facility from \$4,650,000 to \$4,000,000.
- A commercial bill for \$4,000,000 has an interest rate of 5.75%. (30 June 2013: 5.75%) and the rate is fixed until 15 May 2015.
- The facility is secured by registered fixed and floating charges over the assets of Austbrokers AEI Transport Pty Ltd, a guarantee for 55% (30 June 2013: 65%) of the amount given by Austbrokers Holdings Ltd and guarantees and indemnities given by the shareholders with non controlling interests.

A controlled entity, Austbrokers Central Coast Pty Ltd has negotiated a commercial bill facility from St George Bank for \$1,005,000. This facility is fully drawn down at 31 December 2013. The facility expires on 3 October 2017.

- The commercial bill for \$1,005,000 has a variable interest rate of 5.16% (30 June 2013: 7.33% fixed to November 2013). Bills are rolled over on monthly intervals.
- The facility is secured by registered fixed and floating charges over the assets of Austbrokers Central Coast Pty Ltd, a letter of comfort from Austbrokers Holdings Ltd and guarantees and indemnities given by the shareholders with non controlling interests.

A controlled entity, Austbrokers Financial Solutions (Syd) Pty Ltd has negotiated a commercial bill facility from St George Bank for \$2,700,000. (30 June 2013: \$2,700,000). The undrawn amount of this facility is \$655,202 (30 June 2013: \$1,361,282). The facility expires on 31 May 2016.

- The commercial bill for \$1,338,719 has an interest rate of 5.77% (30 June 2013: 5.77%) and the rate is fixed until 29 May 2015 after which time it will revert to the variable rate prevailing at that time. During the period, a commercial bill for \$706,079 was drawn down against the facility and has an variable interest rate of 5.14% (30 June 2013: NIL%). Bills are rolled over on quarterly intervals.
- The facility is secured by registered fixed and floating charges over the assets of Austbrokers Financial Solutions (Syd) Pty Ltd, a letter of comfort from Austbrokers Holdings Ltd and guarantees and indemnities given by the shareholders with non controlling interests.

A controlled entity, SPT Financial Services Pty Ltd, entered into an agreement with St George Bank to provide finance facilities amounting to \$500,274 (\$430,274 in loans and \$70,000 for bank overdraft facilities) (30 June 2013: \$480,974 including bank overdraft of \$70,000). At 31 December 2013 these facilities have been utilised to the amount of \$430,274 (30 June 2013: \$480,974). The undrawn amount of this facility is \$70,000 (30 June 2013: \$70,000).

- The facility expires on 13 March 2018. The variable interest rate is renegotiated quarterly and the rate applicable at 31 December 2013 was 5.95% (30 June 2013: 6.11%).
- The facilities are secured by registered fixed and floating charges over the assets of SPT Financial Services Pty Ltd, a letter of comfort given by Austbrokers Holdings Ltd, and guarantees and indemnities given by the shareholders with non controlling interests.

A controlled entity, Finsura Holdings Pty Ltd, has negotiated a loan facility amounting to \$750,000 (30 June 2013: \$750,000). At 31 December 2013 these facilities have been utilised to the amount of \$386,805 (30 June 2013: \$506,805). The undrawn amount of the facility at 31 December 2013 was \$363,195 (30 June 2013: \$243,195). This facility will expire on 10 June 2019.

- A commercial bill for \$386,805 (30 June 2013 \$NIL) which was drawn down during the period, has an interest rate of 5.07%. The commercial bill replaced the two existing commercial bills totalling \$506,805 which were drawn down at 30 June 2013 and repaid during the period.
- The facilities are secured by registered fixed and floating charges over the assets of Finsura Holdings Pty Ltd, a letter of comfort given by Austbrokers Holdings Ltd, and guarantees and indemnities given by the shareholders with non controlling interests.

A controlled entity, InterRISK Australia Pty Ltd, has negotiated a loan facility amounting to \$4,490,000 including bank guarantees totalling \$350,000 (2013 \$4,490,000). The drawn down amount of these facilities at 31 December 2013 was \$4,132,084 (2013: \$4,133,008). The undrawn amount of the facility at 31 December 2013 was \$7,916 (2013: \$6,992). The facility expires in 1 November 2015.

- A loan of \$4,132,084 (30 June 2013: \$4,133,008) has a variable interest rate of 4.34% (30 June 2013: 4.57%).
- The facilities are secured by registered fixed and floating charges over the assets of InterRISK Australia Pty Ltd.

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**20. INTEREST BEARING LOANS AND BORROWINGS (continued)**

***Macquarie Bank facilities***

A controlled entity, Aprikeesh Pty Ltd, has negotiated a loan facility amounting to \$557,000 (30 June 2013: \$557,000). At 31 December 2013 these facilities have been utilised to the amount of \$395,157. (30 June 2013: \$337,000) The undrawn amount of the facility at 31 December 2013 was \$161,843 (30 June 2013: \$220,000). The loan facility expires on 31 May 2018 (30 June 2013: March 2014).

- The loan for \$395,157 has a variable interest rate of 5.84% (30 June 2013: 6.02% ). Interest rates are reviewed on quarterly intervals.
- The facilities are secured by registered fixed and floating charges over the assets of Aprikeesh Group and cross guarantees and indemnities given by each of the wholly owned subsidiaries.

***Commonwealth Bank facilities***

A controlled entity, North Coast Insurance Brokers Pty Ltd has negotiated three loan facilities totalling \$1,257,337 (30 June 2013: \$1,312,353).The drawn down amount of these facilities at 31 December 2013 was \$1,257,337 (30 June 2013: \$1,312,353)

- A loan facility of \$472,337 (2013:\$472,337) has been fixed until 13 September 2014 at a rate of 6.6%. (30 June 2013: fixed at 6.6%). The facility expires in September 2014.
- A loan facility of \$76,733 (30 June 2013:\$76,708) has a variable rate of 6.6%. (30 June 2013: 6.85%). The facility expires in 13 September 2014.
- A loan facility of \$708,267 (30 June 2013:\$763,308) has a variable rate of 7.89%. (30 June 2013: 8.14%) The facility expires on 21 June 2018. Principal repayments of \$141,980 are due to be repaid during the next 12 months.
- The facilities are secured by registered fixed and floating charges over the assets of North Coast Insurance Brokers Pty Ltd, its controlled entities and guarantees and indemnities given by the shareholders with non controlling interests.

***National Australia Bank facilities***

A controlled entity, Austbrokers Terrace Insurance Brokers Pty Ltd, negotiated a \$500,000 (30 June 2013: \$500,000) loan facility that expires on 29 July 2016. The undrawn amount of this facility at 31 December 2012 was \$450,000 (30 June 2013: 330,000).

- The interest rate on the loan of \$50,000 (30 June 2013: \$170,000) is renegotiated quarterly and the variable rate applicable at 31 December 2013 was 6.22% (30 June 2013: 6.42% )
- The facilities are secured by registered fixed and floating charges over the assets of Terrace Insurance Brokers Pty Ltd, its controlled entities and guarantees and indemnities given by the shareholders with non controlling interests.

A controlled entity, Austbrokers RWA Pty Ltd, negotiated a loan facility for \$2,254,688 (30 June 2013 \$3,047,620). The undrawn amount of this facility is \$NIL (30 June 2013 \$629,276). The company has negotiated a further \$250,000 (30 June 2013: \$250,000) in credit card and overdraft facilities which have been drawn down to \$93,949 (30 June 2013:\$202,225). The loan facility expires in 30 November 2017.

- A loan of \$2,254,688 (30 June 2013:\$3,047,620) has a variable rate of 6.45%. (30 June 2013: 6.62%) The utilised amount of this facility is \$2,254,688 (30 June 2013: \$2,418,344)
- The facilities are secured by registered fixed and floating charges over the assets of Austbrokers RWA Pty Ltd, its controlled entities and guarantees and indemnities given by the shareholders with non controlling interests.

***Hunter Premium Funding***

A controlled entity, Austbrokers Southern Pty Ltd, negotiated a \$762,433 (30 June 2013: \$837,669) loan facility that expires on 28 June 2018. The undrawn amount of this facility at 31 December 2013 was \$NIL (30 June 2013: NIL).

- The interest rate on the loan of \$762,433 (30 June 2013: \$837,669) is renegotiated six monthly and the rate applicable at 31 December 2013 was 5.36% (30 June 2013: 5.53%).
- The facilities are secured by registered fixed and floating charges over the assets of Austbrokers Southern Pty Ltd, its controlled entities and guarantees and indemnities given by the shareholders with non controlling interests.

***Bendigo Bank***

A controlled entity, Adroit Holdings Pty Ltd negotiated a loan facility amounting to \$7,610,000 (30 June 2013: \$7,610,000).The undrawn amount of this facility at 31 December 2013 was \$3,542,325 (30 June 2013: \$3,257,325). The facility expires in December 2015.

- A loan facility of \$2,305,000 (30 June 2013:\$2,305,000) has been fixed until 1 September 2014 at a rate of 8.58%. (30 June 2013: \$8.58%) The facility was fully drawn down at 31 December 2013 (30 June 2013: fully drawn down).
- A loan facility of \$2,305,000 (30 June 2013: \$2,305,000) has a variable rate of 5.24%. (30 June 2013: 5.46%) The utilised amount of this facility is \$955,000 (30 June 2013: \$1,180,000).
- A loan facility of \$3,000,000 (30 June 2013:\$3,000,000) has a variable rate of 5.27%. (30 June 2013: 5.46%) The utilised amount of this facility is \$807,675 (30 June 2013: \$867,675)
- The facilities are secured by registered fixed and floating charges over the assets of Adroit Holdings Pty Ltd, its controlled entities and guarantees and indemnities given by the shareholders with non controlling interests.

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|--|-------------------------------------|---------------------------------|
|  | As at<br>31 December 2013<br>\$'000 | As at<br>30 June 2013<br>\$'000 |
| <b>21. ISSUED CAPITAL AND RESERVES</b>   |                                     |                                 |
| Issued Capital opening balance   | 90,586                              | 76,036                          |
| On 13 September 2012 allotted 8,307 shares at an issue price of \$NIL                                      | -                                   | -                               |
| On 13 September 2012 allotted 36,100 shares at an issue price of \$3.47                                    | -                                   | 125                             |
| On 13 September 2012 allotted 20,000 shares at an issue price of \$4.20                                    | -                                   | 84                              |
| On 18 December 2012 allotted 54,529 shares at an issue price of \$NIL                                      | -                                   | -                               |
| On 18 December 2012 allotted 9,747 shares at an issue price of \$4.22                                      | -                                   | 41                              |
| On 18 December 2012 allotted 223,200 shares at an issue price of \$3.47                                    | -                                   | 775                             |
| On 18 December 2012 allotted 297,300 shares at an issue price of \$4.20                                    | -                                   | 1,249                           |
| On 2 April 2013 allotted 38,900 shares at an issue price of \$3.47   | -                                   | 135                             |
| On 2 April 2013 allotted 10,412, shares at an issue price of \$4.22  | -                                   | 44                              |
| On 13 June 2013 allotted 193,348, shares at an issue price of \$10.692                                     | -                                   | 2,067                           |
| Net Proceeds from Dividend Reinvestment Plan   | 14,275                              | 10,069                          |
| On 11 September 2013 allotted 49,350 shares at an issue price of \$3.47                                    | 171                                 | -                               |
| On 11 September 2013 allotted 70,100 shares at an issue price of \$4.20                                    | 295                                 | -                               |
| On 11 September 2013 allotted 3,305 shares at an issue price of \$NIL                                      | -                                   | -                               |
| On 30 October 2013 allotted 57,591 shares at an issue price of \$NIL                                       | -                                   | -                               |
| Share issue expenses   | (180)                               | (39)                            |
| <b>Issued Capital</b>  | <b>105,147</b>                      | <b>90,586</b>                   |
|  | Shares                              | Shares                          |
|  | No.                                 | No.                             |
| Number of Shares on Issue (ordinary shares fully paid)   | 59,642,171                          | 58,148,980                      |
|  | Shares                              | Shares                          |
|  | No.                                 | No.                             |
| <b>Movements in shares on issue</b>  |                                     |                                 |
| Beginning of the financial year  | 58,148,980                          | 55,999,095                      |
| On 13 September 2012 allotted 8,307 shares at an issue price of \$NIL                                      | -                                   | 8,307                           |
| On 13 September 2012 allotted 36,100 shares at an issue price of \$3.47                                    | -                                   | 36,100                          |
| On 13 September 2012 allotted 20,000 shares at an issue price of \$4.20                                    | -                                   | 20,000                          |
| On 18 December 2012 allotted 54,529 shares at an issue price of \$NIL                                      | -                                   | 54,529                          |
| On 18 December 2012 allotted 9,747 shares at an issue price of \$4.22                                      | -                                   | 9,747                           |
| On 18 December 2012 allotted 223,200 shares at an issue price of \$3.47                                    | -                                   | 223,200                         |
| On 18 December 2012 allotted 297,300 shares at an issue price of \$4.20                                    | -                                   | 297,300                         |
| On 2 April 2013 allotted 38,900 shares at an issue price of \$3.47   | -                                   | 38,900                          |
| On 2 April 2013 allotted 10,412, shares at an issue price of \$4.22  | -                                   | 10,412                          |
| On 13 June 2013 allotted 193,348, shares at an issue price of \$10.692                                     | -                                   | 193,348                         |
| On 24 October 2012, 920,425 shares were issued at \$7.5008 as a result of a Dividend Reinvestment Plan.    | -                                   | 920,425                         |
| On 26 April 2013, 337,617 shares were issued at \$9.7316 as a result of a Dividend Reinvestment Plan.      | -                                   | 337,617                         |
| On 24 October 2013, 1,312,845 shares were issued at \$10.8727 as a result of a Dividend Reinvestment Plan. | 1,312,845                           | -                               |
| On 11 September 2013 allotted 49,350 shares at an issue price of \$3.47                                    | 49,350                              | -                               |
| On 11 September 2013 allotted 70,100 shares at an issue price of \$4.20                                    | 70,100                              | -                               |
| On 11 September 2013 allotted 3,305 shares at an issue price of \$NIL                                      | 3,305                               | -                               |
| On 30 October 2013 allotted 57,591 shares at an issue price of \$NIL                                       | 57,591                              | -                               |
| <b>Total Shares on Issue</b>   | <b>59,642,171</b>                   | <b>58,148,980</b>               |

Ordinary shares have the right to receive dividends and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

**AUSTBROKERS HOLDINGS LIMITED**  
**A.B.N. 60 000 000 715**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

**22. OPERATING SEGMENTS**

The company's corporate structure includes equity investments in insurance intermediary entities. Discrete financial information about each of these entities is reported to management on a regular basis and accordingly management considers each entity to be a discrete operating segment of the business. The company believes that all of the Group's equity investments in insurance intermediary entities exhibit similar economic characteristics and have therefore been aggregated into a single reporting segment, being the general insurance intermediary sector. This assessment is based on each of the operating segments having similar products and services, similar types of customer, employing similar operating processes and procedures and operating within a common regulatory environment. The group is in the business of distributing and advising on insurance products in Australia.

**23. SUBSEQUENT EVENTS**

On 25 February 2014 the Directors of Austbrokers Holdings Ltd declared an interim dividend on ordinary shares in respect of the 2014 financial year. The total amount of the dividend is \$7,157,061 which represents a fully franked dividend of 12.0 cents per share. The dividend has not been provided for in the 31 December 2013 financial statements.

On 1 January 2014, Austbrokers Holdings Limited disposed of 8.5% of its voting shares in Adroit Holdings Limited for \$2,024,378.

On 19 February 2014, Austbrokers Holdings Limited acquired 50% of the voting shares in the Procure Group Pty Ltd for an initial payment of \$7,300,000 representing approximately 70% of the estimated total purchase price.

| Consolidated     |              |
|------------------|--------------|
| As at            | As at        |
| 31 December 2013 | 30 June 2013 |
| \$'000           | \$'000       |

**24. COMMITMENTS AND CONTINGENCIES**

**Finance lease and hire purchase commitments - Consolidated Group as lessee**

The Consolidated Group has finance leases and hire purchase contracts for various items of plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific group that holds the lease.

**Operating lease commitments - Consolidated Group as lessee**

The Consolidated Group has entered into leases for premises, commercial leases on certain motor vehicles and items of machinery. These leases have an average life of between 3 and 7 years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

**Contingent liabilities**

Estimates of the maximum amounts of contingent liabilities that may become payable

|  |       |       |
|--|-------|-------|
| Austbrokers Holdings Ltd has guaranteed loan facilities provided to associates in proportion to its shareholding.    | 3,656 | 2,081 |
| Austbrokers Holdings Ltd has guaranteed lease facilities provided to an associate in proportion to its shareholding. | 205   | 205   |
|  | 3,861 | 2,286 |

Austbrokers Holdings Ltd has provided indemnities to other shareholders of related entities and associates in relation to guarantees given by those shareholders, to financiers of or lessors to entities in which Austbrokers has an equity interest. At balance date no liability has arisen in relation to these indemnities.

Austbrokers Holdings Ltd has entered into agreements with various financiers and shareholders of related entities and associates, granting options to put shares held in related companies or associates to Austbrokers at market values current at the date of exercise of that option. These have been given in relation to shares in the related entity/associate pledged by the borrower as security for funding provided to those shareholders in relation to the acquisition of those shares.

**25. FAIR VALUES OF RECOGNISED ASSETS AND LIABILITIES**

There are no differences between the carrying value and the fair value of all the Group's financial assets. The difference between the fair value and the carrying value of Group's financial liabilities only relates to loans and other borrowings. The fair value of the borrowings has been determined based on current interest rates which are similar to actual interest rates negotiated on current borrowings resulting in fair values being similar to carrying value. There are no differences between the carrying value and the fair value of the Group's trade and other payables.

**AUSTBROKERS HOLDINGS LIMITED**  
**ABN 60 000 000 715**  
**DIRECTORS' DECLARATION**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

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**Directors' Declaration**

In accordance with a resolution of the directors of Austbrokers Holdings Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the 6 months period ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
  
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



M P L Searles  
*Director*

Sydney, 25 February 2014

To the members of Austbrokers Holdings Limited

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Austbrokers Holdings Limited, which comprises the condensed statement of financial position as at 31 December 2013, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year then ended on that date, 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 half-year end or from time to time during the half year.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Austbrokers Holdings Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

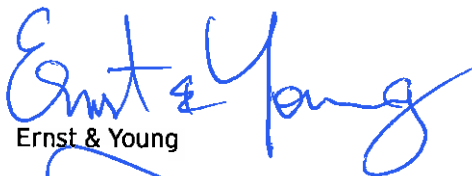


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## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Austbrokers Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Mark Raumer  
Partner  
Sydney  
25 February 2014



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## Auditor's Independence Declaration to the Directors of Austbrokers Holdings Limited

In relation to our review of the financial report of Austbrokers Holdings Limited for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young  
Ernst & Young

Mark Raumer  
Partner  
Sydney  
25 February 2014