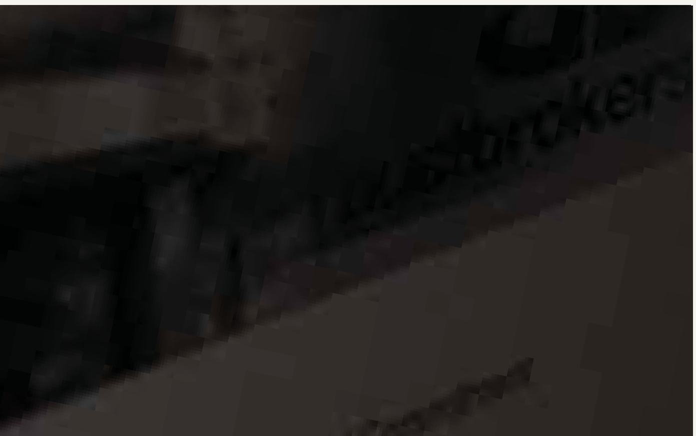
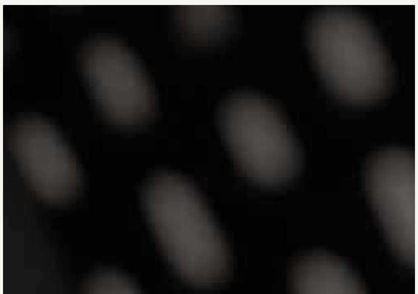
ANNUAL REPORT 2011

austbrokers



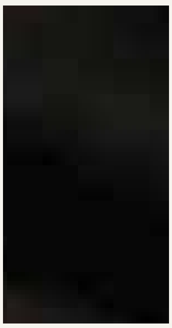


AUSTBROKERS 2011 ANNUAL REPORT

AUSTBROKERS HEADS A LEADING NETWORK OF INSURANCE BROKING FIRMS LOCATED ACROSS AUSTRALIA SERVICING MORE THAN 250,000 CUSTOMERS, WITH A PARTICULAR FOCUS ON SMALL TO MEDIUM SIZED BUSINESSES.

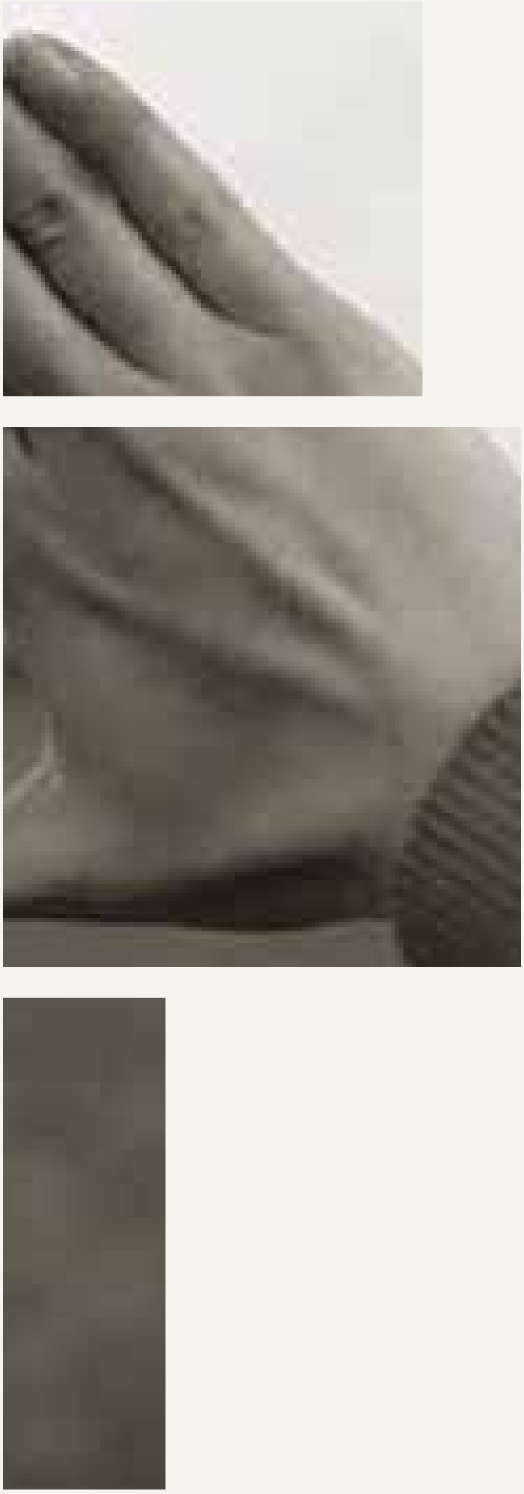
THE AUSTBROKERS EQUITY PARTNERSHIP BUSINESS MODEL ALLOWS MEMBER FIRMS TO BENEFIT FROM THE STRENGTH AND SCALE OF A NATIONAL PUBLICLY LISTED COMPANY, WHILE STILL PROVIDING PERSONALISED SERVICE, SPECIALISATION AND LOCAL KNOWLEDGE.

AUSTBROKERS ALSO OFFERS UNDERWRITING AGENCY SERVICES TO BROKERS THROUGH ITS AUSTAGENCIES OPERATIONS.



Contents

“ NATIONAL STRENGTH LINKED WITH INDIVIDUAL COMMITMENT ”



Vision & mission

Austbrokers mission is to create a leading national insurance broking network, providing members of that network with all of the back office and marketing support they require to allow them to focus on customer service, innovation and growth.

Austbrokers will continue to build its unique network of independently operated businesses with every member of that network committed to meeting each client's needs.

With business partners all over the country, Austbrokers delivers value to customers, employees and the partners themselves while providing increasing returns to shareholder.

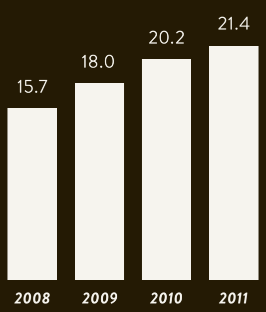
Highlights

17.5% INCREASE *IN NET PROFIT AFTER TAX (NPAT) TO* ***$21.4 MILLION*** *FOR THE YEAR ENDED 30 JUNE 2011*

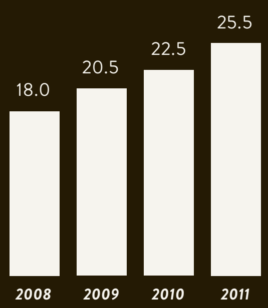
TOTAL DIVIDEND OF ***25.5 CENTS PER SHARE***

TOTAL SHAREHOLDER RETURN OF ***33.6% FOR THE 2011 FINANCIAL YEAR*** *REFLECTS THE POSITIVE IMPACT THAT THE RESULTS AND OUTLOOK HAVE HAD ON THE SHAREPRICE.* ***THESE RETURNS ARE WELL ABOVE THE RETURNS*** *FOR THE ASX ALL ORDINARIES AND ASX 200 INDICES.*

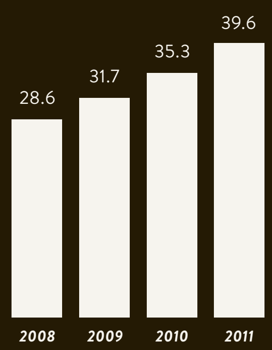
TOTAL EQUITY ***INCREASED TO $153,316,000*** *UP FROM $134,574,000 LAST YEAR.*



Net profit after tax *(millions)*



Dividends per share *(cents)*



Earnings per share *(cents)*

Chairman's letter

Dear Shareholder,

I am pleased to report, on behalf of the Board, that Austbrokers has achieved another strong financial performance in our sixth year as a company listed on the Australian Stock Exchange. It is particularly pleasing that the result can be attributed to an ongoing growth in the underlying performance of the brokerage network and underwriting agencies supplemented by small add-on acquisitions. This demonstrates the benefit of hard work by the Group and the Network on the fundamentals over the last five years.

Net Profit After Tax increased to $21.4 million, a 17.5% increase. The Directors have declared a final franked dividend of 17 cents per share, payable in October. This, together with the interim dividend of 8.5 cents, is a full year dividend of 25.5 cents and represents a 13.3% increase on last year's dividend and exceeded earnings per share growth of 12.2%.

Shareholders who acquired shares at the time of listing on the ASX in 2005 have enjoyed an annualised total shareholder return of 47%. Total shareholder return for the 2011 financial year was 33.6%. For this sort of exceptional performance, we must recognise the efforts of management and their teams.

Whilst things have been relatively quiet on the acquisition front during the last 12 months, the Company acquired a 50% interest in Country Wide Insurance Brokers based in Western Australia in April. In addition our existing members have continued to make bolt-on acquisitions which have positively contributed to the year's results. As acquisition activity in the broader market improves and as demographics in the industry force succession solutions, the attractiveness of Austbrokers owner driver model is expected to drive further growth opportunities for the business.

The Austagencies underwriting agency business also made the acquisitions of CEMAC, a plant and equipment underwriting agency and a 50% interest in Celestial Underwriting Agency. In addition two joint ventures were commenced in the engineering and construction sectors. Additional resources have been employed to strengthen the Austagencies team to provide for future growth. For the full year, Austagencies' contribution to the group profit after tax grew by 23.6%.

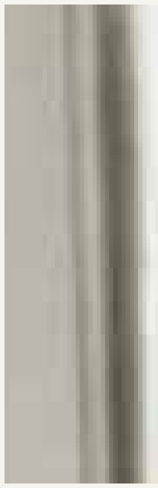
After increasing capital through the Dividend Reinvestment Plan over the last eighteen months, the Board reviewed its capital management and has suspended the Dividend Reinvestment Plan for the time being. The Company remains well positioned with cash, substantial available banking lines and a conservative gearing position to deal with acquisition opportunities in the near term.

As stated in the 2010 Annual Report, the Board has been conscious of the need to provide for succession of Directors. Ray Carless joined the Board in October 2010. Ray has considerable insurance industry experience. The Board has commenced a process to appoint an additional director during 2012.

The Board would like to acknowledge the efforts of our partners in the brokerage network and agency businesses and their employees. Their expertise and dedication is a key ingredient in making Austbrokers a success. I would also like to recognise the significant efforts that they have made on behalf of their clients in assisting with the large volume of claims that have arisen during the period from the many natural disasters particularly the Queensland and Victorian floods as well as cyclone Yasi.

Austbrokers is also fortunate to have a highly skilled management team led by CEO Lachlan McKeough. The excellent results give the Board confidence that the management team have the requisite skills, experience and dedication to continue to maintain and enhance Austbrokers' position as Australia's leading independent broker network. To the team and all employees, thanks for such a strong performance.

Richard Longes
Chairman



Managing Directors' Report

2011 was another successful year for Austbrokers, reflecting the strength of our existing business model as well as the diversity and strong performance of our businesses.

The 17.5% growth in net profit after tax was a considerable achievement delivered under difficult trading conditions with a two speed economy existing through the year which impacted SME business in particular. In addition premium rate increases were only moderate and not across all classes of business, therefore only making a marginal contribution to the growth.

Despite these challenges, Austbrokers was able to improve its position as the leading independent insurance broking network in Australia and deliver growth in the business and strong returns to shareholders.

A total of 13 acquisitions were made during the financial year, the majority of which were bolt-on acquisitions for network members. In April we were pleased to secure a 50% equity in Country Wide Insurance Brokers based in Perth with branches in regional Western Australia. The sale was part of the succession plan for the business with two of the founding partners retiring and selling down their shareholding.

Profits from the broking network were up 13.7%. This growth was assisted by higher interest rates earned on trust funds as well as the bolt-on acquisitions, but also reflected the strength of the brokerages further developing their business.

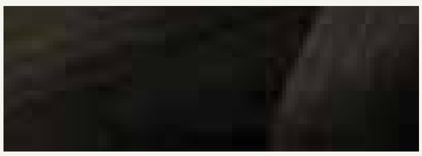
Austagencies, our underwriting agency business, has also shown excellent growth with income up 26%. Resources were added to handle this growth and provide a solid platform for future growth. Two acquisitions were made by the business being 100% of CEMAC, a plant and equipment portfolio which complemented our existing plant portfolio and a 50% interest in specialty underwriting agency Celestial. In addition two new start up joint ventures in construction and engineering were commenced.

The insurance industry, both broking and underwriting, has been directing resources into distribution platforms with electronic interfaces aimed at providing processing efficiencies. The approach we have adopted is to utilise existing software, known as iClose, to provide this platform. This limited development costs and, importantly, will allow underwriters to differentiate their product offerings giving the broking network the ability to provide customers with the best solution for their insurance needs. Five major underwriters have agreed to connect to the platform with the first three expected to connect in September 2011 with the remaining two connecting soon after. Overall this initiative is expected to provide improved efficiencies and better quality broking processes.

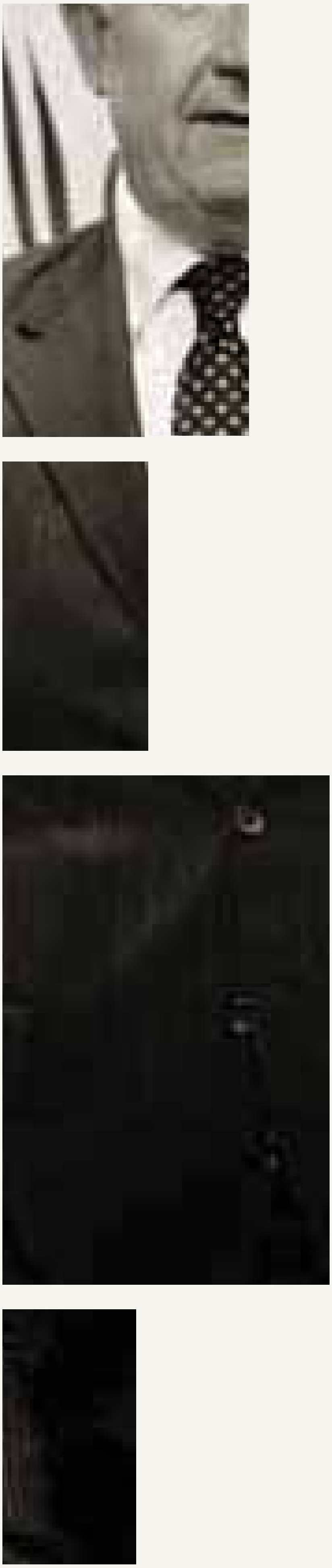
As a business we are committed to ensuring that we have the right people steering the company to even greater success. The changes in management responsibilities made in 2010 have been bedded down and the success of these is being reflected in the results being achieved. The senior management team has been stable for a number of years and will provide the platform for maintaining the company's growth into the future.

" Despite these challenges, Austbrokers was able to improve its position as the leading independent insurance broking network in Australia "

– Lachlan McKeough




Chief financial officer's report



I am pleased to report to Shareholders that net profit after tax (NPAT) for the year ended 30 June 2011 was $21.4 million representing an increase of 17.5% compared to 2010 financial year. NPAT excluding profits realised on the sale of equity interests and amortisation of intangibles (Adjusted NPAT) (a measure which better reflects the performance of the underlying business) increased by 18.1% compared to the previous year. Earnings per share (EPS) of 39.6 cents represented an increase of 12% over the prior corresponding period (this increase was 12.8% based on Adjusted NPAT). This is the fifth year in succession since the company was listed on the Australian Securities Exchange in 2005 that it has delivered strong growth in NPAT and EPS for shareholders.

	2011	2010	2009	2008	2007
	%	%	%	%	%
Growth in Earnings Per Share*	12.8	9.2	14.5	18.4	15.1
Growth in NPAT*	18.1	12.1	14.7	18.5	15.3

* on an Adjusted NPAT basis

Operating Results

Revenue for the year was $114 million, up 8% on 2010. While the year saw some hardening of rates across most commercial classes of insurance business, premium rate increases were limited and generally only moderate during the year. Nonetheless, as has traditionally been the case, the second half of the year was strong, with the June renewal season again contributing significantly to the 2011 result.

Growth from the existing broker network, contributed 15.3% to profit growth reflecting bolt on acquisitions and business development initiatives undertaken by individual brokers. This growth was a strong result for the overall network considering the loss of a major account in the second half. The network's growth in base commission and fee income was around 6% (excluding acquisitions). Total commission and fee income increased by 9% and total income was also up 9% over the prior period (excluding direct acquisitions). The Country Wide Insurance Brokers acquisition did not contribute to profit growth due to its timing and acquisition costs.

Higher interest earnings in the broker network, largely in the first half of the year increased growth in profit by around 5%. Expenses in the broker network increased by 6.8% (excluding direct acquisitions). This reflected some increase as a result of acquisitions within the network and direct expenses related to income growth, as well as some inflationary increase in costs.

Underwriting agency profits were up by 23.6 % on 2010 contributing 2.6% of overall growth. Commission and fee income from existing agencies increased by 17.5%, which grew to 32% overall with the CEMAC and Celestial (50%) acquisitions included. Profit shares were down 40% on 2010.

Corporate expenses were up 5.4% increase over the prior year due to higher variable employee compensation. This reduced profit growth by 2%. Corporate interest earned increased, assisted by higher interest rates and higher cash held, increasing growth by 1.8%.

Balance Sheet

The loan facility of $44.1 million provided by St. George Bank which extends to August 2013 was drawn down to $33 million at as 30 June 2011. A further $11 million will be available from the facility to fund future acquisitions which, together with free cash held of $10 million, would provide funding of in excess of $20 million for these.

Dividend

A final dividend of 17 cents per share fully franked (up 13.3% on the 2010 final dividend) has been declared by the board of directors and is payable on 22nd October 2011 to shareholders registered in the company's register of members at 5pm on 4th October 2011.

The total dividend for the year of 25.5 cents per share also represents an increase of 13.3% on 2010 exceeding earnings per share growth of 12.2%.

Due to the strong balance sheet and funding resources the company's Dividend Reinvestment Plan (DRP) has been suspended.

Stephen Rouvray
Chief Financial Officer

Management team

Stephen Rouvray

Chief Financial Officer, Company Secretary and Investor Relations Manager

Stephen has over 25 years' experience in the financial services industry, covering general insurance, life insurance and investment management.

Stephen was General Manager of ING Australia Holdings from 2002 – 2005 and Company Secretary of a number of ING subsidiaries from 1985 to 2005. He has been Company Secretary of Austbrokers since 1986. Stephen joined ING's predecessor Mercantile Mutual as Company Secretary in 1985.

From 1971 to 1984, Stephen worked in the accountancy profession where he specialised in the financial services sector concentrating on general insurance.

Stephen has a Bachelor of Economics from The University of Sydney and is a Chartered Accountant and a Fellow of the Institute of Chartered Secretaries and Administrators.

Frank Gualtieri

National Manager Group Services and Support

Frank has over 40 years' experience in the general insurance and insurance broking industries. Frank joined Austbrokers in 2001.

Prior to joining Austbrokers, Frank held various finance and administration positions at QBE, Mercantile Mutual and NZI, which involved the formation, amalgamation and management of various organisations and divisions.

Frank is a Qualified Practising Insurance Broker and has an Advanced Diploma of Financial Services and General Insurance from NIBA. Frank is also a Senior Associate of the ANZIIF. Frank is a Fellow of the Institute of Public Accountants and an Associate of the Institute of Chartered Secretaries and Administrators.

Greg Arms

General Manager Equity Operations

Greg has over ten years' experience in the insurance broking industry.

Greg joined Austbrokers in 1997, prior to which he held various operational management positions at Citicorp Australia (six years) and GIO (ten years).

Greg is a Qualified Practising Insurance Broker and holds a Diploma of Financial Services.

Greg is a Fellow of the Australian Institute of Company Directors and a CIP of the ANZIIF.

Glenn Lambert

General Manager Operations and Strategic Development

Glenn has almost 20 years experience in the insurance industry.

Glenn joined Austbrokers in 2006 in the role of general manager Austbrokers Sydney. In 2009 he transferred to corporate office in the above role which included responsibility for strategic information technology development.

Prior to this, he held a variety of senior Management positions in NZI/CGU, NSW TAB and Allianz.

Glenn has a Masters of Business Administration from Latrobe University and is a Senior Associate of the ANZIIF.

Jeff Howells

General Manager Austbrokers Sydney

Jeff has 40 years experience in the general insurance industry as an underwriter, risk manager and for the last 30 years as an insurance broker.

Prior to joining Austbrokers, Jeff held senior management positions within Jardine Lloyd Thompson for over 20 years leading high performance divisions specialising in multinational and major national clients and ultimately leading NSW.

Jeff joined Austbrokers in 2007 as general manager of the joint venture with IBNA, Austbrokers and IBNA Member Services (AIMS), before being appointed as General Manager of Austbrokers Sydney in 2009, one of the largest of Austbrokers' broking businesses.

Jeff is a senior associate of ANZIIF (CIP), holds an advanced diploma of financial services (QPIB), a business management certificate from AIM and is an associate of AICD.

Craig Patterson

General Manager Austagencies

Craig has 29 years experience in the insurance industry covering general insurance and reinsurance broking.

Prior to joining Austbrokers Craig was President & Head of Treaty for Aon Benfield Australia and before was Director of Reinsurance Operations for Aviva PLC in London. He has worked for general insurers in Australia and overseas.

Craig joined in 2009 as General Manager of Austagencies.

Craig has a MBA, a Diploma of Australian Insurance Institute and is a Member of the Australian Risk Management Institute.

Insurance Broking Operations

Insurance Broking

Insurance broking is Austbrokers' core business generating 90% of the company's revenues for the year ending 30 June 2011.

Currently there are 41 brokers in the Austbrokers network;

- 3 wholly owned
- 16 51% - 85% owned
- 22 50% owned

The Austbrokers owner / driver model involves proprietors retaining the day to day management of the business along with a significant ownership stake. Austbrokers supports its member firms with strategic advice, information technology services, marketing assistance and risk management and compliance systems and services. In addition Austbrokers, through its joint venture with IBNA develops products, provides services and negotiates remuneration terms with underwriters on a group basis.

Austbrokers members, while primarily servicing the SME segment of the market, also place business for significant corporate clients and individuals. A number have significant expertise in specific areas such as mining and construction, heavy motor transport, professional indemnity, trade credit and surety.

Business is placed with all major insurers including QBE, CGU (a subsidiary of IAG), Allianz, Zurich, Suncorp and with Lloyd's of London.

The performance of the network during the year has been very good with total income up 9.4%, achieved through a combination of bolt on acquisitions and organic growth. Premium rate increases during the period were only moderate.

Although there were more opportunities arising for acquisitions, only one significant direct acquisition was completed during the year. A 50% equity was acquired in Country Wide Insurance Brokers which, with Head Office in Perth and branches in regional Western Australia and income of $6 million, was a good addition to our network.

Austbrokers also made a number of acquisitions through brokers within the network, the more significant ones being as follows;

- Austbrokers Countrywide acquired the Victorian portfolio of Australian Consolidated Insurance and the remaining 55% of John Smith Insurance Brokers that it did not own.
- Rivers Insurance Brokers acquired the Marine and General portfolio in Cairns.
- McNaughton Gardiner acquired a business in Bunbury.
- MGA acquired 50% of a broking business in Perth.
- Austbrokers Terrace in Adelaide acquired the portfolio of an authorised representative.
- Austbrokers Coast to Coast acquired two portfolios on the Gold Coast.
- Austbrokers RWA acquired a portfolio in Tamworth.
- Adroit purchased a portfolio in Albury.

These acquisitions, including Country Wide Insurance Brokers, and together with a number of other smaller acquisitions added in excess of $9.5 million to the network's income on an annual basis.

The introduction of key people with leadership and broking expertise has added to the overall strength of the network. These people have joined the network in Sydney and Melbourne where Austbrokers continues to grow.

In addition there were a number of succession transitions in network members with new shareholders being introduced in Insurance Advisernet Australia and Austbrokers Premier.

To assist in shareholder retirement we also acquired an additional 10% equity in Salisbury Payne Tinslay and Austbrokers Trade Credit during the year. Our 70% equity in Adroit Hume was sold to Adroit Insurance Brokers (50% owned) to align the equity with the management of that company.

Financial & Other Services

The broking network includes a number of businesses which have established subsidiaries which operate life insurance, superannuation and in a few cases financial planning businesses. These vary in scale and the stage of development but are seen as an important aspect of servicing clients in all their insurance needs.

The brokers continue to promote premium funding with their clients to assist in cash flow providing what is essentially short term financing for commercial insurance premiums, allowing businesses to pay premiums in monthly instalments.

Austbrokers joint venture with Pacific Premium Funding (owned by GE) has developed this business significantly since its inception in 2005 and it has made a substantial contribution to the network's income. The agreement with Pacific which was entered into in 2006 and extended in 2009 expires in July 2012.

Broking Firm Presence

The map shows 110 locations in which the member firms are represented.

NORTHERN TERRITORY

Metropolitan
Darwin

Regional
Alice Springs

WESTERN AUSTRALIA

Metropolitan
Burswood
Leederville
Perth
Stirling
Subiaco
Wembley
West Perth

Regional
Broome
Bunbury (2)
Cunderin
Geraldton
Katanning
Mandurah
Moora
Narrogin
Northam

SOUTH AUSTRALIA

Metropolitan
Dulwich
Mile End

Regional
Booleroo Centre
Ceduna
Clare
Cummins
Loxton
Moonta
Mount Gambier
Naracoorte
Port Lincoln
Port Pirie
Tumby Bay
Wayville

QUEENSLAND

Metropolitan
Brisbane (2)
Fortitude Valley
Toowong
West End (2)
Woolloongabba

Regional
Burleigh Heads
Cairns
Innisfail
Mackay
Maroochydore
Surfers Paradise
Toowoomba
Roma

VICTORIA

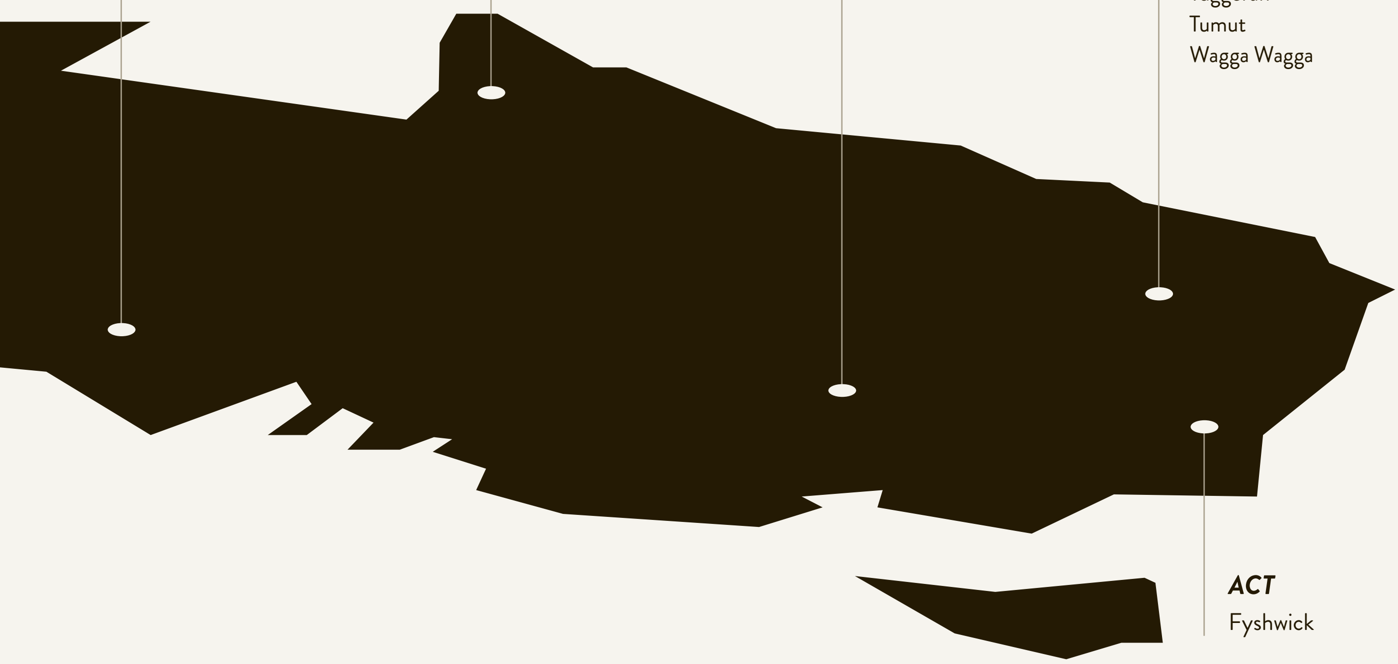
Metropolitan
Doncaster
Frankston
Melbourne
Moorabbin
Surrey Hills

Regional
Ballarat
Bendigo
Epping
Geelong
Maryborough
Mildura
Portland
Traralgon
Warrnambool
Wodonga

NEW SOUTH WALES

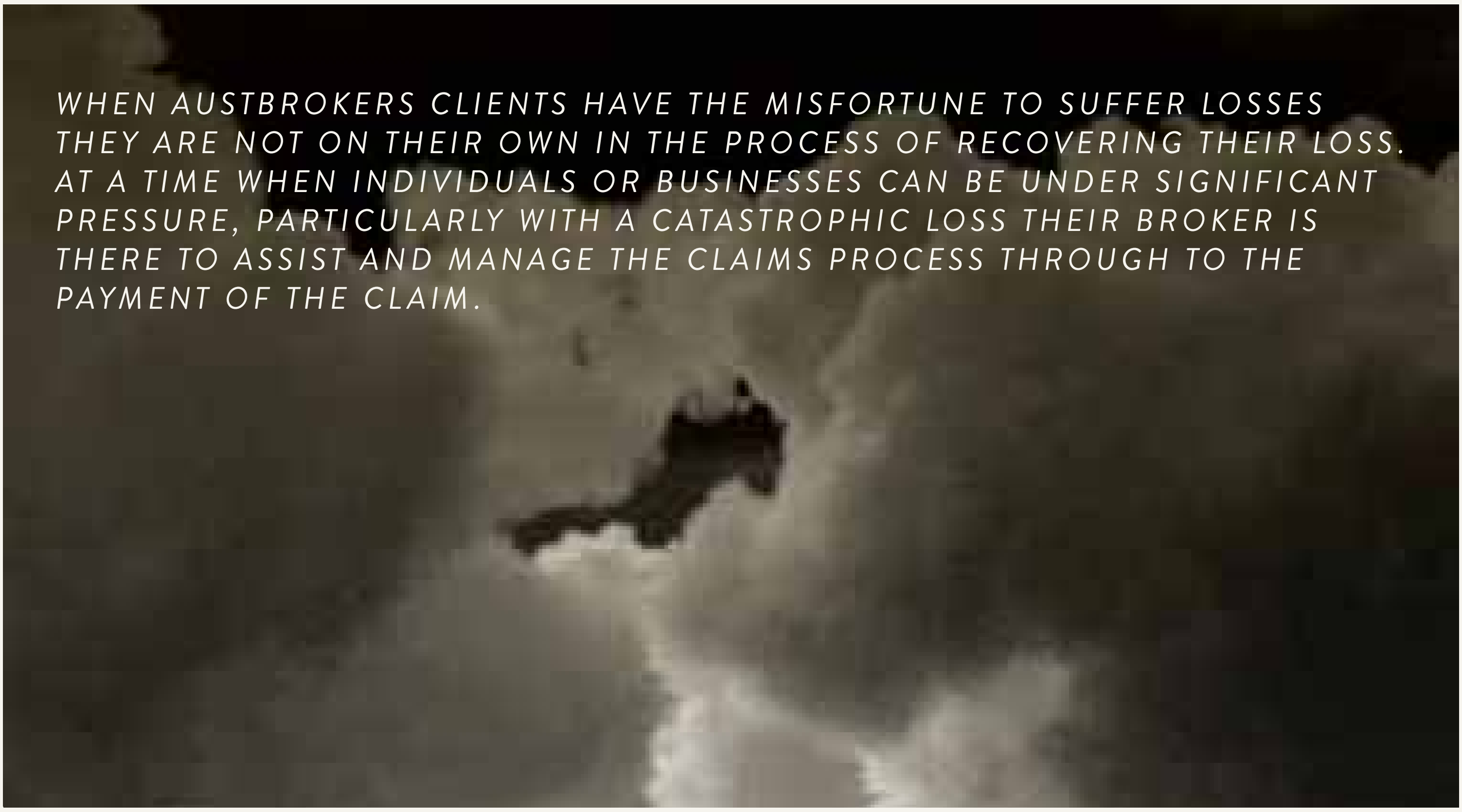
Metropolitan
Artarmon
Campbelltown
Castle Hill
Hurstville
Hornsby
Manly
Miranda
Mona Vale
North Sydney (9)
St Leonards (2)

Regional
Albury
Armidale
Ballina
Batemans Bay
Bega
Broken Hill
Coffs Harbour
Coonamble
Dubbo
Forster
Griffith
Kempsey
Merimbula
Narrabri
Newcastle
Nowra
Orange
Port Macquarie
Shellharbour
South Lismore
Speers Point
Tamworth
Taree
Tuggerah
Tumut
Wagga Wagga



ACT

Fyshwick



WHEN AUSTBROKERS CLIENTS HAVE THE MISFORTUNE TO SUFFER LOSSES THEY ARE NOT ON THEIR OWN IN THE PROCESS OF RECOVERING THEIR LOSS. AT A TIME WHEN INDIVIDUALS OR BUSINESSES CAN BE UNDER SIGNIFICANT PRESSURE, PARTICULARLY WITH A CATASTROPHIC LOSS THEIR BROKER IS THERE TO ASSIST AND MANAGE THE CLAIMS PROCESS THROUGH TO THE PAYMENT OF THE CLAIM.

Claims Services

Austbrokers ABS

Austbrokers ABS is one of the largest brokerages in the Austbrokers network. It is a diverse business that provides risk and insurance broking solutions to a wide cross section of the business community.

ABS has built successful partnerships within a number of specialised fields including bloodstock, aviation, professional indemnity and strata along with a focus on affinity groups, commercial and corporate/industrial risks.

With over 85 employees located in North Sydney and Hurstville, ABS has the expertise to cater for all situations and opportunities while still providing a personalised service through dedicated account managers.

ABS works with existing and prospective clients to;

- Identify risks
- Create solutions for managing and/or minimising those risks and
- Transfer risk by implementing cost effective coverage providing certainty and peace of mind.

Our market leading products and extensive knowledge of the market place have enabled us to focus on understanding our clients' businesses and delivering a high level of service.

The client centric focus, specialist approach and market clout ensures a mutually rewarding partnership for all of our stakeholders.

Austbrokers ABS Aviation

Austbrokers ABS Aviation is a specialist aviation insurance broker. The firm was started just over two years ago and has already grown steadily in that time. The team at Austbrokers ABS Aviation are experienced in obtaining the broadest coverage available at the most competitive price for a wide range of aviation risks.

Austbrokers ABS Aviation has the capability to handle all classes of aviation business. Their insurance expertise covers the full spectrum from general aviation to commercial airlines, from airports to aircraft maintenance and on to repair facilities. Austbrokers ABS Aviation is rapidly becoming one of the leading aviation insurance brokers in the country.

Austbrokers AEI Transport

Austbrokers AEI Transport is a "Heavy Transport Specialist" that has been involved in the transport arena for over 25 years. During this time it has grown to be one of the most respected professional insurance brokers within this niche in Australia.

Austbrokers AEI Transport has a dedicated claims team and also arranges independent assessment, legal, workers compensation and risk management advice.

Its team of staff have a commitment to the transport industry and attend regional and national workshops to remain abreast of sector concerns and developments and to assist clients arrange appropriate insurance solutions.

Most of the growth has come from a close working relationship with leading transport associations within Australia, for which Austbrokers AEI Transport is the appointed broker.

In March 2010 Austbrokers AEI Transport Pty Limited and Chegwyn Corporate Services Pty Ltd partnered to create a new Company, Austbrokers AEI Pty Ltd.

Whilst Austbrokers AEI Transport will continue to focus on opportunities within their specialty, Austbrokers AEI will provide advice and general insurance solutions for a wide range of customers operating in different industries. The business has continued to grow with strong referrals from existing customers and expects that the next 12 months will see another solid increase whilst maintaining the same high standard of service always experienced by their customers.

Austbrokers Canberra

Austbrokers Canberra is one of the largest brokerage firms in Canberra. Our team of 22 experienced, dedicated professionals work together with our clients to achieve total peace of mind for them through a customised insurance and risk management program. Our client base is spread across Australia, with large corporations, SME's and families all enjoying the benefits of a thorough, agile insurance service.

Austbrokers Canberra has continued to focus on further developing relationships with target industry segments including Building & Construction (via the Master Builders Association – ACT), the Transport Sector and SME and other Corporate clients within the ACT and Regional NSW.

Continued growth in our business has seen the number of brokers in our team increase to 11. We have an ongoing commitment to the development of our people and we also have a strong focus on the importance of client relationships. The business has benefited greatly by improved partnerships with our clients.

Austbrokers Canberra continues to maintain a positive outlook for the coming 12 months driven by an ongoing commitment to ensuring our people fully understand the needs of our clients, and are equipped with the appropriate technical knowledge and resources to satisfy those needs.

Carriers Insurance Brokers

Carriers joined the Austbrokers network in 2007 under the Austbrokers AEI Transport banner.

Similar to AEI, Carriers Insurance Brokers is a heavy transport specialist that has been involved in the transport industry for the past 30 Years. Its growth during this period has been purely through referrals from existing clients.

Carriers' main client base is the local transport operator and also have a large following of owners.

The strength of the Carriers brand is the ability to structure schemes to suit specific sectors of the transport industry, allowing them to manage large client numbers in an efficient manner.

Carriers have also developed a large CTP clientele on the back of their schemes.

Carriers has a high rate of staff retention which provides clients with continuity of service from a team of highly skilled specialists.

Austbrokers CE McDonald

Austbrokers CE McDonald (CEM) is a niche broker specialising in the motor dealer business with access to all underwriters.

As the single largest broker in Queensland for this type of insurance, CEM are regarded by their clients, financiers and floor plan insurers, as experts within the industry.

CEM prides itself on its superior standards of customer service and having effective support systems which assist clients in situations where claims, particularly from the major risks of hail, flood or storm can be quickly resolved and paid.

Our long term appointment to Traders Voice Association of Stallholders and Organisers which includes market stall liability Insurance is expected over the next three years to provide CEM with significant growth.

austbrokers Central Coast

Austbrokers Central Coast

Austbrokers Central Coast (ABCC) was established in 2003 to service the Central Coast area of NSW, a scenic coastal region with good opportunities in a growing business community and population. ABCC provides both general insurance and financial risk (life risk products) services.

The strength of the business can be attributed to the dedicated and loyal team members who seek to continually improve their professional standards through selective industry and in-house training. The business continues to invest heavily in training and personal development to ensure the team excels in servicing clients needs while continuing to reflect the high expectations in performance standards that we have cultivated.

As a recognised business on the Central Coast, ABCC continues the pursuit of brand awareness and recognition in the community with advertising and membership of community based organisations such as the Chamber of Commerce and NSW Business Chamber. Selective sponsorship opportunities in the business and sporting sectors also present good exposure for ABCC. These sponsorships have undoubtedly created new business growth opportunities while strengthening ties with our existing client base.

ABCC has experienced growth in the last year pursuing planned sales and marketing initiatives and will continue looking at these areas as part of our strategy for the growth and development of the business going forward. We also continue to actively explore further business acquisition opportunities.

austbrokers City State

Austbrokers City State

Austbrokers City State was established over 25 years ago and specialises in servicing the SME market in the Illawarra and Shoalhaven regions of NSW.

Located in Shellharbour which is recognised as one of the fastest growing regions in the Illawarra, the company also has an office in Nowra and remains committed to delivering local services to each region.

There is currently 16 staff spread over the two offices with a major focus on training and education to enhance the service provided to our customers. The company also has an Authorised Representative who operates independently and offers specialty products such as those needed in the Transport Industry.

Austbrokers City State has increased their profile in the Illawarra area through membership of the Illawarra Business Chamber and in our first year of contesting the annual awards, finished as a Finalist in the Professional & Commercial category. Our aim is to win the award inside 5 years.

The company also supports a number of local sporting teams as well as being a long established supporter of the Kidzwish Foundation, a local charity helping bring love and laughter to sick and disadvantaged children of the Illawarra.

Steady growth in both income and profitability over the past five years through the establishment of a number of referral partners has set the platform for continued growth into the future.

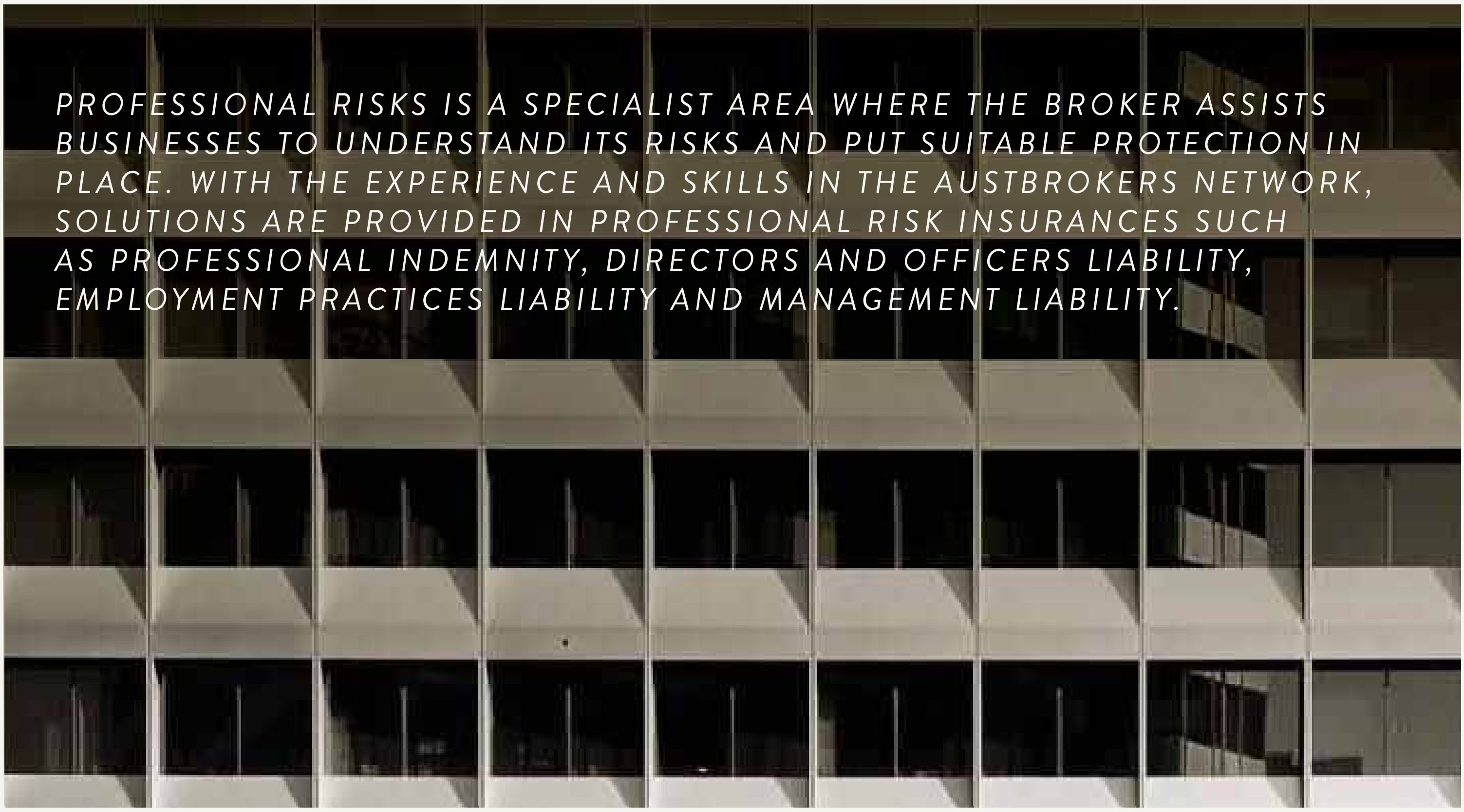
austbrokers Coast to Coast

Austbrokers Coast to Coast

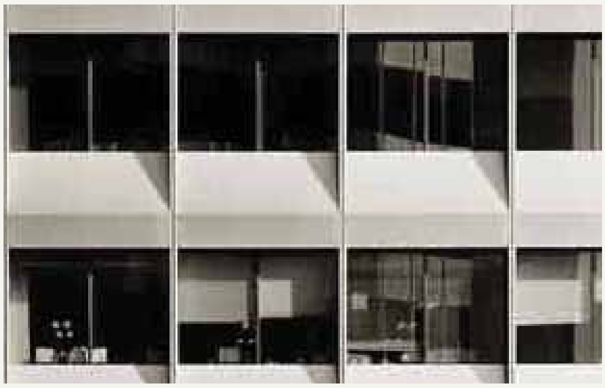
Austbrokers Coast to Coast has a loyal client base comprised mainly of SME's. The firm's clients are serviced by a group of experienced and dedicated insurance professionals. Austbrokers Coast to Coast has sought out specialised broking staff to deal with growing demand for corporate, franchise, and risk management expertise.

Austbrokers Coast to Coast has achieved considerable success this year with clients operating in difficult and high risk areas such as petroleum. The results are a testament to our strong and diverse team.

Austbrokers Coast to Coast continues to grow its business both organically and via acquisitions. Our fully owned subsidiary, Austbrokers Coast to Coast Financial Services Pty Ltd, is geared for good growth over the next few years with the addition of highly experienced specialised staff. Austbrokers Coast to Coast is now one of the largest Broking houses in the Gold Coast / Burleigh area.



PROFESSIONAL RISKS IS A SPECIALIST AREA WHERE THE BROKER ASSISTS BUSINESSES TO UNDERSTAND ITS RISKS AND PUT SUITABLE PROTECTION IN PLACE. WITH THE EXPERIENCE AND SKILLS IN THE AUSTBROKERS NETWORK, SOLUTIONS ARE PROVIDED IN PROFESSIONAL RISK INSURANCES SUCH AS PROFESSIONAL INDEMNITY, DIRECTORS AND OFFICERS LIABILITY, EMPLOYMENT PRACTICES LIABILITY AND MANAGEMENT LIABILITY.



Professional Risks

Austbrokers Countrywide

Austbrokers Countrywide has had an exciting year. We have continued to build on our strong market position as a successful large metropolitan broker in an ever changing and demanding market in Melbourne, Victoria.

The last 12 months are characterised by continued growth and building our capabilities and opportunities for the future. Highlights include:

Continued Growth

- Purchase of the remaining 55% of John Smith Insurance Broking in April 2011
- Purchase of the portfolio of ACI Broking (Vic) in December 2010 which included the appointment as broker to AUSIMM (Australian Institute of Mining & Metallurgy)
- Gross Written Premium increase to $56 million
- Staff numbers increased to 67
- Number of clients increased to 11,246

Building our capabilities and opportunities for the future

- Client training program
- Staff training program
- Professional training and development via ANZIIF & NIBA College
- Enhancement of our online presence and exploring the use of social media
- Enhancement of technology, systems and processes

We have also enjoyed an active involvement with the community and support for not-for-profit organisations and will continue to explore these areas in the future.

The team at Austbrokers Countrywide is proud of their achievements and are committed to develop opportunities to grow in the coming years to achieve our vision and improve our position and presence in the marketplace.

Austbrokers Financial Solutions (Syd)

Austbrokers Financial Solutions (Syd) (AFS) was formed by the merging of three existing businesses in 2006. AFS operates as a Corporate Authorised Representative of Millennium3 Financial Services Pty Ltd AFSL 244252 and works closely with our general broking business, Austbrokers ABS. The merged operation provides a full range of advice services across the wealth protection and wealth accumulation disciplines.

AFS has in excess of $100 million in funds under management and over $8 million of in force life insurance premiums for clients.

AFS offers advice ranging from individual personal life insurance protection to the business needs of corporate Australia. These include Corporate Superannuation, Business Succession Planning and Group Insurance Plans through to personal and family protection needs.

AFS has an experienced advising team which is dedicated to developing a career path for younger advisers, growing its business and forming a trusted long term relationship with our clients.

Austbrokers HCI

Situated on top of the Great Dividing Range in Toowoomba, Queensland, Austbrokers HCI was established in 1982. Through organic growth and acquisition the business has become a major provider of life and general insurance in the region.

Austbrokers HCI credits its growth and success to the innovative approach its dedicated and experienced staff take in meeting clients' needs. Its reputation for customer service excellence has seen the business build a network of clients that spans right across the country.

With the recent addition of financial planning expertise we believe we can add further value to our existing clients without having to outsource these services.

With a mix of youth and experience Austbrokers HCI are looking toward a rewarding and exciting future.

Austbrokers NCFS

Austbrokers NCFS was established in Lismore in 1977 and is well placed to service the growing population in the North Coast region of New South Wales.

In March 2010 Austbrokers NCFS further expanded its footprint in the region with the purchase of Ballina Insurance Brokers.

The Austbrokers NCFS focus is on superior client service. This is reflected in a client base that encompasses several generations of North Coast clientele.

Austbrokers NCFS aims to provide its clients with all risk management requirements, offering complete financial services by way of General Insurance, Life/Risk Insurance, Superannuation & Financial Planning Services.

A total of 16 staff now service in excess of 7,500 clients from two locations.

Austbrokers NTIB

Northern Tablelands Insurance Brokers (NTIB) was originally established in 1982 as Hutchison & Harlow Insurance Brokers.

In 2008, and coinciding with the purchase of shareholding by Managing Director Karen Carlon, the business adopted the Austbrokers brand to become Austbrokers NTIB.

Austbrokers NTIB is now the largest general insurance brokerage in the New England region, with a key strength being the number of qualified and experienced staff which are all locals and involved in their community.

The firm is a committed supporter of the 'Relay for Life' charity. In 2010 Austbrokers NTIB was the major sponsor for this bi-annual event, with management, staff and clients all involved in the charitable event.

Austbrokers NTIB enjoys strong brand awareness, and the practice continues to grow throughout the New England area and beyond. The business enjoys a proud reputation based on ethical practice and friendly, responsive service.

Austbrokers Phillips

Austbrokers Phillips was established as a founding partner of Austbrokers in 1988. We have grown from a small suburban broker to be the largest insurance broking operation in the South Eastern suburbs of Melbourne.

In 2007 Austbrokers Phillips acquired a workers compensation consulting business, Australian Compensation Services (ACS). ACS had a significant client base in its own right and this has provided an opportunity to cross sell between both groups of clients. Austbrokers Phillips now has the capability to assist clients with all their insurance and claims management needs and this is a significant advantage when competing with the tier one broking operations.

We have recently combined our financial services and personal insurance department to create a truly integrated private client advising business, with the ability to assist clients in general and life insurance, superannuation and financial planning.

Austbrokers Phillips has made substantial investments in organic growth strategies which includes an integrated CRM, internal sales team and a dedicated new business department. Our aim is to use these strategies to grow business in our key markets being Timber, Transport, Recreation and local area.

Austbrokers Premier

Austbrokers Premier is a long established general insurance broker situated on the city fringe in Brisbane. Austbrokers Premier has in the past 12 months undergone internal restructuring that will allow them to grow and respond to the ever changing insurance landscape. Clear product teams have been formed in the Private Client, Commercial and Corporate fields providing improved service standards and commitment levels.

The tragic events over the past summer have seen several of our clients affected particularly by the flooding in South East Queensland. Our office was also affected with our car park flooding and power cut for a period of 5 days. Our business continuity plan was called upon and worked well, minimising any impact to our operations. Whilst many claims have been settled amicably, several more complex claims will not be finalised for several months.

The past twelve months has seen some retirements and departures of long-term staff members. Whilst this can be disrupting it also provides opportunity and we welcome new team members to Premier. In particular Paul Hogan who will become a shareholder and Director in the new financial year. Paul has joined us from Austagencies and has previous broking experience. We welcome Paul on board.

In summary, our objectives are simple, maintaining client focus, providing a beneficial service, ensuring customer satisfaction and achieving our targets. We have 22 committed staff members working towards these goals.

Austbrokers Professional Services

Established in 2007 and based in North Sydney, Austbrokers Professional Services (APS) operates as an authorised representative of Austbrokers Sydney. APS is a specialist broker advising businesses and their professionals on professional risk management and insurance solutions covering a variety of specialist areas including:

- Professional Indemnity
- Directors and Officers / Company Reimbursement
- Employment Practices Liability
- Management Liability
- Statutory Liability
- Technology Liability
- Trustees Liability
- Financial Institutions
- Warranties and Indemnities
- Not for Profit / Associations
- Kidnap & Ransom / Extortion

Austbrokers RIS

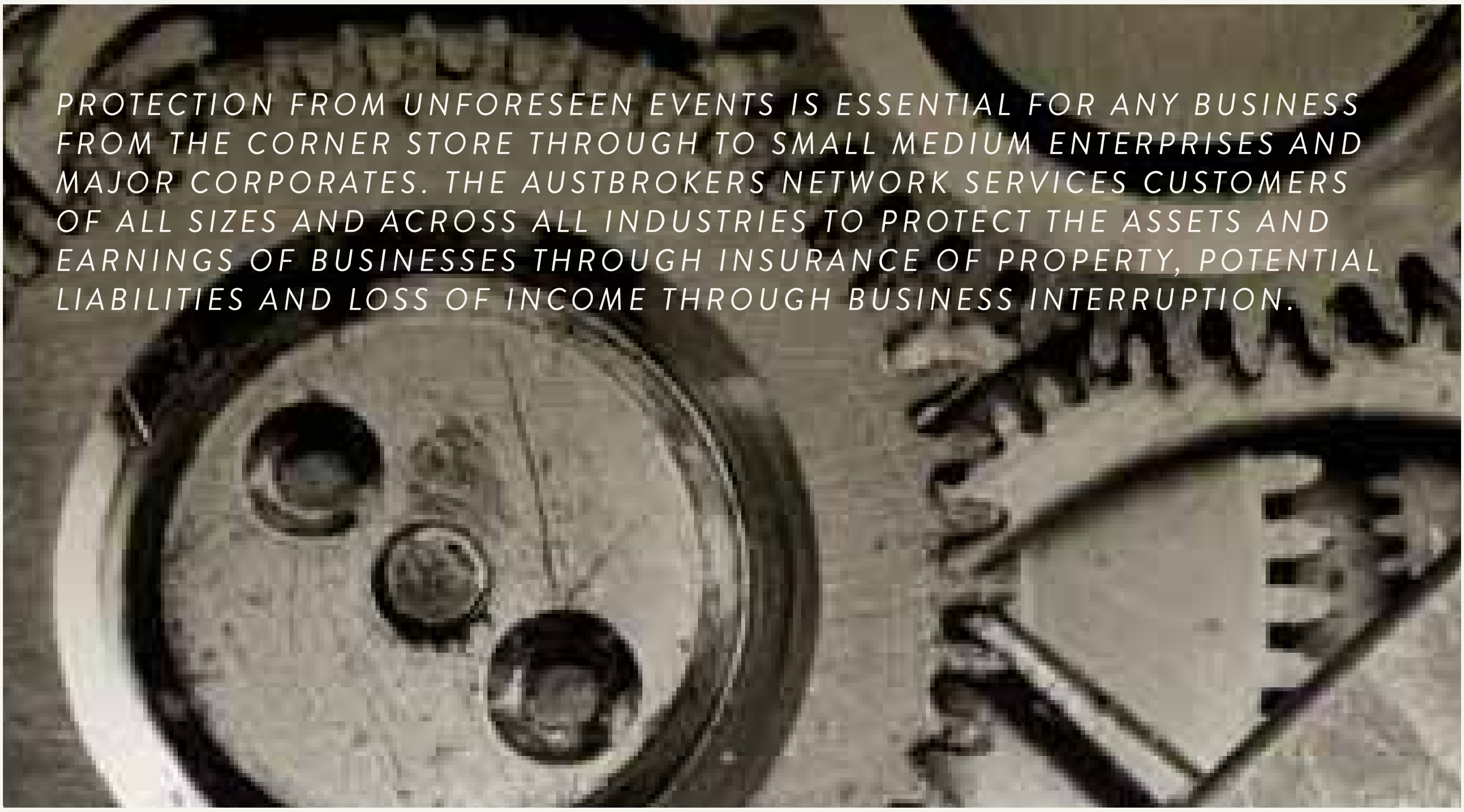
Austbrokers RIS transacts all classes of general insurance for its clients and provides additional broking expertise in the areas of workers compensation, life insurance, superannuation and associated products.

With offices in St Leonard's, Dubbo and Orange and employing 28 staff, Austbrokers RIS has developed a robust operation. Strong partnerships and highly experienced staff mean that Austbrokers RIS has the professional expertise required to provide risk and insurance services to both the metropolitan and regional insurance markets.

The range of resources available to the company allows for continued organic growth, in particular throughout Central West NSW where Austbrokers RIS is a leading provider of insurance broking services and has a thorough understanding of the needs of the local communities.

Austbrokers RIS continues to provide tailored insurance solutions in its niche area of the Bus and Coach Industry, utilising the registered trading name of ALIB Businsure. The company also offers specialist Workers Compensation services which complements the insurance services provided by all 3 offices, while maintaining a stand alone offering through consultancy.

The diversity of service offerings ensures Austbrokers RIS is in an enviable position to actively pursue a strategy of growth through marketing and further acquisitions.



PROTECTION FROM UNFORESEEN EVENTS IS ESSENTIAL FOR ANY BUSINESS FROM THE CORNER STORE THROUGH TO SMALL MEDIUM ENTERPRISES AND MAJOR CORPORATES. THE AUSTBROKERS NETWORK SERVICES CUSTOMERS OF ALL SIZES AND ACROSS ALL INDUSTRIES TO PROTECT THE ASSETS AND EARNINGS OF BUSINESSES THROUGH INSURANCE OF PROPERTY, POTENTIAL LIABILITIES AND LOSS OF INCOME THROUGH BUSINESS INTERRUPTION.

Business Insurance

Austbrokers RWA

With offices in Manly and Tamworth, Austbrokers RWA has an annual premium turnover of approximately $20 million. Close to 75 per cent of the firm's income is derived from the Manly office where the business was established in 1972.

The Manly office has a wide spread of SME accounts covering a diverse range of occupations and industries, with a particularly strong presence in the insurance of nursing homes.

The Tamworth office with representatives in both Narrabri and Coonamble continues to grow through small acquisitions combined with good seasons.

The establishment of Austbrokers RWA Financial Services Pty Ltd has enabled the firm to make life products available to existing and new clients. Additionally, Austbrokers RWA is actively seeking acquisitions in the rural and metropolitan areas.

The major strength of Austbrokers RWA is the diversity and the spread of business in its Manly and country offices.

Austbrokers Southern

Austbrokers Southern provides insurance and advice to local clients on the South Coast of NSW, and in the ACT and Victoria.

Since its formation over 25 years ago, the business has developed strong connections within the local insurance community, and continues to provide its clients with nothing less than a personal service based on integrity and honesty.

Austbrokers Southern's attitude towards clients as a partner has consolidated the business' position of strength within the communities it serves. With word of mouth referrals, positive responses to marketing, and the creation of new business opportunities with clients, Austbrokers Southern is expanding its markets geographically and also within specific industries.

The business' strength lies not only in existing relationships but also in key personnel who come from diversified backgrounds such as underwriting, business owners, professionals from accounting, IT and finance sectors and also locals who understand the importance of the local community.

Austbrokers Southern prides itself on its compliance culture and business ethics along with a strong commitment to the local community.

Austbrokers SPT

A number of initiatives have been implemented at SPT, including internal restructuring and refinement of sales teams. The use of Austbrokers back office facilities will have the positive effect of increasing efficiencies and profitability commencing from next financial year.

The past year has also seen marginal growth, particularly in the areas of hospitality, professional indemnity, web based marketing and international business through our UNIBA connection. Based on current momentum we expect all of these areas to again contribute to next year's results.

A thorough revamp of our web based marketing is almost complete and is already resulting in improved efficiencies.

Our UNIBA connection has resulted in a substantial increase in inbound business through a diverse portfolio of new accounts. We see no reason why this trend should not continue.

Recent catastrophes have not unduly impacted on our client base, however, the anticipated hardening of the market is expected to gain momentum during the following months, with the effect of increasing our overall premiums.

Austbrokers Terrace

Austbrokers Terrace was formed in September 2005 as a result of the merger of two long time Austbroker entities, AHL Insurance Brokers (SA) and Terrace Insurance Brokers.

The company has grown both in income and staff, with 24 employees currently providing their skills to the business. We are proud to fit the Austbrokers model as we define it – this being the ability to provide corporate expertise within a suburban brokerage.

While we consider ourselves generalists, Austbrokers Terrace has come to specialise in a variety of areas where we recognise we have a 'niche'. An example of this is our Professional Persons Policy and strong relationship with the South Australian Dental Association.

Our majority shareholding in a Financial Services company, which provides Life Risk and Superannuation expertise to our existing clients and its own portfolio has been vital in extending our service capabilities to our customers.

Austbrokers Terrace has a diverse staff demographic which enables the business to make a strong contribution to the Austbrokers Group both now and into the future. As a business we don't merely recognise the importance of stability and succession planning, but enact it within our group.

Our business relationships are built with a strong emphasis on accountability and technical expertise, and we believe this culture has been pivotal in the success of Austbrokers Terrace.

Austbrokers Trade Credit

Austbrokers Trade Credit is a specialist credit insurance broker. The company has grown to become a substantial and well respected firm, actively supporting Austbrokers' clients and achieving 90% of its business through referrals.

Austbrokers Trade Credit clients range from small to medium sized businesses to multinational companies across a range of industries, locally and internationally. The company has a portfolio of both domestic and export policies and is also growing its surety portfolio.

Austbrokers Trade Credit is committed to assisting its clients in protecting cash flow and trade debtor assets by securing credit insurance cover, allowing prudent growth despite continuing market uncertainty.

Adroit Insurance Group

Adroit Insurance Group operates an extensive branch network spanning key regional growth areas of Victoria, metropolitan Melbourne, and southern New South Wales.

Each Adroit Branch features local partners in the spirit of the Austbrokers "owner driver" model and is proud of the local origins and identities of each of its businesses. Adroit's focus is on its team of highly skilled and respected insurance professionals, building and developing strong relationships across clearly defined segments, providing security and peace of mind to each of the communities in which it is represented.

Adroit's commitment to community continues with a mandate "to engage in and support where we work and live", demonstrated by the fact that the business currently has a capital base of over $200,000 invested in local community foundations as a result of its policy of contributing a percentage of the company's profits each year. In addition to this the Adroit Insurance Group Charity Golf Day that is held in Geelong in November each year to raise money for local charities, has now raised nearly $400,000 ($70,000 in November 2010 alone).

Austral Risk Services

Established in 1992 Austral Risk Services based in Perth is a general insurance broking and risk management business. Austral became part of the Austbrokers network in 2009.

Austral has specialists in all facets of insurance for small business, manufacturing, mining and trade credit. Its professional, skilled team of twenty three staff service a client base spanning Australia and Asia.

Services include:

- General insurance broking
- Risk profiling
- Risk mitigation via tailored plans
- Claims advocacy and management

In addition to its normal insurance broking and risk services, the business has also developed tailored schemes for taxis, limousines/charter vehicles, learner driving instructors and Real Estate Agents. These schemes are recognised for providing better cover at competitive premiums backed by exceptional claims service.

Austbrokers shareholding has proven to be a positive strategic step for Austral and one which will continue to prove successful for all stakeholders.

Citycover

Citycover continues to establish itself as a major mid-market insurance brokerage in Brisbane. Its focus remains unaltered to previous years, servicing largely SME clients with specialist insurance solutions and specific segments, such as transport, plant and machinery, caravan yards, concrete pumpers, restaurants, hairdressers, personal lines and eco tourism. The business has continued to grow in 2011 organically and through the acquisition of a small portfolio. It employs 26 staff, who remain focused on providing professional advice and the highest service standards possible.

The 2011/2012 strategy is to grow organically, but also to look to acquire smaller portfolios if they are compatible with the current business mix and office culture. The business is highly respected and holds highly valued relationships with business partners, and often works with them to find that little bit more for clients.

The office is in the Fortitude Valley, but the client base is spread right throughout Queensland and interstate.

This extremely experienced brokerage continues to attract new talent to its team, and through a focus on professional service and advice, has a great record of client retention.

Citycover is committed to being a responsible member of the communities it serves and actively supports a number of charities. The team at Citycover do not just donate money to these charities but their time as well, participating in a range of fundraising activities.

Comsure Insurance Brokers

Comsure Insurance Brokers (Comsure) commenced trading in 1974 and joined the Austbrokers network in 1995.

Comsure is a broking house with a diverse client base ranging from SME clients to publically listed entities. The experience of the team lies in heavy industrial markets such as mining, commercial marine, underwater construction projects and civil works, as well as areas such as food manufacturing, hospitality, information technology and motor dealerships.

Comsure thrives on the difficult and unusual risks that its clients face and the risk management and insurance placement services that it provides. This sets us apart from competitors and is a testament to the business' strong client retention and success over the past 36 years.

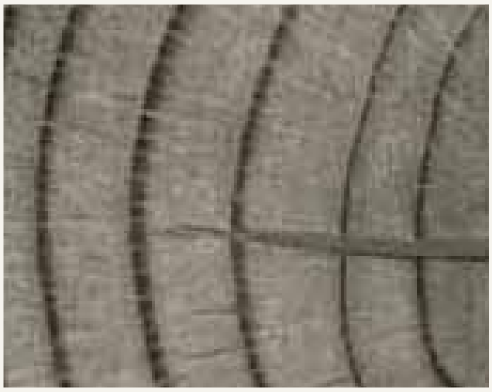
Comsure has well established relationships with Electrical and Plumbing industry associations and has a division established to serve this growing business sector that has seen challenges such as home insulation audits and solar power in the past 12 months. Comsure has successfully negotiated tailored products to meet this market demand.

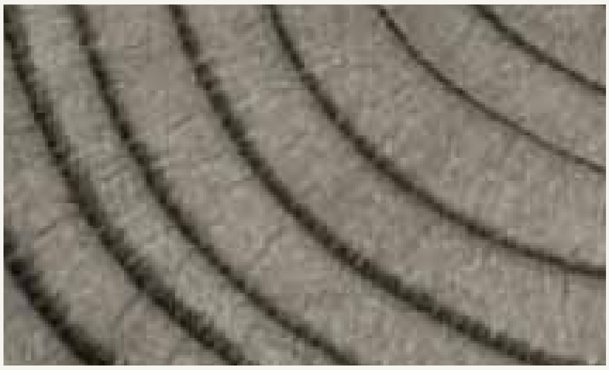
In addition, we have identified the Global Trade Credit and Political Risk market as growth sectors over the coming years post GFC, and have employed staff in this area to cater for this market sector.

Comsure in the past 12 months has maintained growth in volatile economic conditions and is looking forward to the coming year and beyond.

SPECIALIST BUSINESSES WITHIN THE AUSTBROKERS NETWORK PROVIDE PROTECTION FOR THE HUMAN CAPITAL IN BUSINESS AND FOR INDIVIDUALS ON A PERSONAL BASIS WHICH ENABLES BUSINESS TO OVERCOME POTENTIAL FINANCIAL DIFFICULTIES FOR THOSE LEFT BEHIND. LIFE INSURANCE IS IMPORTANT FOR PROTECTION OF FAMILY AND DEPENDENTS IN THE EVENT OF DEATH AND SERIOUS ILLNESS OR ACCIDENT ON AN INDIVIDUAL BASIS, WHERE AS LOAN PROTECTION OR KEY PERSONAL INSURANCE IS VITAL IN SUPPORTING BUSINESS BUY / SELL ARRANGEMENTS OR SUCCESSION PLANNING.

Financial Services





Country Wide Insurance Brokers

Country Wide Insurance Brokers provide insurance and risk management services via an extensive metropolitan and regional branch network. A Western Australian business operating for more than 20 years, Country Wide Insurance Brokers employ 40 staff operating out of nine offices throughout the state.

The scope of our services includes general insurance broking, risk management, claims management and risk evaluation. Our diversification spans across the business, professional, agricultural and personal insurance sectors. Our geographic presence means we have a very good balance and therefore a solid understanding of the requirements that extend from a metropolitan small to medium enterprise, to the unique requirements of a regional operation.

Country Wide has strong associations with organisations such as WA Farmers Association and the Farm Machinery Dealers Association. These associations reflect our commitment to understand and support regional and rural WA whilst maintaining our head office in Burswood.

Country Wide Insurance Brokers has developed industry and competitor respect through our professional, reliable staff and strong ties to a loyal customer base. Each employee supports the Company ethos of Service – Knowledge – Choice and are professionally trained on delivering this to every business or individual transaction.

With the inclusion of Austbrokers Holdings as a 50% partner in our business in April 2011, a major milestone of succession planning for our business was achieved. In our new partnership, we are confident that our successful business formula will continue and all of the company's stakeholders have a secure future.

Fergusons Financial Services

Fergusons Financial Services was established as a general insurance brokerage in 1974 and is based in the bayside suburb of Frankston, the gateway to the Mornington Peninsula.

Joining forces with Austbrokers in 2002 provided Fergusons with the opportunity to enjoy the benefits of being part of a larger group, while maintaining its independence and local identity.

With almost 4,500 clients across Australia, Fergusons has a clear focus on satisfying the needs of small to medium businesses and residential/commercial strata-titled properties.

Fergusons prides itself on the quality of its customer service and the benefits of building long-term customer relationships. Over 70 of Fergusons largest clients have enjoyed a relationship spanning more than 20 years, a testament to Fergusons commitment to excellence and service.

Fergusons offer a full range of financial services to customers, including income protection, life insurance and superannuation, through an enthusiastic and professional team of experienced, knowledgeable and qualified staff.

As keen supporters of community based programs, Fergusons and its staff have jointly contributed to support initiatives that assist disadvantaged families and children, as well as providing assistance to victims of the Queensland floods earlier this year.

Finsura

Finsura provides general insurance broking, life insurance, financial planning and workers compensation services to its clients and endeavours to provide comprehensive financial packages tailored to individual needs.

Finsura provides a broad spectrum of financial services negating the need for the firm's clients to deal with a range of different providers.

Finsura continues to promote its unique capabilities in specialist areas such as commercial ski lodges, nanny agencies and the pet industry.

In the past financial year Finsura has continued to grow its presence in regional country NSW.

Insurance Advisernet Australia

Insurance Advisernet Australia (IAA) was established in 1996 to give local insurance brokers access to a national buying group for general insurance products and services. IAA joined the Austbrokers Group in 2006 which further enhanced its range of products and services.

IAA was one of the first general insurance brokers to implement the Dealer Group model which has been the preferred model for financial planning groups for some time. This model allows the broker (authorised representative) to focus on providing their client with objective advice and tap into the national facilities available whilst out-sourcing the majority of the back office functions.

IAA specialises in the SME sector and handles in excess of $280 million of premiums through 140 Corporate Authorised Representatives with 400 advisers in 70 locations.

IAA has recently formed Insurance Advisernet Financial Services (IAFS) which is focussed on developing a network of experienced financial planners. These specialists are cross selling a range of financial services and products to IAA's base of over 50,000 clients.

Insurance Advisernet New Zealand (IANZ) has also commenced operations in New Zealand to capitalise on opportunities there due to the introduction of a more stringent industry regulatory control. IANZ handles in excess of $40 million of premiums through 25 brokers with 80 advisers in 20 locations.

IAA has achieved compound growth of over 15% in the last three years which is testament to the success of its business model and why it is widely regarded as the "dealer group of choice" within the general insurance industry.

JMD Ross Insurance Brokers

JMD Ross Insurance Brokers is a prominent Sydney-based insurance broking practice providing quality risk and insurance services in industrial, commercial and personal lines for a wide range of clients.

The company has particular capabilities in professional indemnity insurance, providing services to the accounting and other professions. Additionally, JMD Ross Professional Risks, which has operated for more than five years, provides professional indemnity insurance for construction professionals including engineers and architects. Originally a joint venture with UK-based Griffiths & Armour, the company is now wholly owned by JMD Ross. It retains close links with Griffiths & Armour, which arranges insurance for more than 3,000 firms of engineers, architects and surveyors.

JMD Ross also provides tailored insurance solutions for affinity groups particularly in the tourism, jewellery and meat industries. It has expanded its services to the meat industry across Australia's eastern seaboard through an alliance with the Australian Meat Industry Council.

During the past financial year, the company's international account, principally servicing the requirements of overseas-owned companies in Australia, developed further in partnership with Globex International, WING, Unison Brokers and other international partners.

Markey Group

Markey Group is the largest general insurance provider in the Newcastle and Hunter Valley area. Markey has serviced clients in this region since 1972 and earned a reputation for reliability and professionalism. Over 5,000 clients are serviced from the Newcastle office which now employs more than 50 staff in the general insurance area, with three additional staff members providing financial services through a related entity.

Austbrokers Sanderson operating as an authorised representative of Markey Group has continued to establish itself as leader in the heavy plant, machinery and crane industries. During the next twelve months the focus will be on growing this team and further increasing its market share in these industries.

Direct marketing and new business growth from existing clients as well as strategically identified prospects has enabled Markey to grow its core general insurance business. In 2011 we have also seen significant growth in our financial services division using this direct marketing model which has allowed a new advisor to capitalise on new business leads. We are excited about continuing this growth into 2012.

During June 2011 Markey Insurance Brokers appointed an industry manager with more than 30 years of international experience as General Manager Broking and Claims. Robin Harman spent more than 20 years with HSBC Insurance Brokers and was responsible for operations in Cyprus, the former Soviet Union and the Middle East. For the past five years he was Head of Global Alliances acting as the Principal Relationship Manager. The new appointment was brought about by further growth in the business and will provide additional services to business clients.

Markey Group has continued its commitment to support the local community during the last year by raising over $11,000 for the Cancer Council during the Hunter Relay for Life event as well as donating the $32,000 proceeds from our annual Charity Golf Day to Hunter Life Education.

MGIB

MGIB (McNaughton Gardiner Insurance Brokers) commenced in 1981 as a two man operation servicing the South West of Western Australia with an office located in Bunbury.

Bunbury is still head office today, but over the last 10 years MGIB has expanded into the Perth metropolitan area with an office in West Perth. MGIB has also kept pace with Western Australia's expanding North West servicing many customers in Broome, Kununurra, Port Hedland & Karratha.

With a continued focus on growth, in January 2011 MGIB acquired the Westcourt Insurance Great Southern operation, a business that very much complements the South West operations of MGIB.

MGIB has its core operation in the general insurance market and offers tailored risk management solutions to a diverse client base over a large demographic. A strong financial services division allows MGIB to offer clients a complete risk service.

MGIB is recognised as a leading specialist in the tourism, hospitality and events Industry, where it has developed many strong relationships with the industries' peek bodies and in turn developed niche products which are customised to suit the group's clients and their members.

MGIB now employs 32 staff who service over 10,000 clients state-wide. The variety of services provided, the business size, the strong relationships, staff experience and its stability have ensured that MGIB is a major force in Western Australia.

MGA Insurance Brokers

Established in South Australia in 1975, founding Directors John George, Allan Amber and Brian McInerney are today joined by their four sons who operate in various areas of the business.

In February 2011, MGA opened its' 21st branch in Perth, Western Australia.

MGA has developed a reputation as an insurance broking business of significance in the regional broking arena, and nationally with office representation in five Australian capitals.

MGA is significantly involved in the communities it is represented in and supports those communities through various pursuits and sponsorships. For several years the group has supported the Australia Cambodia Foundation and the children's charity, Variety and the Royal Flying Doctor Service.

Millennium General Insurance provides market access and services to MGA. Specialist products include Farm, Strata, Crop, Household, Landlords, Combined Business/Property, Trades Pack, Professional Indemnity and Personal Accident. Millennium also manages many of MGA's risk placements into the London markets.

MGA Ezipay was created in 2006 to provide premium funding and retail instalments services to MGA clients. MGA's compliance and training is handled exclusively through Insurance Broker Solutions Centre.

MGA has developed a tailored technology solution with its exclusive "Smartbroker system". For the past 8-years, Smartbroker has been evolving as MGA's in-house tailored broker tool. This is an ongoing initiative that assists personnel in accessing all operational information and also provides access to MGA's unique central processing system. Smartbroker is being marketed to the broader broker industry as MGA's unique model.

MGA are poised to build on the success of past years with an ongoing focus to grow through acquisition and this will continue during FY2012.

Oxley Insurance Brokers

Oxley Insurance Brokers (OIB) was formed in 1976 and is one of the founding members of Austbrokers.

OIB consists of a branch network with offices located at Forster, Taree, Port Macquarie, Kempsey and Coffs Harbour, employing over 55 local staff.

Along with General Insurance, OIB provides the additional services of premium funding, life risk insurance and workers compensation to business clients along the NSW Mid North Coast.

Now in its 35th year, OIB is one of the largest regional insurance brokerages in Australia.

Peter L Brown and Associates

Established in 1982, Peter L Brown and Associates (PLB&A) joined the Austbroker network in 1987 making it one of the longest serving members of the group.

With a Head Office in Wagga Wagga, the company also operates branches in Griffith and Tumut and employs nine qualified brokers and a support staff of 12.

PLB&A is a major regional broking house specialising in professional, commercial and industrial SME accounts and rural insurance, turning over approximately $22 million in direct and indirect premiums annually. In recent years the company has been appointed to a growing number of larger corporate clients and these, along with other important accounts, have been secured under service agreements ensuring continuity over the next few years.

The company places great emphasis on the provision of quality service, professional advice and market competitive premiums, together with a comprehensive industry knowledge, as the basis of client business relationships. As qualified staff are virtually unobtainable in regional areas, the company has an ongoing strategy of training new staff to ensure the long term succession of the business.

This year, PLB&A will achieve a profit in excess of last year's record on the back of continuing new business and renewal strategies and sustainable savings on day to day business expenses. To capitalise on anticipated premium increases following the recent natural disasters, the company is currently developing strategies to capture increased revenue for the next year whilst at the same time, maintaining expense savings. The quality and professionalism of its staff are major factors in achieving not only impressive financial results, but also, recognition within the business community.

Rivers Insurance Brokers

Rivers Insurance Brokers was formed in 1981 and caters for all general insurance needs. Within the organisation there is specialist expertise to handle agriculture, aviation, construction, marine and general business requirements.

The business operates through its branch offices in Brisbane, Cairns and Innisfail, the last two of which trade under the name Far North Insurance Brokers.

The Brisbane office has handled many of the major construction projects in the city and the Gold Coast, from Expo 88, Lang Park and the Gabba redevelopments to the major office and apartment buildings that dominate the CBD skyline. The business also focuses on commercial and manufacturing businesses, in addition to a specialist agricultural division, which specialises in plantations of all types, but primarily timber, macadamia and olives.

The Cairns office has developed an exceptionally large marine portfolio, covering over 300 commercial fishing vessels, as well as many white boats and commercial freighters. This office has also arranged many of the construction risks for significant Cairns landmarks, in addition to many tourism projects and general commercial accounts.

The Innisfail office caters for the local farming community and the varied businesses associated with it, together with a general focus on commercial and domestic accounts.

At an organisational level there is a strong focus on providing a level of service and expertise superior to competitors, which has led to the retention of many of the clients who have been with the business since inception in 1981.

Insurics

Insurics commenced business in 1968 as Stanley G Plantzos Insurance Brokers. This name was subsequently shortened to SGP Insurance Brokers and in 2010 was changed to Insurics.

Insurics have been providing complex insurance and risk advice to businesses and corporations from all industries and markets throughout Australia for over 40 years and are proud of the depth of expertise and knowledge they have developed over this time.

The name Insurics was created by the company to represent the study of facts, principles and their knowledge of insurance. The name reflects the company's strategic growth and is synonymous with honesty, sincerity, integrity and professionalism which continue to be the core values of Insurics.

SRG Corporate

SRG Corporate is a company with a next generation ethos and a very energetic and vibrant management team.

The business sees significant growth potential in organic and strategic initiatives that include niche schemes and targeted marketing strategies such as:

- The continued growth of its Queensland office on the Gold Coast, opened in 2007, which provides distribution opportunities to fuel the group's strategic expansion plans.
- Launching of a new product initiative called Bikesure, targeting Cycling enthusiasts and Cycling Retailers with a tailored Bicycle Insurance and Business Insurance solution.

SRG currently employ 18 staff and managing approximately $20m in gross written premiums.

Strathearn Insurance Brokers

Strathearn Insurance Brokers is a general insurance broker and corporate risk adviser. The last year has seen the group continue to expand its national operations with the opening of an office in Adelaide; today we have offices in Perth, Brisbane, Sydney and Adelaide. Staff numbers continued to grow too including additional brokers with extensive general insurance broking experience, legal backgrounds and for the first time a senior broker with civil engineering background, all of whom serve to further enhance our specialised client service offering. Strathearn now has 65 brokers and support staff servicing our clients' local, national and international operations.

Outside the office Strathearn has extended its community support and is proud to be appointed as insurance brokers, on a pro bono basis, to The Days of Change Foundation and The Bibbulmun Track Foundation. Strathearn continues to be active sponsors of The John Maclean Foundation in Queensland, YWCA NSW and Austec in NSW, "Movember" in the Perth office and Mining Family Matters in South Australia.

Western United Financial Services

Western United Financial Services (Western United), based in Perth provides insurance broking, risk management, claims handling and financial solutions to a range of SME and Commercial/Corporate clients.

Western United advises on the full range of general insurance products and offers financial solutions such as life, income protection, superannuation and business succession planning.

Risk management solutions include workers compensation and injury management design and training, occupational safety and health audits and system development implementation.

Western United is committed to providing clients with a personalised service tailored to their needs. The business strives to achieve consistently high levels of customer service which sets Western United apart from its competitors and creates a healthy stream of referral business.

Western United's new business division continues to introduce significant new clients and income growth which has exceeded the benchmarks set in previous years.

Western United Transport specialising in the heavy transport industry, continues to grow and remains instrumental in helping the company become one of the most recognised names in transport insurance. Western United Transport is a major sponsor of the Livestock Transport Association and the Civil Contractors Federation.

The company's growth has required additional resources, and this year Western United has welcomed several new senior staff members to its team. New marketing plans and initiatives will also be implemented so that we can look forward to continued growth in the coming year.

Operational report

Austagencies / Underwriting

Introduction

Austagencies is an underwriting agency which is a wholly owned subsidiary of Austbrokers Holdings. The role of the underwriting agency is to underwrite, distribute and manage specific insurance products and portfolios on behalf of insurance companies including Lloyds.

The company holds long term underwriting agency contracts with major insurers including Great Lakes Australia, QBE, Allianz, Lumley, Suncorp, Vero, Catlin and Lloyd's.

Gross premium written by Austagencies in the past 12 months was in excess of $90 million. Its growth in net profit has increased by over 20% for the second year in succession which includes insurer profit commissions for underwriting the business to target profit levels.

Business Model

Austagencies offers over 30 specialised product lines transacted through insurance brokers and tailored to the needs of their clients.

The underwriters within the Austagencies team are all specialists' in particular insurance products or industry sectors, enabling them to understand and evaluate the risks presented by brokers and offer tailored and competitive solutions, specific to each client's risks.

This 'specialisation strategy' benefits all stakeholders in the transaction chain – clients, brokers and insurers.

- Insured clients are delivered a policy that responds specifically to their exposures
- Insurance brokers receive strategic input on opportunities for new business and the retention of existing business
- Insurers are able to sidestep the high degree of commoditisation which is evident in the insurance market by using an external agency

Austagencies deals only with the professional insurance broker market and has a history of profitable underwriting on behalf of the insurers. Profit sharing commissions continue to be generated by the major Austagencies product lines.

Growth

Austagencies continues to deliver growth through the following initiatives:

Acquisitions

In December 2010 Austagencies acquired 100% of CEMAC Pty Limited an Underwriting Agency, based in Brisbane. CEMAC has built an enviable brand in the Plant and Equipment market where it is able to provide solutions to many brokers and clients requiring a level of technical and product sophistication. This business is consistent with the high specialisation model which drives the Austagencies model.

Austagencies acquired a 50% share in Celestial Underwriting Agency Pty Ltd on the 1st January 2011 and continues our strategy in the agency space of developing more owner driver businesses.

Celestial offers stand alone Crime/Fidelity Guarantee, Property/Liability for clubs & Excess Money/Crime.

Celestial's relationship with its Lloyd's markets enables it to provide tailored risk solutions to a broad range of industries including but not limited to;

- Electricity generation, transmission and distribution (including bushfire liability, failure to supply, EMF)
- Utilities
- Mining (including underground)
- Construction (annual floaters and project specific including infrastructure, tunneling, bridges)
- Railways
- Clients requiring structured claims handling solutions

Celestial offer a range of alternate risk transfer solutions to their clients principally for weather related risks for the energy sector. This can be for hot days for an electricity retailer to lack of wind for a wind farm and various other weather related risks and triggers.

New product lines and updates

Austagencies identified a demand from the broker network for underwriting facilities to respond to complex risks.

Over the past twelve months Austagencies has developed many significant products for the Austbrokers network. Equipment breakdown & Construction Insurance was added to the suite of Latitude products through 2011 and has found favour amongst brokers within these niche portfolios. Following on from that success, eight new Marine products have been developed for the Austbrokers network which has been supported by QBE in a strategic initiative. Complementing Austagencies product development has been the drive to re brand and re build the Austagencies offering to the Film and TV production sector which is a highly specialised niche market.

Austagencies have been a major insurer in the snowfields sector and it has taken the initiative to revamp its product and branding under Latitude Underwriting – Alpine.

Marketing

Over the years Austagencies has developed many products which it branded individually according to the niche market it operated in. To ensure that the insurance brokers with whom Austagencies deal are aware of our total product offering Austagencies are consolidating many existing products under a core group of brands under the Austagencies name as the principal operating entity.

Brands

Austagencies businesses operate under the following brands:

5 Star Underwriting Agency

- Motor dealership house accounts

Australian Bus & Coach Underwriting

- Bus and coach fleet operators; property and liability for transport depots

Celestial Underwriting Agency

- Stand alone Crime / Fidelity
- Property / Liability for Clubs
- Excess Money / Crime

Cemac

- Specialised Plant & Equipment
- General Liability

Dolphin Underwriting

- Tourism, Accommodation, Hospitality programs

Latitude Underwriting

- Industrial Special Risks,
- General Liability
- Commercial Insurance Package products for the general business sector
- Commercial Strata Package
- Film and TV – production and errors and omissions cover
- Engineering
  - Contractors plant and equipment (CPE)
  - Equipment breakdown
  - Construction
- Specialty Liability
- Marine – cargo, carriers, pleasurecraft
- Alpine – Snowfield properties
- Professional Indemnity
- Weekly Business Interruption

Sentinel Special Risks

- Entertainment event cancellation and abandonment, prize indemnity.

Tasman Underwriting

- Professional Indemnity

Operational report

A & I Member Services

A & I Member Services (AIMS) was established in 2007 to provide services for the collective benefit of 120 members from Austbrokers and IBNA networks, who place over $2.2 billion premium on behalf of their clients.

Austbrokers provides AIMS' management team of 5. AIMS has established expert practice committees which are drawn from the member brokers around the country, providing technical and resources support in key services. These include Members' Professional Indemnity; the Annual Convention; Insurance Products Development and a Regional Committee in each state.

The strategic purpose of AIMS is:

- to deliver leading insurance products, industry tools, business intelligence, training & education,
- in a way that drives commercial access between our brokers and insurance partners
- to generate measurable growth for brokers and insurers.

Leading Products

AIMS has developed advantageous policies to cover the 6 major products required by clients. Our network members issue Austbrokers badged policies for Business Pack; Private and Commercial Motor; Domestic Home and Contents; Industrial Special Risks and General Liability. These coverages represent 62% of Austbrokers' total client policy sales.

The badged wordings are regularly reviewed by the Insurance Products Committee for effectiveness and market-competitive position. To achieve best results for brokers, AIMS works closely with LMI Group, the leading insurance technical and loss advisory practice in Australia.

An additional suite of specialised products available to the Austbrokers network includes Management Liability, Corporate Travel, Equipment Breakdown and Heavy Motor Transport.

Business Intelligence

The AIMS intranet continues to be an effective communication and knowledge management tool for Austbrokers across the country. During the Queensland floods the site was a national clearing house for the rapid distribution of underwriting information, claims development news and technical opinion.

Training & Education

AIMS continues to provide residential training courses for Senior Management and Account Management practitioners. Partnering with our principal insurance partners, insurance market training days have been held in each capital city with over 900 broking and insurance company attendees in 2010/2011.

Members' Professional Indemnity Insurance Program

This program is a key service to members. It provides an acknowledged market-leading policy and high limits of liability to protect participating broker members. With a record of stable security placement, the program utilises a blend of specialist insurers in the Australian and London markets. All members of the PI committee have relevant expertise in stewardship of this complex policy placement.

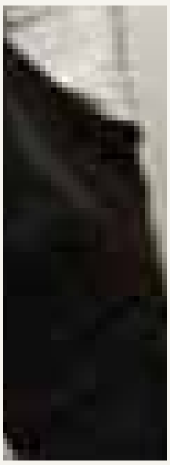
Commercial Access

The Annual AIMS Convention is the high profile forum for partner networking and promotion of risk and insurance solutions. The 2011 event attracted in excess of 450 delegate brokers and business partners.

Measurable Growth

AIMS executives and the management of our principal insurance partners hold formal quarterly performance reviews. Growth in policy placements and income generated continues to be satisfactory for all parties.

Operational report



Group Services and Support

An essential part of Austbrokers group services and support for the Broker Network and Austagencies is its Information Technology, Risk Management and Compliance Services (including Human Resources Policy and advice).

Information Technology

A team of specialists based at North Sydney manages and monitors the performance of our network brokers common IT systems.

DataCentre

The IT datacentre is outsourced at the Telstra datacentre in Ultimo and houses the computer services for network members. Currently there are over 80% of members on the network with the remaining member brokers either looking to migrate to the datacentre in the next twelve to eighteen months or have specialised requirements that require customised local solutions.

There is a disaster recovery facility located in the Austbroker Holdings site in North Sydney that can be leveraged should a significant disaster affect the Ultimo site.

Distribution platform

Austbrokers have developed a purpose built product distribution solution that is integrated into the existing IT solution. This initiative will deliver efficiencies to the advice process that will benefit customers, the broker network itself and suppliers (Insurers).

Risk Management & Compliance

Austbrokers developed a highly specialised framework to comply with Financial Services Regulations which has been implemented by the brokers. This has been overlayed by a risk management program and audit function to ensure ongoing compliance with requirements.

A select team of compliance officers carry out compliance audits for each broker annually.

These services provide a solid platform for the business operations and ensure the risks involved in both maintaining business systems and compliance with regulatory requirements are minimised and managed.

The risk and compliance framework is an automated process involving every staff member through the network.

A Risk and Compliance Committee comprising of Austbrokers compliance team and a network member representative meet regularly to maintain oversight of this area and report on to the Board Audit Committee.

Best Practice

A Best Practice Committee comprising of Austbrokers compliance team and network members representatives operates to produce consistent documentation and process to the network members. This Committee meets regularly and works in conjunction with the Network Steering Committee.

Operational report


Austbrokers Business Centre

The Austbrokers Business Centre (ABC) is a wholly owned subsidiary of Austbrokers Holdings Ltd and has been established as a strategic provider of common back office services to Austbrokers Network Broker Members.

The overarching objective of the ABC was to establish a centre of expertise for the Austbrokers Group in highly skilled areas of financial control and reporting, CBS accounting (which is the broking system software), full human resources process, payroll functionality and treasury support.

With these key but highly specialised and labour intensive processes outsourced, member brokers can direct their full attention to servicing their customer base and developing their business. Members can access some or all of the services depending on their requirements, making the services adaptable to their needs.

The pooling of resources makes greater expertise available to all Austbrokers members, particularly smaller brokers who could not easily justify the cost of having this in house. Using the Austbrokers datacentre, ABC can be readily connected to all businesses in the Network.

ABC will also provide a back up for members in a risk management sense. The sudden loss of key back office employees can now be covered on a temporary or permanent basis to maintain continuity of business processes and to ensure regulatory requirements continue to be met.

ABC is located in Hurstville outside of the Sydney CBD area. Austbrokers is looking to start smaller satellite operations reporting into Hurstville in a “Hub and spoke” model, with the aim of cost containment through regional rather than metropolitan labour markets.

Currently ABC is providing back office services for sixteen network members.

Community services

During the past year all Austbrokers Network Members have supported local community events and organisations, including sporting clubs, locally based charities and also some larger charitable organisations. Many of the businesses not only provide financial resources but actively encourage staff involvement to support these organisations.

Some of the major support provided by the larger businesses included:

- MGA Management Services is a significant supporter of Geraldine Cox's Sunrise Children's Villages in Cambodia. MGA's Chairman John George is also chairman of the Sunrise organization and is personally involved in the building of a new $2 million centre, which is due to be completed in 2012, that will cater for hundreds of HIV affected orphans. MGA also supports The Royal Flying Doctor Service and Variety, contributing around $100,000 in money and resources in total to these three organisations.
- Insurance Advisernet Australia (IAA) donates over $120,000 a year to various charities. This financial year IAA held a charity golf day raising $33,000 to support Kids Express, Variety and Legacy. In addition IAA collect donations from our Authorised Representatives throughout the year which are matched by IAA and distributed to a number of charities with a major contribution being made to the Reach Foundation which was supported with total donations of $80,000. Other charities IAA and its staff support are Young Care, Camp Quality and World Vision.
- Adroit provides significant support to the local community in regional Victoria including encouraging volunteering by staff members and through its Charity Golf Day raised $65,000 for the St John of God Hospital. The local community organisations supported include Geelong Community Foundation, Community Foundation (Bendigo), Bordertrust (Albury Wodonga), and Wombat's Wish.
- Markey Group has continued its commitment to support the local community during the last year by raising over $11,000 for the Cancer Council during the Hunter Relay for Life event as well as donating the $32,000 proceeds from its annual Charity Golf Day to Hunter Life Education.

Austbrokers donated $10,000 to The Queensland Premier's Disaster Relief Appeal and has supported a number of organisations including a donation of $5,500 to the Reach Foundation.

Board of Directors

Richard Longes

Chairman

Richard was a lawyer with Freehill Hollingdale & Page and a Partner from 1974 to 1988. In 1988, Richard was a founding partner of Wentworth Associates, a boutique corporate advisory firm.

Richard is a non-executive director of Investec Bank Australia Limited and is currently a Director of Boral Limited and Metcash Limited. Richard has been a director of a number of public companies and government bodies including Chairman of MLC Limited as well as the responsible entity of the General Property Trust.

Richard has a Bachelor of Laws and a Bachelor of Arts from The University of Sydney and a Masters of Business Administration from The University of New South Wales.

Age 66

Lachlan McKeough

Chief Executive Officer

Lachlan has over 40 years' experience in the general insurance and insurance broking industries. Lachlan commenced the Austbrokers business in 1985 and has been the CEO since that time.

Prior to establishing Austbrokers, Lachlan was employed in various senior management roles with Mercantile Mutual.

Lachlan is a Qualified Practising Insurance Broker and holds a Diploma of Financial Services from NIBA. Lachlan is a member of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management.

Age 61

Ray Carless

Non-Executive Director

Ray Carless has 35 years' experience in the insurance industry based in Australia but with management responsibilities throughout the Pacific Rim. Until 2000 he was Managing Director of reinsurance brokers Benfield Greig in Australia, a position he had held for over 14 years, and he had also been a director of the worldwide holding company located in London for 10 years.

Ray was appointed to the Board of Directors on 1st October 2010.

Ray has been a director of a number of companies involved in the Australian insurance industry since 2000, and is currently chairman of The Mortgage Insurance Company Ltd.

Ray has a Bachelor of Economics from The University of Sydney and is a member of the Australian Institute of Company Directors.

Age 56

Phillip Shirriff

Non-Executive Director

Phillip has over 40 years' experience in the financial services industry and was formerly the Chief Executive Officer of ING Financial Services International - Asia/Pacific and a director of ING. From 1985 to 1995, Phillip was Managing Director of the Mercantile Mutual Group (now ING).

Phillip has been on the board of Austbrokers since 1986.

Phillip previously has held a number of directorships including ING Bank (Australia) Limited (Chairman), ING Australia Limited and ING NZ (Holdings) Limited (including subsidiaries and certain committees).

Phillip has a Bachelor of Arts (Econ/Finance) from Macquarie University and an Associate Diploma Life from the Australian Insurance Institute. He is a Fellow of CPA Australia and Fellow of the Institute of Chartered Secretaries and Administrators.

Age 65

David Harricks

Non-Executive Director

David Harricks was a Financial Services Partner at PricewaterhouseCoopers for 23 years, specialising in the Insurance Industry. He has been a director of a number of companies including Lumley General Insurance Ltd. He has also been a member of three Compliance Committees of the Commonwealth Bank of Australia Group.

Presently David is the Chairman of the Austbrokers Audit and Risk Management Committee.

David has a Bachelor of Arts degree from Macquarie University, a Bachelor of Commerce from The University of New South Wales and is a Fellow of The Institute of Chartered Accountants in Australia.

Age 66

"Over the past year, partnerships and innovation have been important strategic themes for Austbrokers"

Financial report

for the year ended 30 June 2011

Directors' report

For the year ended 30 June 2011

Your Directors submit their report for the year ended 30 June 2011.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

R.A. Longes BA, LLB, MBA (Non-executive Chairman)

Richard Longes was a lawyer and partner in Freehill Hollingdale & Page from 1974–1988. In 1988 he was a founding Partner of the corporate advisory firm Wentworth Associates and is now a Non-executive Director of Investec Bank Australia Limited.

Presently, he is the Group Chairman and also serves on the Audit and Risk Management, Nomination and Remuneration and Succession Planning Committees of the Group.

During the past three years Mr. Longes also served and continues to serve as a Director of the following other listed companies:

- Boral Limited
- Metcash Limited

He is also a Director of Pain Management Research Institute and National Indigenous Centre for Excellence Limited. Presently he is Chairman of the Nomination and Remuneration and Succession Planning Committees and a member of the Audit and Risk Management Committee.

W.L. McKeough QPIB, Adv Dip Fin Serv, MAICD, FAIM (Director and Chief Executive Officer)

Lachlan McKeough commenced the Austbrokers business in 1985 and has been CEO since that time. Prior to this he was employed in various management roles in general insurance with Mercantile Mutual. He has over 40 years experience in the general insurance industry.

R. J. Carless BEc, MAICD

Ray Carless has 35 years' experience in the insurance industry based in Australia but with management responsibilities throughout the Pacific Rim. Until 2000 he was Managing Director of reinsurance brokers Benfield Greig in Australia, a position he had held for over 14 years, and he had also been a director of the worldwide holding company located in London for 10 years. He has been a director of a number of companies involved in the Australian insurance industry since 2000, and is currently chairman of The Mortgage Insurance Company Ltd. Mr Carless was appointed to the Board of Directors on 1 October 2010 and is a member of the Audit and Risk Management, Nomination and Remuneration and Succession Planning Committees.

L.F Earl QPIB, FAICD

Mr Earl passed away on 12 July 2010.
Frank Earl had over 40 years experience in the general insurance industry. He was Managing Director of Minet Professional Services from 1988–1997 and Managing Director of Minet Australia Limited from 1994–1997. He was also Managing Director of Arthur J Gallagher (Aust) Pty Ltd from 1998–2004. He was a past President of National Insurance Brokers Association and a Director of NIBA and a Non-executive Director of IBL Limited. He was a Member of the Remuneration and Succession Planning and Nomination Committees.

D.J. Harricks BA, BCom, FCA

David Harricks has 40 years' experience in the insurance industry. Until 2000 he was a Financial Services Partner at PricewaterhouseCoopers for 23 years specialising in the Insurance Industry. Since 2000 he has been a director of a number of companies including Lumley General Insurance Ltd. and was also a member of three Compliance Committees of the Commonwealth Bank of Australia Group. Presently he is the Chairman of the Audit and Risk Management Committee and a member of the Nomination and Remuneration and Succession Planning Committees.

P.R. Shirriff BA, FCPA, FCIS, ANZIIF (Sen) CIP

Phillip Shirriff has had over 40 years' experience in the financial services sector and was formerly Chief Executive Officer for ING Financial Services International – Asia/Pacific and from 1985–1995 Managing Director of Mercantile Mutual. He was Chairman of ING Bank (Australia) Limited until April 2011 and has been a director of a number of companies including ING Australia Limited and ING NZ (Holdings) Limited. Presently he is a member of the Audit and Risk Management, Nomination and Remuneration and Succession Planning Committees.

Company secretary

S.S. Rouvray BEc, CA, FCIS

Stephen Rouvray has been the Company Secretary of Austbrokers Holdings Limited for 25 years. He has also been Chief Financial Officer and Manager of Investor Relations since 2005. A Chartered Accountant for over 35 years, he was previously Company Secretary of ING Australia Holdings Limited and a number of ING Group companies 1985 – 2005 and General Manager of ING Australia Holdings Limited 2002–2005.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares and options of Austbrokers Holdings Limited were:

	Number of Ordinary Shares	*Number of Options over Ordinary Shares*
R.A. Longes	107,573	–
W.L. McKeough	85,000	1,010,100
R. J. Carless	10,451	–
D.J. Harricks	27,000	–
P.R. Shirriff	100,000	–

Dividends	*Cents*	*$000*
Final dividend recommended:		
• on ordinary shares	17.0	9,292
Dividends paid in the year:		
• on ordinary shares - interim	8.5	4,619
• on ordinary shares - final	15.0	7,910
		12,529

Principal activities

The principal activities during the year of entities within the consolidated entity were the provision of:

- general insurance broking services and the distribution of ancillary products;
- general insurance products through insurance underwriting agency businesses;

There has been no significant change in the nature of these activities during the year.

Operating and financial review

Group overview

The Group invests in general insurance brokers and underwriting agencies. Equity is held in 41 insurance broking operations with a 50% holding in 22, a 100% holding in 3 and a 51% to 85% holding in 16. The Company's preferred "owner driver" model is for equity to be held by the management of the business on a 50% shareholding basis.

The Group also provides services to its broking network including information technology through a centralized data centre, assistance with compliance with the regulatory requirements and back office services where required.

The Group's underwriting agencies operate in niche markets and include Australian Bus & Coach, Cinesure, Sentinel, Sentinel Special Risks, CPE, Unitas, CEMAC, Tasman and 5Star. In addition Latitude underwrites business and property risks.

The Austbrokers Group and its associates employ over 1,500 people and operate in over 110 locations in Australia.

Performance indicators

Management and the Board monitor the Group's overall performance, from its implementation of the mission statement and strategic plan through to the performance of the Group against operating plans and financial budgets.

The Board, together with management, has identified Key Performance Indicators (KPIs) that are used to monitor performance on a regular basis. Directors receive the KPIs for review prior to each Board meeting allowing all Directors to actively monitor the Group's performance.

Dynamics of the business

The Group operates in the general insurance market sector and this sector proved to be relatively stable over the period although insurance underwriters were adversely affected by the significant number of catastrophes that have occurred. The group's revenue is largely derived from commissions and fees earned on arranging insurance policies and is impacted by the volume of premiums placed which in turn is affected by premium rates, sums insured and the general level of economic activity. Moderate increases in commissions and fees have been achieved during the year through some increase in premium rates, initiatives undertaken to increase business volumes and acquisitions, largely within the broker network.

The underwriting agency business also expanded through further developing existing businesses, adding new products and acquisitions including a plant and equipment underwriter CEMAC.

The nature of insurance, being a necessary purchase for business and individuals, makes the insurance broking business relatively resilient to changing economic conditions and the Group is not expected to be significantly affected by the current economic uncertainties.

Operating results for the year

The Group's net profit for the year after income tax attributable to equity holders of the parent is $21,365,000 representing an increase of 17.5% over the previous year. The above figure includes profits from sale of equity interests in associates of $105,000 after income tax (2010 $572,000).

Net profit from operations excluding gains on sale of equity interests and before amortisation of intangibles was $23,813,000 (2010 $20,165,000) representing an 18.1% increase over last year. The growth reflects the continued successful execution of the strategies put in place by management.

Net profit after tax before amortization and profits on sale of equity interests is reconciled to net profit attributable to equity holders of the parent as reported as follows:

	2011 $'000	*2010 $'000*	*Increase*
Net profit after tax attributable to equity holders of the parent before amortisation of intangibles and profit on sale of equity interests in associates and controlled entities	23,813	20,165	18.1%
Net Profit after tax on sale of equity interests in associates and controlled entities	105	572	
Net profit after tax before amortisation of intangibles	23,918	20,737	15.3%
Amortisation of intangibles net of tax	(2,553)	(2,548)	
NET PROFIT AFTER TAX ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT AS REPORTED	***21,365***	***18,189***	***17.5%***

Profits on sale of equity interests are essentially the result of adjustments to shareholding required as a result of pursuing the owner driver model and fluctuate year on year depending on the circumstances arising.

Amortisation expense was in line with last year due to limited large acquisition activity and acquisitions being relatively late in the financial year.

The only direct acquisition made in the insurance broking area during the year was Country Wide Insurance Brokers which due to its timing made little contribution to the results. Significant bolt on acquisition activity continued within the broker network.

Of the 18.1% growth in net profit after tax before amortisation and profit on sale of interests in associates and controlled entities the existing broker network, including bolt on acquisitions made, contributed 15.3%. Total commission and fee income increased by 9% and total income by 9.4% over the prior year (8.6% excluding direct acquisitions). Premium funding income was up 5% and profit shares were 77% above last year . Interest income was also up by 32% due to higher interest rates prevailing through the year.

Expenses in the broker network increased by 7.9% (6.8% excluding direct acquisitions). This reflects some increase as a result of acquisitions within the network, direct expenses related to income growth as well as some inflationary increase in costs.

Directors' report

For the year ended 30 June 2011

Profit growth of 2.6% was generated through an increase in underwriting agency profits of 23.6% resulting largely through the acquisition of CEMAC and 50% of Celestial Underwriting during the year. The acquisitions contributed 1.8% of the 2.6% growth. Income excluding acquisitions grew by 17.5% exceeding the cost of building up the resources in the agencies.

Corporate expenses increased by 7.1% over the prior year largely due to variable incentive costs which increased in line with performance compared to the prior year. This reduced profit growth by 2%.

At the corporate level, borrowing costs were in line with last year. Interest earned increased by 39% due to higher cash retained through the use of the dividend reinvestment plan and higher interest rates. Together these increased overall growth by 1.8%.

Shareholder returns

The Group is pleased to report that return to shareholders, both through dividends and earnings per share growth, has reflected the success of the strategies employed.

YEAR TO 30 JUNE	*Basic earnings per share - cents*	*Increase %*	*Dividend per share*	*Increase %*
2011	39.6	12.2	25.5	13.3
2010	35.3	11.4	22.5	9.8
2009	31.7	11.0	20.5	13.9
2008	28.6	13.9	18.0	20.0
2007	25.1	25.5	15.0	15.4
2006	20.0*	N/A	13.0	N/A

** Excluding abnormal profits on sale of equity interests occurring as part of the Initial Public Offering process*

The company's total shareholder return (comprising share price growth and dividends paid) reflects the positive impact that the results and outlook have had on the share price with a return of 33.6% for the 2011 financial year and 21.9% for the 3 years and 26.2% for the 5 years to 30 June 2011 on an annualized basis. These returns are well above the returns for the ASX All Ordinaries and ASX 200 indices.

Review of financial condition

The Group continues to generate positive cash flow from operations with an increase in cash excluding insurance trust account funds of $23,840,000 to $37,326,000. Borrowings remain stable with $11,000,000 still available to be drawn down. The facility term runs to August 2013. Gearing which is 25% at year end remains below the acceptable limits of 30% set by the Directors. The Group's policy is to maintain sufficient cash and facilities to be able to respond to acquisition opportunities as they arise.

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board. As it is considered that all non executive directors should be part of this process, they all serve on the Audit and Risk Management Committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with risks identified by the Board. These include the following:

- Board approval of the strategic plan, which encompasses the Group's vision, mission and strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and monitoring of progress against these budgets, including the establishment and monitoring of key performance indicators of both a financial and non financial nature.
- The establishment of a committee to specifically review, monitor and report on risk.

Significant changes in the state of affairs

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

Total equity increased to $153,316,000 from $134,574,000. The main reason for the increase was the profit for the year and the increase in issued capital with dividends paid being reinvested as a result of the company's dividend reinvestment plan being underwritten.

Significant events after the balance date

On 25 August 2011 the Directors of Austbrokers Holdings Limited declared a final fully franked dividend on ordinary shares of 17 cents per share in respect of the 2011 financial year. Based on the current number of ordinary shares on issue, the total amount of the dividend is $9,291,985.

Likely developments and expected results

Austbrokers will continue its strategies to grow its broker network through acquisitions and growth initiatives in its existing insurance broking businesses and particularly working with them to develop their businesses through further bolt on acquisitions

In addition, the Group will continue to develop its underwriting business expanding the products underwritten and extending the owner driver model to these activities.

Although profit commissions will be lower due to the large amount of claims resulting from the significant weather events in 2011, organic growth bolstered by acquisitions should provide moderate growth in net profit after tax before amortisation of intangibles and profit on sale of equity interests over the 2011 financial year.

In general, the short term outlook for the economy is a little uncertain which, if it seriously impacts small and medium enterprises, may make trading conditions more difficult. It does appear that acquisition opportunities will continue to arise and premium rates will most likely increase moderately.

Share options

All options are granted over shares in the ultimate controlling entity Austbrokers Holdings Limited.

Unissued shares

As at the date of this report, there were 2,007,541 unissued ordinary shares under options. Refer to note 18 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

Options

The first tranche of options vested fully on 5 October 2008. All options must be exercised no later than 5 October 2012. The exercise price of each option is $2.00. During the year a further 45,000 options were exercised leaving 420,850 unexercised at reporting date.

The second tranche of options vested fully on 25 September 2009. All options must be exercised no later than 25 September 2013. The exercise price for each option was $3.47. During the year no options were exercised leaving 665,700 unexercised at reporting date.

The third tranche of options fully vested on 14 September 2010. All options must be exercised no later than 14 September 2014. The exercise price for each option was $4.20. During the year no options were exercised leaving 610,950 unexercised at reporting date.

The earliest vesting date for the fourth tranche of 142,729 options is 29 September 2011. All options must be exercised no later than 29 September 2015. The exercise price for each option remaining was $4.22 for 49,942 options and zero for 92,787 options.

The earliest vesting date for the fifth tranche of 89,104 options is 3 November 2012. If options are exercised within two years of the date the options vest the shares cannot be disposed of before the expiry of the two year period from the date the options vested, except if employment is terminated. All options must be exercised no later than 3 November 2016. The exercise price for each option was zero for all of the options.

The earliest vesting date for the sixth tranche of 78,208 options is 15 October 2013. If options are exercised within two years of the date the options vest the shares cannot be disposed of before the expiry of the two year period from the date the options vested, except if employment is terminated. All options must be exercised no later than 15 October 2017. The exercise price for each option was zero for all of the options.

Shares issued as a result of the exercise of options

During the financial year, employees exercised options to acquire 45,000 and 38,300 fully paid shares in Austbrokers Holdings Limited at $2.00 and $3.47 each respectively. Consequently 83,300 ordinary shares were issued during the financial year.

Indemnification and insurance of directors and officers

During or since the financial year, the company has paid premiums in respect of a contract insuring all the Directors and officers of Austbrokers Holdings Limited against liabilities, past, present and future.

In accordance with normal commercial practice, the disclosure of the total amount of premiums under and the nature of the liabilities covered by the insurance contract is prohibited by a confidentiality clause in the contract.

Remuneration report

This remuneration report ending on page 57, which has been subject to audit, outlines the remuneration arrangements in place for Directors and Executives of Austbrokers Holdings Limited (the company).

Remuneration philosophy

The performance of the company depends upon the quality of its Directors and Executives. To prosper, the company must attract, motivate and retain highly skilled Directors and Executives.

To this end, the company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high caliber executives;
- Link executive rewards to shareholder value;
- Have a significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks; and
- Establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration and Succession Planning Committee

The Remuneration and Succession Planning Committee of the Board of Directors of the company is responsible for determining and reviewing compensation arrangements for the Directors, the Chief Executive Officer (CEO) and Senior Management Team.

Remuneration structure

In accordance with the best practice corporate governance, the structure of Non-executive Director and Executive remuneration is separate and distinct.

Non-executive Director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the company with the ability to attract and retain Directors of the highest caliber, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination was approval by shareholders at the 2009 Annual General Meeting to increase the aggregate remuneration to $500,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to Non-executive Directors of comparable companies when undertaking the annual review process.

The fees were originally set prior to the listing of the Company on the ASX and from 2008 had been increased annually on 1 July based on the CPI increase for the previous year. This year advice was obtained from an external remuneration consultant to ensure that fees were in line with current market. As a result of their recommendations fees were increased from 1 April 2011.

Each Director receives a fee for being a Director of the company which includes a fee for each Board committee on which a Director sits. Following the recent review, the Chairman of the Audit and Risk Management Committee receives an additional fee recognizing the additional workload that this position entails. Directors do not receive retirement benefits, nor do they participate in any incentive programs.

From 1 April 2011 each director receives an annual fee of $80,000 with the Chairman of the Audit and Risk Management Committee receiving an additional $7,500. The Chairman of the Board receives $150,000.

Non-executive Directors have been encouraged by the Board to hold shares in the company. It is considered good governance for Directors to have a stake in the company on whose Boards they sit.

The remuneration of Non-executive Directors for the period ending 30 June 2011 is detailed in Table 1 of this report.

Directors' report

For the year ended 30 June 2011

Senior Manager and Executive Director remuneration

Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interest of executives with those of shareholders;
- link rewards with the strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Remuneration Committee engaged an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

It is the Remuneration Committee's policy that a fixed term employment contract is entered into only with the Chief Executive Officer and not with any other executives. Details of contracts are provided on page 53.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration - Short Term Incentive (STI)
- Variable Remuneration - Long Term Incentive (LTI) or Medium Term Incentive (MTI)

The CEO's target remuneration mix comprises 50% fixed remuneration, 30% target STI opportunity and 20% MTI. Senior executives target remuneration mix ranges from 60-65% fixed remuneration, 20-25% target STI opportunity and 15% LTI.

Fixed Remuneration

Objective

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of company wide, business unit and individual performance, relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. As noted above, the Committee has access to external advice independent to management.

Structure

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

The fixed remuneration component of the 5 key management personnel of the Group is detailed in Table 1.

Variable Remuneration – Short Term Incentive (STI)

Objective

The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI is available at a set level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

On an annual basis, after consideration of the performance of the Group against its target net profit after tax before amortisation of intangibles, an overall performance rating for the Group is approved by the Remuneration Committee. This measure is considered the most appropriate means of gauging company performance as it aligns with shareholder interests. The individual performance of each executive is also rated and taken into account when determining the amount, if any, of the short term incentive pool that is to be allocated to each executive. This process usually occurs within 3 months after the reporting date.

The aggregate of annual STI payments available for executives across the Group is subject to the approval of the Remuneration Committee. Payments made are delivered as a cash bonus in the following reporting period.

For the 2010 financial year, 91% of the STI cash bonus provided in the financial statements was paid in the 2011 financial year. The Remuneration Committee will consider the STI payments for the 2011 financial year in September 2011. The maximum amount available for the 2011 financial year is $2,064,000. This amount has been provided for in the 2011 financial year based on the net profit after tax for the year and assumes that executives will substantially achieve their individual performance objectives. The minimum amount of cash bonus is zero assuming no individual performance objectives are met.

Variable Remuneration – Long Term Incentive (LTI) and Medium Term Incentive (MTI)

Objective

The objective of the LTI and MTI plans is to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth.

As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance against the relevant long term performance hurdle.

The MTI was introduced in the 2009 financial year to recognise that the Chief Executive Officer's original term of employment expired on 16 November 2010 and participation in the LTI scheme would not have met the objectives. A new contract has been entered into which extended his term of employment to 16 November 2012.

Structure

LTI grants to executives are delivered in the form of options and the MTI in the form of cash.

The use of Earnings Per Share Growth (EPSG) was selected for the LTI and MTI plans. The use of earnings per share growth was selected due to the lack of an appropriate comparator group for such measures as Total Shareholders Return (TSR). It is believed EPSG provides alignment between comparative shareholder return and reward for executives.

Relationship of rewards to performance

In assessing whether the performance hurdles for each grant have been met, the earnings per share (EPS) are adjusted for significant items where appropriate and are calculated before amortisation of intangibles.

Option exercise conditions

Exercise conditions:

(a) subject to satisfaction of the performance based conditions referred to in paragraphs (b) and (c) below, the Options will vest 3 years after the date of grant;

(b) if the First Test Compound Earnings Per Share Growth (Compound Growth) is:

(i) greater than or equal to 8.5% per annum, 20% of the Options will become exercisable;

(ii) equal to 10% per annum, 50% of the Options will become exercisable;

(iii) between 10% and 15%, the percentage of Options that are exercisable will be determined on a pro rata basis so that the number of Options that are exercisable will increase from 50% by 1 percentage point for every 0.1% percent additional Compound Growth over 10%;

(iv) 15% per annum or more, 100% of the Options will become exercisable, in each case on the date on which the Company's audited financial statements for the third financial year ending after the grant are lodged with the Australian Securities Exchange (the "First Test Date");

(c) if all of the Options do not become exercisable on the First Test Date and the Second Test Compound Growth is higher than the First Test Compound Growth then on the date on which the Company's audited financial statements for the fourth financial year ending after the grant are lodged with the Australian Securities Exchange (the "Second Test Date") an additional number of Options will become exercisable as is equal to the difference between the number of Options which became exercisable under paragraph (b) and the number of Options which would have become exercisable if paragraph (b) applied on the basis of the Second Test Compound Growth (rather than the First Test Compound Growth);

(d) any Options which have not become exercisable by the Second Test Date lapse and are of no further force or effect.

(e) Options granted in the 2010 and 2011 financial years have further restrictions on their disposal or the disposal of any shares acquired on their exercise for a further two years from vesting of these options.

MTI cash payment

The conditions for the MTI to vest are identical to those for the LTI exercise conditions except that the period for testing the earnings per share growth is two years only. The amount anticipated to be paid for the period to 30 June 2011 is $137,500, which has been provided for in the 2011 financial year.

Company performance and the link to remuneration

Long term and medium term incentives are based on compound average annual growth in earnings per share. The table below sets out the basic earnings per share over the last 6 years and the increases achieved.

YEAR TO 30 JUNE	*Basic earnings per share - cents*	*Increase %*
2011	39.6	12.2
2010	35.3	11.4
2009	31.7	11.0
2008	28.6	13.9
2007	25.1	25.5
2006	20.0*	N/A

** Excluding abnormal profits on sale of equity interests occurring as part of Initial Public Offering process.*

Compound average growth rate in earnings per share over the 5 years to 30 June 2011 was 14.7%.

Total annualized shareholder returns over the one year, three year and five year periods to 30 June 2011 were 33.6%, 21.9% and 26.2% respectively, confirming the alignment of executive remuneration to shareholder returns.

Based on the performance achieved the grants in 2005, 2006 and 2007 fully vested and 73% of the grants made in 2008 are expected to vest based on the performance to 30 June 2011 with the remainder to be retested based on performance over the 4 years to 30 June 2012.

Employment contracts

The CEO, Mr. McKeough is employed under contract which terminates on 16 November 2012.

- From 1 July 2011, Mr. McKeough receives fixed remuneration of $517,500 per annum. Since 16 November 2005 Mr. McKeough has also had the right to claim a $50,000 per annum living away from home allowance in certain circumstances.
- Mr. McKeough may resign from his position and thus terminate this contract by giving 6 months written notice. On resignation any options will be forfeited.
- The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the CEO is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

Other Key Management Personnel (KMP) have letters of offer of employment with no fixed term, and varying periods up to one month for either party to terminate. Details of remuneration are contained in table 1.

Directors' report

For the year ended 30 June 2011

Remuneration of Directors and named Executives

Table 1: Compensation of Directors and other Key Management Personnel for the year-ended 30 June 2011 (Consolidated)

	SHORT-TERM			POST EMPLOYMENT	SHARE-BASED PAYMENT		
	Salary & Fees	Cash Short Term Incentive*	Non Monetary Benefits	Superannuation	Equity Options	Total	Total Performance Related
30 JUNE 2011	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Directors							
R.A. Longes Chairman	124,266	–	–	11,184	–	135,450	–
W.L. McKeough Chief Executive	396,253	497,155	55,320	48,942	–	997,670	49.83%
L.F. Earl Non-executive Director	–	–	–	–	–	–	–
R.J. Carless Non-executive Director	48,303	–	–	4,347	–	52,650	–
D.J. Harricks Non-executive Director	20,850	–	–	50,000	–	70,850	–
P.R. Shirriff Non-executive Director	63,280	–	–	5,695	–	68,975	–
Executives							
S.S. Rouvray Chief Financial Officer/ Company Secretary	222,976	134,144	45,067	50,000	76,290	528,477	39.82%
G. Lambert General Manager - Operations and Strategic Developments	251,159	113,908	11,716	50,000	52,811	479,594	34.76%
F. Gualtieri National Manager - Group Services and Support	175,978	89,293	26,237	44,559	41,598	377,665	34.66%
J. Howells General Manager - Austbrokers Sydney	207,566	102,191	26,172	50,000	–	385,929	26.48%
G.J. Arms General Manager - Equity Operations	155,626	121,433	52,415	48,394	44,644	422,512	39.31%
TOTAL	**1,666,257**	**1,058,124**	**216,927**	**363,121**	**215,343**	**3,519,772**	

* Short term incentives for W.L. McKeough includes $142,200 in respect of other long term performance bonus.

Remuneration of Directors and named Executives

Table 2: Compensation of Directors and other Key Management Personnel for the year-ended 30 June 2010 (Consolidated)

	SHORT-TERM			POST EMPLOYMENT	SHARE-BASED PAYMENT		
	Salary & Fees	*Cash Short Term Incentive*	*Non Monetary Benefits*	*Superannuation*	*Equity Options*	*Total*	*Total Performance Related*
30 JUNE 2010	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Directors							
R.A. Longes Chairman	116,213	–	–	10,459	–	126,672	–
W.L. McKeough Chief Executive	374,435	374,534	62,440	49,985	–	861,394	43.48%
L.F. Earl Non-executive Director	63,102	–	–	–	–	63,102	–
D.J. Harricks Non-executive Director	13,336	–	–	50,000	–	63,336	–
P.R. Shirriff Non-executive Director	58,106	–	–	5,230	–	63,336	–
Executives							
S.S. Rouvray Chief Financial Officer/ Company Secretary	218,118	143,370	41,723	49,996	74,492	527,699	41.29%
G. Lambert General Manager - Operations and Strategic Developments	252,598	96,713	9,061	38,270	49,480	446,122	32.77%
F. Gualtieri National Manager - Group Services and Support	168,594	93,556	40,857	30,726	40,418	374,151	35.81%
J. Howells General Manager - Austbrokers Sydney	183,104	85,043	37,991	42,323	45,926	394,387	33.21%
G.J. Arms General Manager - Equity Operations	146,325	130,017	53,910	47,091	43,175	420,518	41.19%
TOTAL	**1,593,931**	**923,233**	**245,982**	**324,080**	**253,491**	**3,340,717**	

Directors' report

For the year ended 30 June 2011

Remuneration of Directors and named Executives (continued)

Table 3: Options granted as part of remuneration (Consolidated)

30 JUNE 2011	No. Granted	Grant date	FAIR VALUE PER OPTION AT GRANT DATE ($) (Note 18)	EXERCISE PRICE PER OPTION ($) (Note 18)	Expiry date	First exercise date	Last exercise date
Executives							
S.S. Rouvray	15,077	15-Oct-10	5.06	–	15-Oct-17	15-Oct-13	15-Oct-17
G. Lambert	10,437	15-Oct-10	5.06	–	15-Oct-17	15-Oct-13	15-Oct-17
F. Gualtieri	8,221	15-Oct-10	5.06	–	15-Oct-17	15-Oct-13	15-Oct-17
J. Howells	–		–	–			
G.J. Arms	8,823	15-Oct-10	5.06	–	15-Oct-17	15-Oct-13	15-Oct-17
TOTAL	**42,558**						
30 JUNE 2010							
Executives							
S.S. Rouvray	15,487	3-Nov-09	4.81	–	3-Nov-16	3-Nov-12	3-Nov-16
G. Lambert	10,287	3-Nov-09	4.81	–	3-Nov-16	3-Nov-12	3-Nov-16
F. Gualtieri	8,403	3-Nov-09	4.81	–	3-Nov-16	3-Nov-12	3-Nov-16
J. Howells	9,548	3-Nov-09	4.81	–	3-Nov-16	3-Nov-12	3-Nov-16
G.J. Arms	8,976	3-Nov-09	4.81	–	3-Nov-16	3-Nov-12	3-Nov-16
TOTAL	**52,701**						

Remuneration of Directors and named Executives

Table 4: Options granted as part of remuneration to Key Management Personnel (Consolidated)

	Value of options granted during the year	*Value of options exercised during the year*	*Value of options lapsed during the year*	*Percentage of remuneration consisting of options for the year*
30 JUNE 2010	***$***	***$***	***$***	***%***
Director				
W.L. McKeough	–	–	–	0.00%
Executives				
S.S. Rouvray	76,290	–	–	14.44%
G. Lambert	52,811	–	–	11.01%
F. Gualtieri	41,598	–	–	11.01%
J. Howells	–	–	–	0.00%
G.J. Arms	44,644	–	–	10.57%
TOTAL	***215,343***	***–***	***–***	
30 JUNE 2010				
Director				
W.L. McKeough	–	–	–	0.00%
Executives				
S.S. Rouvray	74,492	–	–	14.12%
G. Lambert	49,480	–	–	11.09%
F. Gualtieri	40,418	14,944	–	10.80%
J. Howells	45,926	–	–	11.64%
G.J. Arms	43,175	–	–	10.27%
TOTAL	***253,491***	***14,944***	***–***	

There have been no alterations to the terms and conditions of options granted as remuneration since their grant date.

Directors' report

For the year ended 30 June 2011

Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) held during the year and the numbers of meetings attended by each Director were as follows:

		Meetings of Committees		
	Directors' Meetings	Audit & Risk Management	Nomination	Remuneration & Succession Planning
No. of meetings held:	**6**	**6**	**2**	**5**
No. of meetings attended:				
R.A. Longes	6	5	2	4
W.L. McKeough	6	N/A	N/A	N/A
R J Carless	5	5	2	4
D.J. Harricks	6	6	2	5
P.R. Shirriff	6	6	2	5

Mr Earl passed away on 12 July 2010 before any meetings were held. Mr Carless was appointed on 1 October 2010 and attended all meetings that he was eligible to attend. Mr McKeough was not a member of any Committee. All other Directors were eligible to attend all meetings held.

Committee membership

As at the date of this report, the company had an Audit and Risk Management Committee, Remuneration and Succession Planning Committee and a Nomination Committee of the Board of Directors. Members acting on the committees of the Board during the year were:

Audit	*Remuneration*	*Nomination*
D.J. Harricks (Chairman)	R.A. Longes (Chairman)	R.A. Longes (Chairman)
R. J. Carless	R. J. Carless	R. J. Carless
R.A. Longes	D. J. Harricks	D.J. Harricks
P.R. Shirriff	P. R. Shirriff	P.R. Shirriff

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (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 independence and non-audit services

The Directors received an independence declaration from the auditors of Austbrokers Holdings Limited. Refer to page 59 of the directors' report.

Non-audit services were provided in relation to taxation matters to the Austbrokers Group by the entity's auditor, Ernst & Young in the financial year ended 30 June 2011. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each of the non-audit services provided means that auditor independence was not compromised. The amounts received or due to be received are detailed in Note 25 of the Financial Report.

Signed in accordance with a resolution of the Directors.

W L McKeough
Director
Sydney, 25 August 2011

Auditor's independent declaration

to the Directors of Austbrokers Holdings Limited

In relation to our audit of the financial report of Austbrokers Holdings Limited for the financial year ended 30 June 2011, 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

P Harris
Partner
25 August 2011

Corporate governance statement

The Board of Directors of Austbrokers Holdings Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Austbrokers Holdings Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Austbrokers Holdings Limited's Corporate Governance Statement is structured with reference to the ASX Corporate Governance Council's principles and recommendations, which are as follows;

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the Board to add value
Principle 3	Promote ethical and responsible decision making
Principal 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Remunerate fairly and responsibly

Austbrokers Holdings Limited's corporate governance practices were in place throughout the year ended 30 June 2011 and were fully compliant with the Council's best practice recommendations.

The responsibilities of the Board of Directors and those functions reserved to the Board together with the responsibilities of the Chief Executive Officer are set out in a Board Charter.

To ensure compliance with the principles the company has established Board Committees and a number of policies and procedures including:

- Code of Conduct
- Whistleblower Policy
- Securities Trading Policy
- Risk Management Policy Summary
- Continuous Disclosure Policy
- Board / Directors' performance Evaluation
- Communications Policy

For further information on corporate governance policies adopted by Austbrokers Holdings Limited including the Board Charter, Board Committee Terms of Reference and the policies and procedures referred to above, refer to the Corporate Governance Section in the Investor Relations centre on our website: **www.austbrokers.com.au**

Board functions

The Board seeks to identify the expectations of shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and the operation of the Board.

The responsibility for the operation and administration of the Group is delegated, by the Board to the CEO and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the executive management team.

Whilst at all times the Board retains full responsibility for guiding and monitoring the Group, in discharging its stewardship it makes use of sub-committees.

To this end the Board has established an Audit and Risk Management Committee, a Nomination Committee and a Remuneration and Succession Planning Committee. The roles of these committees are discussed throughout this corporate governance statement. Due to the relatively small Board all Board members are members of all committees.

The Board is responsible for ensuring that management's objectives and activities are aligned with expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

- Board approval of a strategic plan designed to meet stakeholders needs and manage business risk.
- Ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success on the entity.
- Implementation of budgets by management and monitoring progress against budget through the establishment of both financial and non financial key performance indicators.

Other functions reserved to the Board are:

- Approval of annual and half yearly financial reports.
- Approving and monitoring the progress of major acquisitions and divestitures.
- Ensuring any significant risks that arise are identified, assessed, appropriately managed and monitored.
- Reporting to shareholders.

Structure of the Board

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors' Report. Directors of Austbrokers Holdings Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment.

In the context of Director independence, 'materiality' is considered from both the company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the Director in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, the materiality thresholds set, the following Directors of Austbrokers Holdings Limited constituting a majority of directors are considered to be independent:

Name	*Position*
R.A. Longes	Chairman, Non-executive Director
L.F. Earl	Non-executive Director (passed away on 12 July 2010)
R. J. Carless	Non-executive Director (appointed 1 October 2010)
D.J. Harricks	Non-executive Director
P. R. Shiriff	Non-executive Director

There are procedures in place, agreed by the Board, to enable Directors in furtherance of their duties to seek independent professional advice at the company's expense.

The term in office held by each Director in office at the date of this report is as follows:

Name	*Term in Office*
R.A. Longes	6 years
W.L. McKeough	20 years
R. J. Carless	10 months
D.J. Harricks	6 years
P. R. Shiriff	26 years

For additional details regarding Board appointments, please refer to information included in the Directors' Report and on our website.

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the Nomination Committee conducted performance evaluations as set out in the Performance Evaluation Policy that involved an assessment of each Board member's and key executive's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of Austbrokers Holdings Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

Securities Trading Policy

Under the company's securities trading policy, an executive or director must not trade in any securities of the company at any time when they are in possession of un-published price sensitive information in relation to those securities.

Before commencing to trade, an executive must first notify the Company Secretary of their intention to do so and senior executives and directors must first obtain approval of the Chairman. Only in exceptional circumstances will approval be given by the Chairman to trade outside any of the 6 week periods which commence immediately after the announcement of the half yearly result or the full year results, the annual general meeting or the date of the release of a disclosure document offering equity securities in the company.

As required by the ASX Listing Rules, the company notifies the ASX of any transaction conducted by directors in the securities of the company.

Nomination Committee

The Board has established a Nomination Committee, which meets at least annually, to ensure that the Board continues to operate within the established guidelines, including when necessary selecting candidates for the position of Director. The Nomination Committee operates under Terms of Reference approved by the Board and comprises four Non-executives Directors. The Nomination Committee comprised of the following:

R.A. Longes	(Committee Chairman)
L.F. Earl	(until 12 July 2010)
R. J. Carless	(appointed 1 October 2010)
D. J. Harricks	(appointed 24 August 2010)
P.R. Shiriff	

For details on the number of meetings of the Audit and Risk Management Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee, which operates under Terms of Reference approved by the Board. It is the Board's responsibility to monitor that management ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit and Risk Management Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Risk Management Committee are Non-executive Directors.

The members of the Audit and Risk Management Committee during the year, who were all considered independent, were:

D.J. Harricks	(Committee Chairman)
R. J. Carless	(appointed 1 October 2010)
R.A. Longes	
P.R. Shiriff	

The Audit Committee is responsible for monitoring the external audit process. The company has established a summary of procedures for ensuring the rotation, independence and competence of the external auditor which can be found on the company's website.

For details on the number of meetings of the Audit and Risk Management Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

Corporate governance statement

Risk

The identification and effective management of risk, including calculated risk taking is viewed as an essential part of the Group approach to creating long term shareholder value. A policy for risk management has been established by the Board.

Management, through the Chief Executive, is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system. Management reports to the Board Audit and Risk Management Committee on the Group's key risks and the extent to which it believes these risks are being managed. This is performed on a quarterly basis or more frequently as required by the Board or relevant sub-committee.

The Board is responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the Board Audit and Risk Management Committee and reviewed by the Board. The Board Audit and Risk Management Committee also oversees the adequacy and comprehensiveness of risk reporting from management.

A standardised approach to risk assessment is used across the Group to ensure that risks are consistently assessed and reported to an appropriate level of management, and to the Board as appropriate.

The Group carries out risk specific management activities in four core areas; strategic risk, operational risk, reporting risk and compliance in accordance with Australian / New Zealand Standard for Risk Management (AS / NZS 4360 Risk Management) and the Committee of Sponsoring Organisations of the Treadway Commission (COSO) risk framework.

The company has identified a series of operational risks which the company believes to be inherent in the industry in which the company operates. These include:

- loss of key broking employees and / or lack of skilled replacements
- increasing employment costs
- significant consolidation of underwriters
- significant increase in premium rates reducing demand
- acquisition risk
  - availability
  - performance
- licensing and regulatory compliance breaches
- change in broker remuneration practices
- commoditization of business insurance products

These risk areas are provided here to assist investors to understand better the nature of the risks faced by the company and the insurance broking industry. They are not necessarily an exhaustive list.

Detailed internal control questionnaires are completed by key finance managers in relation to financial and other risk reporting on a six monthly basis. These are reviewed by our senior finance team as part of our half yearly reporting to the market and to achieve compliance with section 295A of the Corporations Act and Recommendation 7.3 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

A detailed compliance program in the insurance broking operations also operates to ensure the Group meets its regulatory obligations. Executive risk management committees also meet regularly to deal with specific areas of risk such as compliance, occupational health and safety and financial risk and report to the Board through the Audit and Risk Management Committee as to the company's management of its material business risks.

The Board also receives a written assurance from Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks. The Board notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgment, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

Remuneration and Succession Planning Committee

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration and Succession Committee links the nature and amount of executive Directors' and officers' emoluments to the company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and motivation of key executives;
- Attraction of high quality management to the company; and
- Performance incentives that allow executives to share the success of Austbrokers Holdings Limited; and
- Retention and performance of Directors.

For a full discussion of the company's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period please refer to the remuneration report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-executive Directors.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves and the Chief Executive Officer and executive team. The Board has established a Remuneration and Succession Planning Committee through the year, comprising four Non-executive Directors. Members of the Committee, who were all considered independent, throughout the year were:

R.A. Longes	(Committee Chairman)
R. J. Carless	(appointed 1 October 2010)
L.F. Earl	(until 12 July 2010)
D. J. Harricks	(appointed 24 August 2010)
P.R. Shirriff	

For details on the number of meetings of the Remuneration and Succession Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

Shareholder communication policy

The company's objective is to promote effective communication with its shareholders at all times. It is committed to:

- Ensuring shareholders and the financial markets are provided with full and timely information about the Company's activities in a balanced and understandable way.
- Complying with continuous disclosure obligations contained in the ASX listing rules and the Corporations Act in Australia.
- Communicating with its shareholders and making it easier for shareholders to communicate with the Company.

To promote effective communication with shareholders and encourage participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX
- Through the distribution of the annual report and notices of annual general meeting.
- Through shareholder meetings and investor relation presentations.
- By posting relevant information on Austbrokers Holdings Limited's website: www.austbrokers.com.au

The Company's website has a dedicated investor relations section for the purposes of publishing all important company information and relevant announcements made to the market.

The external auditors are required to attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

Income statement

For the year ended 30 June 2011

		Consolidated	
	Notes	**2011**	**2010**
		$'000	**$'000**
Revenue	4(i)	92,339	87,084
Other income	4(ii)	5,655	3,968
Share of profit of associates	4(iii)	16,294	14,558
Other expenses	4(iv)	(79,963)	(76,562)
Finance costs	4(v)	(2,446)	(2,451)
Profit before tax and sale of interests in controlled entities, associates and broking portfolios		**31,879**	**26,597**
Profit from sale of interests in controlled entities, associates and broking portfolios	4(vi), 7	249	621
Profit before income tax		**32,128**	**27,218**
Income tax expense	5	7,109	5,898
NET PROFIT AFTER TAX FOR THE PERIOD		**25,019**	**21,320**
Net Profit after tax for the period attributable to:			
Equity holders of the parent		21,365	18,189
Non-controlling interests		3,654	3,131
		25,019	**21,320**
Basic earnings per share (cents per share)	6	39.6	35.3
Diluted earnings per share (cents per share)	6	38.9	34.9

Statement of comprehensive income

For the year ended 30 June 2011

	Consolidated	
	2011	*2010*
	$'000	**$'000**
Net Profit after tax for the period	*25,019*	*21,320*
Other comprehensive income		
Revaluation adjustments on (disposal) / step-up acquisition of broking subsidiaries during the period	–	(121)
Income tax revenue / (expense) relating to components of other comprehensive income	–	38
Other comprehensive (expense) / income after income tax for the period	**–**	***(83)***
TOTAL COMPREHENSIVE INCOME AFTER TAX FOR THE PERIOD	***25,019***	***21,237***
Total comprehensive income after tax for the period attributable to:		
Equity holders of the parent	21,365	18,131
Non-controlling interests	3,654	3,106
	25,019	***21,237***

Statement of financial position

As at 30 June 2011

	Notes	Consolidated 2011	Consolidated 2010
		$'000	**$'000**
Assets			
Current Assets			
Cash and cash equivalents	7	37,326	23,840
Cash and cash equivalents - Trust	7	65,008	57,147
Trade and other receivables	9	102,090	90,350
Other financial assets	10	679	1,461
Total Current Assets		***205,103***	***172,798***
Non-current Assets			
Trade and other receivables	11	173	163
Other financial assets	12	182	128
Investment in associates	13	78,690	72,177
Property, plant and equipment	15	4,508	4,674
Intangible assets and goodwill	16	74,961	72,198
Deferred income tax asset	5	3,710	3,206
Total Non-current Assets		***162,224***	***152,546***
TOTAL ASSETS		***367,327***	***325,344***
Liabilities			
Current Liabilities			
Trade and other payables	19	160,017	138,196
Income tax payable	5	4,718	3,326
Provisions	20	8,194	7,452
Interest bearing loans and borrowings	21	622	481
Total Current Liabilities		***173,551***	***149,455***
Non-current Liabilities			
Provisions	20	1,510	1,312
Deferred tax liabilities	5	4,671	5,585
Interest bearing loans and borrowings	21	34,279	34,418
Total Non-current Liabilities		***40,460***	***41,315***
TOTAL LIABILITIES		***214,011***	***190,770***
NET ASSETS		***153,316***	***134,574***
Equity			
Issued capital	22	70,750	60,844
Retained earnings		65,349	56,387
Share based payments reserve	22	2,255	1,833
Asset revaluation reserve	22	2,656	3,234
Equity attributable to equity holders of the parent		***141,010***	***122,298***
Non-controlling interests		12,306	12,276
TOTAL EQUITY		***153,316***	***134,574***

Statement of cash flows

For the year ended 30 June 2011

	Notes	Consolidated 2011	2010
		$'000	**$'000**
Cash flows from operating activities			
Receipts from customers		90,257	85,644
Net increase in cash held in customer trust accounts		7,861	5,536
Dividends/trust distributions received from associates		15,053	11,824
Interest received		4,478	2,799
Management fees received from associates / related entities		1,343	1,445
Payments to suppliers and employees		(74,407)	(67,978)
Interest paid		(2,446)	(2,451)
Income tax (paid)		(7,151)	(7,035)
NET CASH FLOWS FROM OPERATING ACTIVITIES	***7(a)***	***34,988***	***29,784***
Cash flows from investing activities			
Payment for increase in interests in controlled entities	7(b),(c)	(573)	–
Net payments for new consolidated entities, net of cash acquired	7(d),(e)	(2,157)	(292)
Payment for new associates	7,(f),(g),(h),(i),(j)	(3,502)	(480)
Payment for new broking portfolios purchased by members of the economic entity	7(k)	(1,785)	(983)
Proceeds from sale of broking portfolios by member of the economic entity	7(l)	35	–
Proceeds from sale of consolidated entity	7(m)	1,461	–
Net cash reduction on controlled entity becoming an associate	7(n)	–	(1,072)
(Payment) for purchases/proceeds from sale of other financial assets		(110)	166
Proceeds from sale of plant and equipment		256	312
Payment for plant and equipment		(1,602)	(1,068)
Advances of mortgages		(246)	(399)
Proceeds from mortgage repayments		1,074	384
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		***(7,149)***	***(3,432)***
Cash flows from financing activities			
Dividends paid to shareholders		(7,292)	(7,125)
Dividends paid to shareholders of non controlling interests		(3,171)	(2,186)
Proceeds from issue of share capital		223	436
Net proceeds from dividend reinvestment plan		4,446	6,911
Payment for contingent consideration on prior year acquisitions		(1,312)	(11,973)
Net proceeds from borrowings and lease liabilities		2	906
Proceeds from issue of shares to non controlling interests relating to new acquisitions		90	–
Repayments from / (advances to) related entities		522	(992)
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		***(6,492)***	***(14,023)***
Net increase in cash and cash equivalents		***21,347***	***12,329***
Cash and cash equivalents at beginning of the period		80,987	68,658
CASH AND CASH EQUIVALENTS AT END OF PERIOD		***102,334***	***80,987***

Statement of changes in equity

For the year ended 30 June 2011

	Attributable to equity holders of the parent					Non- controlling interest	Total equity
	Issued Capital	Retained earnings	Asset revaluation reserve	Share based payment reserve	Total		
Consolidated	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2009	**49,959**	**48,301**	**3,788**	**1,345**	**103,393**	**10,860**	**114,253**
Profit for the year	–	18,189	–	–	18,189	3,131	21,320
Reversal of revaluation adjustments on step up acquisition relating to disposal of controlled entity	–	–	(85)	–	(85)	(36)	(121)
Tax effect of revaluation adjustments on step up acquisition relating to disposal of controlled entity	–	–	27	–	27	11	38
Total comprehensive income for the year	–	18,189	(58)	–	18,131	3,106	21,237
Issue of shares to minority interests by subsidiaries and minority interests relating to new acquisitions/sales	–	–	–	–	–	445	445
Transfer from asset revaluation reserve for amortisation of broking register on step acquisition of broking subsidiaries	–	849	(849)	–	–	–	–
Tax effect on transfer from asset revaluation reserve for amortisation of broking register on step acquisition of broking subsidiaries	–	(254)	254	–	–	–	–
Fair Value and Non-controlling interests adjustments resulting from part sale of controlled entity	–	–	99	–	99	51	150
Share-based payment expense	–	–	–	453	453	–	453
Transfer to share based payment reserve on 108,300 options exercised at an option cost of 32 cents per share	(35)	–	–	35	–	–	–
On 30 September 2009 allotted 165,850 shares at an issue price of $2.00 on exercise of options	331	–	–	–	331	–	331
On 30 September 2009 allotted 30,200 shares at an issue price of $3.47 on exercise of options	105	–	–	–	105	–	105
Issued capital resulting from net proceeds from Dividend Reinvestment Plan	10,484	–	–	–	10,484	–	10,484
Equity dividends	–	(10,698)	–	–	(10,698)	(2,186)	(12,884)
AT 30 JUNE 2010	**60,844**	**56,387**	**3,234**	**1,833**	**122,298**	**12,276**	**134,574**

Statement of changes in equity

For the year ended 30 June 2011

	Attributable to equity holders of the parent					Non- controlling interest	Total equity
	Issued Capital	Retained earnings	Asset revaluation reserve	Share based payment reserve	Total		
Consolidated	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2010	**60,844**	**56,387**	**3,234**	**1,833**	**122,298**	**12,276**	**134,574**
Total comprehensive income for the year	–	21,365	–	–	21,365	3,654	25,019
Adjustment to non-controlling interests from loss of control on sale of controlled entity	–	–	–	–	–	(421)	(421)
Issue of shares to non controlling interests relating to new acquisitions	–	–	–	–	–	90	90
Adjustment to asset revaluation reserve on acquisition of non-controlling interests on step up acquisitions	–	–	8	–	8	(8)	–
Transfer to retained earnings on acquisition of additional equity of controlled entity (see note 7(b), 7(c).	–	(460)	–	–	(460)	(114)	(574)
Transfer from asset revaluation reserve for amortisation of broking register on step acquisition of broking subsidiaries	–	838	(838)	–	–	–	–
Tax effect on transfer from asset revaluation reserve for amortisation of broking register on step acquisition of broking subsidiaries	–	(252)	252	–	–	–	–
Share-based payment expense	–	–	–	422	422	–	422
On 14 July 2010 allotted 45,000 shares at an issue price of $2.00 on exercise of options (see note 22).	90	–	–	–	90	–	90
On 14 July 2010 allotted 38,300 shares at an issue price of $3.47 on exercise of options (see note 22).	133	–	–	–	133	–	133
Issued capital resulting from net proceeds from Dividend Reinvestment Plan (see note 22).	9,683	–	–	–	9,683	–	9,683
Equity dividends	–	(12,529)	–	–	(12,529)	(3,171)	(15,700)
AT 30 JUNE 2011	**70,750**	**65,349**	**2,656**	**2,255**	**141,010**	**12,306**	**153,316**

Notes to the financial statements

For the year ended 30 June 2011

1. Corporate information

The financial report of Austbrokers Holdings Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 25 August 2011.

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 year of entities within the consolidated group, were the provision of general insurance broking services, distribution of ancillary products and conducting underwriting agency businesses.

2.1 Changes in accounting policies and disclosures

On 1 July 2010, the Group adopted the amendments to the Australian Accounting Standards arising from the annual improvements project. (AASB 2009-5, AASB amended 107.16)

Cash flows that do not result in recognition of an asset may no longer be treated as an operating activity therefore, payments of contingent considerations are now classified as a financing activity in the Statement of Cash Flows.

On 1 July 2010, the Group adopted the amended Australian Accounting Standard AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions (AASB 2). The changes relate to accounting for cash settled share based payment transactions within consolidated groups.

Although the Group does have share based payment transactions, there was no impact on the income statement in respect of changes to AASB 2 as the consolidated entity does not have any cash settled share based payment transactions.

On 1 July 2010, the Group adopted the amendments to the Australian Accounting Standards arising from the annual improvements project. (AASB 2010-3). The changes impact the scope of measurement choices of non-controlling interests, to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. There was no impact to the group in respect of this change as the Group has no rights or entitlement to the assets or liabilities of any entity in the group other than as a shareholder.

There were no other changes to accounting policies and disclosures during the year ended 30 June 2011.

See note 3 for new Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the group for the year end reporting period 30 June 2011.

2.2 Summary of significant accounting policies

(a) Basis of preparation of the financial report

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of 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.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

(c) Basis of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Austbrokers Holdings Limited (the parent company) and all entities that Austbrokers Holdings Limited controlled from time to time during the year and at the reporting date.

Information from the financial statements of controlled entities is included from the date the parent entity obtains control until such time as control ceases. Where there is a loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the parent entity had control.

The financial information in respect of controlled entities is prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to bring into line dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in the consolidated accounts. Unrealised losses are eliminated unless costs cannot be recovered.

Non controlling interests represent the portion of profit or loss and net assets in subsidiaries which are not 100% owned by the Austbrokers Group. These are presented separately in the income statement and within equity in the consolidated statement of financial position. When the Group acquires a non controlling interest in a subsidiary, the transaction is accounted for as a transaction between owners in their capacities as owners and the difference between purchase price and recorded value of non controlling interest is accounted for as an equity transaction.

(d) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(e) Significant accounting judgements, estimates and assumptions

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

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

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future tax profits will be available to utilise those temporary differences.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in note 17.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the options at the date at which they are granted. Other than for zero priced options, the fair value is determined by an external valuer using a binomial model, using the assumptions detailed in note 18. Zero priced options were valued using the volume weighted average price for the five days prior to the grant date.

Net assets acquired in a business combination

The Group measures the net assets acquired in a business combination at their fair value at the date of acquisition. Fair value is estimated with reference to market transactions for similar assets or Discounted Cash Flow (DCF) analysis.

Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historical experience as well as lease terms for office fitouts. In addition, the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Commission, brokerage and fees

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

Interest

Revenue is recognised as interest accrues using the effective interest method.

Dividends and Distributions from trusts

Revenue is recognised when the shareholder's right to receive the payment is established.

(g) Cash and cash equivalents

Cash and cash equivalents, and cash and cash equivalents - trusts (trust cash), in the statement of financial position comprise cash at bank, in hand and short-term deposits with an original maturity of three months or less.

Trust cash relates to cash held for insurance premiums received from policyholders which will ultimately be paid to underwriters.

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

For the purposes of the Statement of Cash Flows, cash and cash equivalents as defined above are shown net of outstanding bank overdrafts.

(h) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. This requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(i) Trade and other receivables

Trade and other receivables which generally have 30 day credit terms, are recognised and carried at original amount less an allowance for lapses and cancellations. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off when identified.

Receivables include amounts due from policyholders in respect of insurances arranged by controlled entities. Insurance brokers have credit terms of 90 days from policy inception to pay funds received from policyholders to insurers. Insurance policies that are not paid in 90 days of inception of the insurance are, in absence from approval from insurer of an extended term to pay, cancelled from inception date. The Group's exposure in relation to these receivables is limited to commissions and fees charged.

(j) Investment in associates

The Group's investments in its associates are accounted for under the equity method of accounting in the consolidated financial statements. These are entities in which the Group has significant influence and which are not subsidiaries. The Group deems they have significant influence if they have more than 20% of the voting rights.

Notes to the financial statements

For the year ended 30 June 2011

The financial statements of the associates are used by the Group to apply the equity method. The reporting dates of the associates and the Austbrokers Group are identical and adjustments are made to bring into line dissimilar accounting policies used by associates.

The investment in associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less dividends and any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the associates.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, when applicable, in the statement of comprehensive income.

(k) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing process. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(l) Trade and other payables

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity. Payables to related parties are carried at the principal amount. Interest, when charged, is recognised as an expense on an accrual basis. Payables are normally settled on 90 day terms.

Trade and other payables include amounts payable to insurers in respect of insurances arranged by controlled entities. Insurance brokers have credit terms of 90 days from policy inception to pay funds received from policyholders to insurers. Insurance policies that are not paid in 90 days of inception of the insurance are, in absence from approval from insurer of an extended term to pay, cancelled from inception date.

(m) Business combinations

The acquisition method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, shares issued or liabilities assumed at the date of exchange. All acquisition costs including stamp duty and legal fees are charged against profits as incurred.

Change in the ownership interest in a controlled entity (without loss of control) is accounted for as a transaction with owners in their capacity as owners and these transactions will not give rise to a gain or loss. Where there is a change in ownership and the Group loses control, the gain or loss will be recognised in the Income Statement. The carrying value of non-controlling interests is reset to fair value. Prior to 1 July 2009, upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

In the year a new business is acquired, an estimate is made of the fair value of the future contingent consideration. Any variation to this amount in future periods (either up or down) is recognised through the Income Statement. Over accruals are recognized as income in the year the amount is reversed and any under accruals are charged as an expense against profits. For acquisition accounting prior to 1 July 2009, subsequent adjustments to contingent considerations were adjusted against goodwill.

All identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non controlling interests. The contingent consideration is carried in the statement of financial position at net present value. The interest expense in the income statement relating to the unwinding of this discounting is offset by a deferred tax credit.

(i) Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the fair value of the identifiable net assets acquired at the date of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses and is not amortised.

Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation of that unit is disposed, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Impairment losses recognised for goodwill are not subsequently reversed.

(ii) Intangible assets - Insurance Broking Register

Identifiable intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment costs. Internally generated intangible assets are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of these intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful life, currently estimated to be 10 years, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an identifiable intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on identifiable intangible assets with finite lives is recognised in the expense category of the income statement consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an identifiable intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(iii) Revaluation

When a business combination occurs, the acquiree's identifiable assets and liabilities are notionally restated to their fair value at the date of the exchange transaction to determine the amount of any goodwill associated with the transaction. Any adjustment to those fair values relating to previously held interests of the acquiree is accounted for as an adjustment to fair value and the movement is reflected in the income statement as either a profit or loss. Prior to 1 July 2009, adjustments to fair value were accounted for as a revaluation. This revaluation which related to broking registers was credited to the asset revaluation reserve and included in the equity section of the statement of financial position.

For revaluations that occurred prior to 1 July 2009, an annual transfer from the asset revaluation reserve to retained earnings is made for the difference between amortisation based on the revalued carrying amounts of the broking register and amortisation based on the broking registers' original costs.

Upon disposal, any revaluation reserve relating to the particular broking register being sold is transferred to retained earnings.

(n) Investments and other financial assets

Loans and Receivables

Loans and receivables, including mortgages, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(o) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred or retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(p) Impairment of financial assets

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(q) Impairment of non financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

Notes to the financial statements

For the year ended 30 June 2011

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(r) Provisions and employee benefits

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee benefits

Liabilities for employee entitlements to annual leave and other current entitlements are accrued at amounts calculated on the basis of current wage and salary rates, including package costs and on-costs. Liabilities for non accumulating sick leave are recognised when the leave is taken and are measured at the rate paid or payable.

Liabilities for employee entitlements to long service leave, which are not expected to be settled within twelve months after balance date, are accrued at the present value of the future amounts to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary level, experience of employee departures and periods of service. The discount factor applied to all such future payments is determined using interest rates attaching, as at the reporting date, to national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Any contributions made to the accumulation superannuation funds by entities within the Group are charged against profits when due.

(s) Issued capital

Ordinary share capital is recognised at the fair value of the consideration received by the company, net of issue costs.

Ordinary shares have the right to receive dividends as declared 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.

(t) Share-based payment transactions

The Group provides benefits to employees (including executive directors) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

A plan is currently in place to provide an Employee Share Options Plan (ESOP), which provides benefits to executive directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options, other than for zero priced options, is determined by an external valuer using a binomial model, further details of which are given in note 18.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Austbrokers Holdings Limited (market conditions) if applicable.

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards that are cancelled or where vesting is only conditional upon a market condition.

In the event options are cancelled, or cancelled and reissued, the unexpensed cost for these is brought forward and recognised immediately in addition to the expense for any reissued/new options.

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 6).

(u) Plant and equipment

Plant and equipment is stated at cost less depreciation and any impairment in value.

Depreciation is calculated on a straight-line over the estimated useful life of the asset as follows:

- Motor vehicles 5 to 8 years.
- Plant and equipment 5 to 10 years.

Impairment

The carrying value of plant and equipment is reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset or cash generating unit is written down to their recoverable amount.

Derecognition and disposal

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

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(v) Make good provision

A provision has been made for the present value of anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with dismantling existing fitouts, repainting of premises and carpet replacement where necessary.

The calculation of this provision requires assumptions such as engineering cost estimates and future labour costs. These uncertainties may result in future expenditure differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimates of future costs are recognised in the statement of financial position by adjusting both the expense or asset and the provision. The related carrying amounts are disclosed in note 20.

(w) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the year end date as presented in the statement of financial position.

Deferred income tax is provided on all temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the year end date as presented in the statement of financial position.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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

(x) Other taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(y) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

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 .

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the aggregation criteria is still reported separately where information about the segment would be useful for the users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category.

Notes to the financial statements

For the year ended 30 June 2011

3. New accounting standards and interpretations

Certain Australian and International Accounting Standards and interpretations have recently been issued or amended but are not yet effective and have not been adopted by the group for the year end reporting period 30 June 2011. The directors have assessed the impact of these new or amended standards and interpretations (to the extent relevant to the group) as follows:

Reference	Title	Summary	Application date of standard	Impact on financial report	Application date for Group
AASB 124 (revised)	Related Party Disclosures	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including; (a) The definition now identifies a controlled entity and an associate with the same investor as related parties of each other; and (b) The definition now identifies that, whenever a person or entity has joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.	1 Jan 2011	No expected change other than potentially requiring creditors or debtors balances being reclassified from "Other payables" and "Other receivables" being disclosed as (a) Other payables - related (b) Other receivables - related	1 July 2011
IFRS 10	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 dealing with the accounting for consolidated financial statements. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including the impact of potential voting rights and when holding less than a majority voting rights may give control. The AASB has not yet issued this standard which was finalised by the IASB in May 2011.	1 Jan 2013	Management are in the process of assessing the effect of applying IFRS 10. Whilst it is not expected that investments currently recognised as associates or joint ventures will need to be consolidated into the Group as subsidiaries, a full analysis of voting power and influence over the operations will be carried out over the next 12 months. As all existing associates are equity accounted, the consolidation of any associate would have no impact on the net profit after tax for the period in the statement of comprehensive income, but would change the amounts of individual assets and liabilities of the Group and increase the revenues and expenses reported.	1 July 2013

3. New accounting standards and interpretations (continued)

Reference	***Title***	***Summary***	***Application date of standard***	***Impact on financial report***	***Application date for Group***
IFRS 11	Joint Arrangements	IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-31 *Jointly Controlled Entities*. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists, may change. The AASB has not yet issued this standard which was finalised by the IASB in May 2011.	1 Jan 2013	Whilst the Group has not accounted for any investments under IAS 31, management are in the process of assessing the effect of applying IFRS 11. Although it is not expected that investments currently recognised as associates will need to be consolidated into the Group as subsidiaries, a full analysis of voting power and influence over the operations will be carried out over the next 12 months. As all existing associates are equity accounted, the consolidation of any associate would have no impact on the net profit after tax for the period in the statement of comprehensive income, but would change the amounts of individual assets and liabilities of the Group and increase the revenues and expenses reported.	1 July 2013
IFRS 12	Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates. New disclosures have been introduced about the judgements made by management to determine whether control exists, and the required information about associates and subsidiaries with non controlling interests. The AASB has not yet issued this standard which was finalised by the IASB in May 2011.	1 Jan 2013	Management are in the process of assessing the additional disclosures required to comply with IFRS 12.	1 July 2013
IFRS 13	Fair Value Measurement	IFRS 13 establishes a single source of guidance for determining the fair value of assets and liabilities. Application of this definition may result in different fair values being determined for relevant assets. IFRS 13 also expands the disclosure requirements for all assets and liabilities carried at fair value. The AASB has not yet issued this standard which was finalised by the IASB in May 2011.	1 Jan 2013	Management are in the process of assessing the impact on fair value measurement and additional disclosures required to comply with IFRS 13.	1 July 2013

Notes to the financial statements

For the year ended 30 June 2011

	Consolidated 2011	2010
	$'000	$'000
4. Revenue and expenses		
(i) Revenue		
Commission, Brokerage and Fee Income	90,996	85,639
Management fees	1,343	1,445
TOTAL REVENUE	**92,339**	**87,084**
(ii) Other income		
Dividends from other persons	1	3
Interest from other persons / corporations	4,478	2,799
Other income	1,176	1,166
TOTAL OTHER INCOME	**5,655**	**3,968**
(iii) Share of profit of associates		
Share of Net Profits of Associates Accounted for using the Equity Method before amortisation	17,597	15,788
Amortisation of Intangibles - Associates	(1,303)	(1,230)
TOTAL SHARE OF PROFIT OF ASSOCIATES	**16,294**	**14,558**
(iv) Other expenses		
Amortisation of Intangibles - controlled entities	2,470	2,530
Salaries and wages	48,922	45,117
Share-based payments	422	453
Audit fees	1,097	1,084
Travel/Telephone/ Motor/Stationery	4,079	3,911
Depreciation of property plant and equipment	1,515	1,674
Other expenses	9,843	10,617
Rent (operating leases)	3,959	4,108
Commission expense	5,645	5,305
Insurance	2,011	1,763
TOTAL OTHER EXPENSES	**79,963**	**76,562**
(v) Finance costs		
Borrowing costs	2,446	2,451
TOTAL FINANCE COSTS	**2,446**	**2,451**
(vi) Profit from sale of interests in associates and controlled entities		
Profit from sale of interests in associates and controlled entities	249	66
Adjustment to fair value of a controlled entity on the date it became an associate	–	555
TOTAL PROFIT FROM SALE OF INTERESTS IN ASSOCIATES AND CONTROLLED ENTITIES	**249**	**621**

	Consolidated	
	2011	2010
	$'000	$'000
5. Income tax		
Major components of income tax expense		
Income statement		
Current income tax		
Current income tax charge	7,299	5,559
Adjustment for prior years	(164)	4
Deferred tax expense		
Origination and reversal of temporary differences	(26)	335
TOTAL INCOME TAX EXPENSE IN INCOME STATEMENT	***7,109***	***5,898***
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	32,128	27,218
At the company's statutory income tax rate of 30% (2010:30%)	9,638	8,165
Rebateable dividends	—	(1)
Non assessable income from associated entities	(2,666)	(2,253)
Non-taxable gains/losses on sale	(64)	(137)
Capital Losses recouped	126	—
(Over)/ under provision prior year	(164)	4
Tax on distributions from associates operating as trusts	(64)	(73)
Share based payments	127	136
Non deductible expenses/other	176	57
Income tax expense reported in the consolidated income statement	***7,109***	***5,898***
INCOME TAX PAYABLE	***4,718***	***3,326***

	Income statement		Statement of Financial Position	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liability				
Income accrued not assessable	263	(155)	1,095	1,358
Unamortised value of broker register	—	—	4,317	4,986
Tax credit on amortisation expense	(741)	(759)	(741)	(759)
GROSS DEFERRED INCOME TAX LIABILITIES			***4,671***	***5,585***
Deferred tax asset				
Provisions and accruals not claimed for tax purposes	507	587	3,710	3,203
Borrowing costs not claimed	(3)	(8)	—	3
GROSS DEFERRED INCOME TAX ASSETS			***3,710***	***3,206***
Deferred tax income/(expense)	***26***	***(335)***		

Notes to the financial statements

For the year ended 30 June 2011

5. *Income tax (continued)*

Tax consolidation

For the purposes of income taxation, Austbrokers Holdings Ltd entered into a Consolidated Tax Group with its 100% owned subsidiaries. Tax consolidation results in the subsidiary members being treated as part of the Head Company for tax purposes rather than as separate taxpayers.

The Income Tax Assessment Act (1997) provides that the Consolidated Tax Group is to be treated as a single entity for Australian tax purposes with the Head Company responsible for the tax payable. Austbrokers Holdings Ltd formally notified the Australian Taxation Office of its adoption of the tax consolidation regime by lodging notice with the Australian Taxation Office.

The Consolidated Tax Group was formalised by entering into tax sharing and tax funding agreements in order to allocate income tax payable to group members. Each member of the group calculates tax expense on an entity basis. The agreement also provides that Austbrokers Holdings Limited carries forward tax funding assets or tax funding liabilities for which an intercompany loan is recognised between the parties.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 Income Taxes. Allocations under the tax funding agreement are made at the end of each quarter.

6. *Earnings per share (EPS)*

(a) Earnings used in calculating EPS

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

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 year 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. In July 2010 83,300 shares were issued as a result of the exercise of options.

(c) Information on the classification of securities

Options granted to employees as described in note 18 are considered to be potential ordinary shares and have been included in the determination of the diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of the basic earnings per share. The amount of the dilution of these options is the average market price of ordinary shares during the year minus the exercise price.

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

	Consolidated	
	2011	***2010***
	$'000	***$'000***
Net profit attributable to ordinary equity holders of the parent	***21,365***	***18,189***
	Thousands Shares	***Thousands Shares***
Weighted average number of ordinary shares for basic earnings per share	53,900	51,493
Effect of dilution:		
Weighted average number of shares under option adjusted for shares that would have been issued at average market price	956	627
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES ADJUSTED FOR THE EFFECT OF DILUTION	***54,856***	***52,120***
Basic earnings per share (cents per share)	39.6	35.3
Diluted earnings per share (cents per share)	38.9	34.9

	Consolidated 2011	Consolidated 2010
	$'000	**$'000**

7. Cash and cash equivalents

(a) Reconciliation of profit after tax to net cash flows from operations

	2011 $'000	2010 $'000
Profit after tax for the period	25,019	21,320
(Profit) on sale of interest in controlled entities and associates	(249)	(621)
Equity accounted (profits) after income tax	(16,294)	(14,558)
Dividends/trust distributions received from associates	15,053	11,824
Amortisation of intangibles	2,470	2,530
Depreciation of fixed assets	1,515	1,674
Share options expensed	422	453
Changes in assets and liabilities		
Increase in trade and other receivables	(704)	(487)
Increase in trade and other payables	1,092	3,446
Increase in trust receivables	(11,113)	(2,047)
Increase in trust payables	16,879	6,900
Increase in provisions	940	483
Increase in deferred tax asset	(481)	(781)
(Decrease) in deferred tax liability	(1,003)	(462)
Increase in provision for tax	1,442	110
NET CASH FLOWS FROM OPERATING ACTIVITIES	***34,988***	***29,784***
Cash and cash equivalents	37,326	23,840
Cash and cash equivalents - Trust	65,008	57,147
TOTAL CASH AND CASH EQUIVALENTS	***102,334***	***80,987***

Due to acquisitions/disposal of consolidated entities during the year, some changes in assets and liabilities shown above will not agree to the movements in the Statement of Financial Position.

Non cash financing and investing activities transactions include transactions resulting from the dividend reinvestment plan.

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

Notes to the financial statements

For the year ended 30 June 2011

7. Cash and cash equivalents (continued)

Business combinations

All the business combinations referred to in note 7(b) - 7(n) relate to insurance broking and underwriting agency businesses.

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

Management has estimated the fair value of future earnouts for acquisitions based on management's 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

(b) On 17 August 2010, the Consolidated entity acquired an additional 10% of the voting shares of Austbrokers Trade Credit Pty Ltd for $164,000 increasing the total equity from 65% to 75%.

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 acquisition date.

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

	Carrying value
	$'000
Cash	491
Receivables	42
Intangibles	210
Total assets	***743***
Payables and provisions	285
Deferred Tax Liabilities	63
Total liabilities	***348***
Net Assets	***395***
Non controlling interest share - acquired	39
PURCHASE PRICE - CASH PAID	***164***
Transfer to reserves	***125***

7. Cash and cash equivalents (continued)

Equity transactions between owners (continued)

(c) On 1 January 2011, the Consolidated entity acquired an additional 10% of the voting shares of Salisbury Payne Tinslay Pty Limited for $409,300 increasing the total equity from 60% to 70%.

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 acquisition date.

The carrying value of the identifiable assets and liabilities of Salisbury Payne Tinslay Pty Limited as at the date of the acquisition were:

	Carrying value
	$'000
Cash	1,091
Receivables	1,478
Plant and equipment	108
Intangibles	390
Total assets	***3,067***
Payables and provisions	2,821
Total liabilities	***2,821***
Net Assets	***246***
Non controlling interest share - acquired	25
Non controlling interest share - adjustment	49
PURCHASE PRICE - CASH PAID	***409***
Transfer to reserves	***335***

Notes to the financial statements

For the year ended 30 June 2011

7. *Cash and cash equivalents (continued)*

Business combinations

(d) On 30 November 2010, the Consolidated Entity acquired 100% of the voting shares of Cemac Pty Ltd for $4,617,029

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

	Fair value recognised on acquisition	*Carrying value*
	$'000	***$'000***
Cash	1,018	1,018
Receivables	1,165	1,165
Deferred tax asset	23	23
Total assets	***2,206***	***2,206***
Payables and provisions	2,194	2,194
Deferred Tax Liabilities	—	—
Total liabilities	***2,194***	***2,194***
Net Assets	***12***	***12***
Fair value of assets acquired	12	
Purchase price - cash paid	3,175	
Contingent consideration	1,442	
Goodwill arising on acquisition	***4,605***	
Cash outflow on acquisition is as follows:		
Net cash acquired with the controlled entity	1,018	
Cash paid	(3,175)	
NET CASH OUTFLOW	***(2,157)***	

7. *Cash and cash equivalents (continued)*

Business combinations (continued)

(d) Acquisition of Cemac Pty Ltd (continued)

The purchase price includes an element of contingent consideration which is finally determined on a multiple of commission and fees achieved in the financial year immediately following acquisition and is subject to a maximum undiscounted payment of $2.1 million. The fair value of this contingent consideration has been estimated as $1,430,567. The deferred payment for net tangible assets of $11,462 is expected to be paid by 31 August 2011.

The acquisition of 100% of Cemac Pty Ltd was effective on 30 November 2010. The additional acquisition contributed $575,845 to net profit before tax and $774,790 to revenue. Had the acquisition taken place at the beginning of the period, the profit before tax contribution would have increased by $529,753 and revenue by $1,222,284.

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.

(e) On 1 April 2010, a controlled entity acquired 80% of the voting shares in Austbrokers AEI Pty Ltd (formerly Chegwyn Pty Ltd) for $434,782.

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

	Fair value recognised on acquisition	*Carrying value*
	$'000	***$'000***
Cash	143	143
Receivables	7	7
Intangibles	150	–
Total assets	***300***	***150***
Payables	141	141
Deferred Tax Liabilities	45	–
Total liabilities	***186***	***141***
Net Assets	***114***	***9***
Fair value of assets acquired	91	
Purchase price - cash paid	435	
Goodwill arising on acquisition	344	
Goodwill relating to non controlling interests	151	
Total goodwill arising on acquisition	***495***	
Cash outflow on acquisition is as follows:		
Net cash acquired with the controlled entity	143	
Cash paid	(435)	
NET CASH OUTFLOW	***(292)***	

Notes to the financial statements

For the year ended 30 June 2011

7. Cash and cash equivalents (continued)

Business combinations (continued)

(e) On 1 April 2010, a controlled entity acquired 80% of the voting shares in Austbrokers AEI Pty Ltd (formerly Chegwyn Pty Ltd) for $434,782. (continued)

The acquisition of 80% (52% group ownership) of Austbrokers AEI Pty Ltd was effective on 1 April 2010. The acquisition contributed $21,279 to net profit after tax and $185,275 to revenue. Had the acquisition taken place at the beginning of the period, the profit before tax contribution would have been $22,042 and revenue would have been $389,522.

The acquisition of Austbrokers AEI Pty Ltd resulted in the recognition of $173,220 of non controlling interests at the acquisition date. This amount was measured at fair value of the net assets of the business attributable to the non controlling interests.

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.

(f) During the period, the consolidated entity acquired 51% of the voting shares of two newly incorporated entities, Construction Underwriting Pty Ltd and Breakdown Underwriting Pty Ltd for $51 each.

Acquisition of associates during prior year

(g) During the prior period, the consolidated entity acquired a 50% holding in Tasman Underwriting Pty Ltd for $300,000 and contributed $180,000 to maintain 50% of the voting shares in IAA Holdings Pty Ltd.

(h) During the prior period, the Consolidated Entity paid $100 for 50% of the voting shares of Austbrokers Aviation Pty Limited.

Acquisition of associates during current year

(i) On 1 April 2011, the consolidated entity acquired 50% of the voting shares in Northlake Holdings Pty Ltd, trading as Country Wide Insurance Brokers, for $4,660,418. The purchase price includes an element of contingent consideration which is finally determined on a multiple of net profit after tax achieved in the financial year immediately following acquisition. The potential undiscounted amount of all future payments that could be required is between $700,000 and $2,500,000. The fair value of this contingent consideration has been estimated as $1,660,418.

(j) On 1 January 2011, the consolidated entity acquired 50% of the voting shares in Celestial Underwriting Agency Pty Ltd for $1,029,733. The purchase price includes an element of contingent consideration which is finally determined on a multiple of the average net profit after tax achieved over the three financial years immediately following acquisition. The potential undiscounted amount of all future payments that could be required is between $433,000 and $600,000. The fair value of this contingent consideration has been estimated as $529,427.

7. *Cash and cash equivalents (continued)*

Business combinations (continued)

	Consolidated Fair value recognised on acquisition 2011 $'000	2010 $'000
(k) The group acquired broking portfolios by way of business combinations as follows:		
The purchase price of broking portfolios includes 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 $341,000 and $413,000. The fair value of this contingent consideration has been estimated as $351,000		
Intangibles	378	576
Deferred tax liabilities	(113)	(163)
Fair value of assets acquired	265	413
less:		
PURCHASE PRICE - CASH PAID	**1,785**	**983**
Fair value of business retained by non controlling interests	–	544
Goodwill arising on acquisition	**1,520**	**1,114**
(l) The group disposed of broking portfolios as follows:		
Book value of assets disposed		
Intangibles net of amortisation	–	–
Goodwill	–	–
Book value assets disposed.	–	–
PROCEEDS FROM SALE OF BROKING PORTFOLIO	**35**	**–**
Profit on sale of broking portfolio	**35**	**–**

Notes to the financial statements

For the year ended 30 June 2011

	Consolidated 2011 $'000	Consolidated 2010 $'000
7. Cash and cash equivalents (continued)		
Business combinations (continued)		
(m) On 30 November 2010, the company disposed of all of its equity in Adroit Hume Pty Ltd for $1,460,783 to an associated entity, Adroit Insurance Brokers Pty Ltd.		
Carrying value of interest disposed	1,033	–
Unrealised profit on sale of controlled entity to associate	214	–
Proceeds received on disposal of controlled entity	1,461	–
Profit on sale (pre tax)	***214***	–
Cash inflow on disposal is as follows:		
Net cash reduction on deconsolidation of controlled entity	–	–
Proceeds received on disposal of controlled entity	1,461	–
NET CASH INFLOW	***1,461***	–
(n) On 1 October 2009, the company reduced its equity in Insurics Pty Ltd (formerly SGP Insurance Brokers Pty Ltd) from 70% to 50% through the issue of new shares by Insurics and the sale a parcel of shares by the company. On this date the company ceased to be a controlled entity and became an Associate.		
Carrying value of interest disposed	–	622
Carrying value of investment transferred to Investment in Associates	–	(593)
Fair value adjustment at the date the entity became an Associate	–	(555)
Cash received on disposal of controlled entity	–	95
Profit on sale (pre tax)	–	***621***
Cash outflow on disposal is as follows:		
Net cash reduction on deconsolidation of controlled entity	–	(1,167)
Cash received on disposal of controlled entity	–	95
NET CASH OUTFLOW	–	***(1,072)***
TOTAL PROFIT ON DISPOSALS PRE TAX - ITEMS 7 (l) - 7(n) (SEE NOTE 4 (vi))	***249***	***621***

	Consolidated	
	2011	2010
	$'000	**$'000**
8. Dividends paid and proposed		
Equity dividends on ordinary shares:		
(a) Dividends paid during the year		
Final franked dividend for financial year ended 30 June 2009: 13.5 cents	–	6,809
Interim franked dividend for financial year ended 30 June 2010: 7.5 cents	–	3,889
Final franked dividend for financial year ended 30 June 2010: 15.0 cents	7,911	–
Interim franked dividend for financial year ended 30 June 2011: 8.5 cents	4,618	–
TOTAL DIVIDENDS PAID IN CURRENT YEAR	***12,529***	***10,698***

In addition to the above, dividends paid to non controlling interests totalled $3,171,000 (2010: $2,186,000).

(b) Dividends proposed and not recognised as a liability		
Final franked dividend for financial year ended 30 June 2010: 15.0 cents	–	7,911
Final franked dividend for financial year ended 30 June 2011: 17.0 cents	9,292	–
	9,292	***7,911***
Dividends paid per share (cents per share)	23.5	21.0
Dividends proposed per share (cents per share) not recognised at balance date	17.0	15.0
Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
• franking account balance as at the end of the financial year at 30% (2010: 30%)	19,897	16,906
• franking credits that will arise from the payment of income tax payable as at the end of the financial year	1,593	1,326
The amount of franking credits available for future reporting periods.	***21,490***	***18,232***
• impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the year.	(3,982)	(3,390)
THE AMOUNT OF FRANKING CREDITS AVAILABLE FOR FUTURE REPORTING PERIODS AFTER PAYMENT OF DIVIDEND.	***17,508***	***14,842***

The tax rate at which paid dividends have been franked is 30% (2010: 30%)

Dividends proposed will be franked at the rate of 30% (2010: 30%)

Notes to the financial statements

For the year ended 30 June 2011

	Consolidated 2011 $'000	Consolidated 2010 $'000
9. Trade and other receivables (current)		
Trade receivables	6,676	5,941
Amount due from customers on broking/underwriting agency operations	94,739	82,508
Related party receivables		
• other related	675	1,901
TOTAL RECEIVABLES (CURRENT)	**102,090**	**90,350**
10. Other financial assets (current)		
Mortgages - related entities (amortised cost)	679	347
Mortgages - other (amortised cost)	–	1,114
TOTAL OTHER FINANCIAL ASSETS (CURRENT)	**679**	**1,461**

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.

	Consolidated 2011 $'000	Consolidated 2010 $'000
11. Trade and other receivables (non current)		
Trade receivables	40	30
Loans to associated entities	133	133
TOTAL RECEIVABLES (NON CURRENT)	**173**	**163**
12. Other financial assets (non current)		
Mortgages - related entities (amortised cost)	60	–
Mortgages - other (amortised cost)	–	106
Other	122	22
	182	**128**

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.

	Consolidated 2011	Consolidated 2010
	$'000	$'000

13. Investment in associates

Investments at equity accounted amount:

	2011	2010
ASSOCIATED ENTITIES - UNLISTED SHARES	**78,690**	**72,177**

Name	Equity percentage owned Jun-11	Equity percentage owned Jun-10	Equity accounted amount 2011	Equity accounted amount 2010
	%	%	$'000	$'000
Austral Insurance Brokers Pty Ltd	50.0	50.0	3,173	3,114
Adroit Holdings Pty Ltd	49.9	49.9	2,192	2,118
Austbrokers RIS Pty Ltd	49.9	49.9	2,374	2,188
Austbrokers ABS Aviation Pty Ltd	50.0	50.0	–	–
Bruce Park Pty Ltd trading as Fergusons Financial Services	49.9	49.9	1,364	1,383
Citycover (Aust) Pty Ltd	49.9	49.9	1,693	1,666
Comsure Insurance Brokers Pty Ltd	49.9	49.9	746	711
Insurance Advisernet Australia Pty Ltd/ Insurance Advisernet Australia Unit Trust and controlled entity	49.9	49.9	15,659	15,580
Insurance Advisernet Holdings Pty Ltd /Insurance Advisernet Holdings Unit Trust	49.9	49.9	317	246
Insurics Pty Ltd (formerly SGP Insurance Brokers Pty Ltd)	50.0	50.0	1,247	1,257
JMD Ross Insurance Brokers Pty Ltd	49.9	49.9	751	662
Markey Group Pty Ltd	49.9	49.9	2,961	2,532
MGA Management Services Pty Ltd	49.9	49.9	6,090	5,374
Northern Tablelands Insurance Brokers Pty Ltd	49.9	49.9	22	39
Northlake Holdings Pty Ltd trading as Country Wide Insurance Brokers	50.0	0.0	4,664	–
Peter L Brown & Associates Pty Ltd	49.9	49.9	616	494
Power Insurance Brokers Pty Ltd and controlled entity	49.9	49.9	895	774
Rivers Insurance Brokers Pty Ltd	49.9	49.9	3,138	2,967
Secure Enterprises Pty Ltd / Strathearn Insurance Brokers Unit Trust	49.9	49.9	18,266	19,635
Parkstar Enterprises Pty Ltd / Strathearn Insurance Brokers (Qld) Unit Trust	49.9	49.9	5,044	5,209
Supabrook Pty Ltd trading as Austbrokers HCI	49.9	49.9	785	869
SRG Group Pty Ltd	50.0	50.0	1,983	2,126
Western United Financial Services Pty Ltd and controlled entity	49.9	49.9	1,013	742
Countrywide Tolstrup Financial Services Group Pty Ltd / Countrywide Tolstrup Group Unit Trust	49.9	49.9	1,875	1,919
Oxley Insurance Brokers Pty Ltd / Port Macquarie Insurance Brokers Unit Trust and controlled entities	49.9	49.9	264	154
Oxley Insurance Brokers Pty Ltd / Coffs Harbour Unit Trust	37.5	37.5	90	55
Tasman Underwriting Pty Ltd	50.0	50.0	412	363
Celestial Underwriting Agency Pty Ltd	50.0	0.0	1,056	–
			78,690	**72,177**

Notes to the financial statements

For the year ended 30 June 2011

13. Investment in associates (continued)

- On 1 October 2009, the consolidated entity acquired 50% of the voting shares in Tasman Underwriting Pty Ltd for $300,000.
- On 1 March 2010, the consolidated entity contributed $180,000 to maintain 50% of the voting shares in IAA Holdings Pty Ltd.
- On 1 July 2009, Austbrokers ABS Aviation Pty Ltd issued 50 shares to a new shareholder and 50 shares to a controlled entity. On this date the company reduced its holding to 50% and the company ceased to be a controlled entity.
- On 1 October 2009, the consolidated entity disposed of 20% of its interest in Insurics Pty Ltd (formerly SGP Insurance Brokers Pty Ltd) at which date it ceased to be a controlled entity and became an Associate. The difference between the previous carrying value and fair value at the date the company became an associate of $555,000 has been credited to the income statement.
- On 1 January 2011, the consolidated entity acquired 50% of the voting shares in Celestial Underwriting Agency Pty Ltd for $1,029,733 including a contingent consideration of $529,427.
- On 1 April 2011, the consolidated entity acquired 50% of the voting shares in Northlake Holdings Pty Ltd (trading as Country Wide Insurance Brokers) for $4,660,418 including a contingent consideration of $1,660,418.

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 Tasman Underwriting Pty Ltd and Celestial Underwriting Agency 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 where voting power is 37.5% .

(c) The reporting date of each associate is 30 June 2011 (prior year reporting date 30 June 2010).

(d) There have been no significant subsequent events affecting the associates' profits for the year.

(e) There were no impairments of investment in associates for the year.

(f) All associates, including unit trusts, were incorporated or established in Australia.

(g) The entity's share of the associate's commitments and contingent liabilities are disclosed in note 23.

	Consolidated	
	2011	*2010*
	$'000	***$'000***

13. Investment in associates (continued)

(h) The entity's share of associates' profits/(losses)

Share of associates':

Revenue	***73,651***	***66,088***
Operating profits before income tax	21,762	19,416
Amortisation of intangibles	(1,303)	(1,230)
Net profit before income tax	20,459	18,186
Income tax expense attributable to operating profits	(4,165)	(3,628)
SHARE OF ASSOCIATES' NET PROFITS	***16,294***	***14,558***

(i) The entity's share of the assets and liabilities of associates in aggregate:

Current assets	146,224	133,109
Non-current assets	40,340	36,840
Current liabilities	(143,152)	(128,527)
Non-current liabilities	(10,022)	(10,811)
NET ASSETS	***33,390***	***30,611***

Notes to the financial statements

For the year ended 30 June 2011

	Consolidated Equity interest held	
	2011	2010
	$'000	$'000
14. Shares in controlled entities		
* All controlled entities are incorporated in Australia and comprise:		
Name and Interests in controlled entities:		
Austbrokers Pty Ltd and its controlled entities	100	100
• Finsura Holdings Pty Ltd and its controlled entities	70	70
• Finsura Insurance Broking (Australia) Pty Ltd	70	70
• Finsura Financial Services Pty Limited	70	70
• Finsura Investment Management Services Pty Limited	70	70
• Finsura Insurance Broking Unit Trust	70	70
• RI Hornsby Pty Limited	70	70
Austbrokers Trade Credit Pty Ltd	75	65
Salisbury Payne Tinslay Pty Limited As Trustee For Salisbury Payne Tinslay Unit Trust	70	60
Austbrokers Services Pty Ltd	100	100
Austbrokers Business Centre Pty Ltd	100	100
Adept Insurance Brokers Pty Ltd and its controlled entity	100	100
• Geary Smith Pty Limited	100	100
Aprikeesh Pty Ltd and its controlled entities	66	66
• Austbrokers Phillips Pty Ltd	66	66
• Austbrokers Australian Compensation Services Pty Ltd	66	66
• Interfin Pty Ltd	45	45
AEI Holdings Pty Ltd / AEI Insurance (Brokers) Pty Ltd	100	100
Austbrokers Financial Solutions (Syd) Pty Ltd and its controlled entity	100	100
• SPT Financial Services Pty Ltd	75	75
Austbrokers C.E. McDonald Pty Ltd and its controlled entity	100	100
• Traders Voice Services Pty Ltd	100	100
Austbrokers Sydney Pty Ltd and its controlled entities	100	100
• Austbrokers Canberra Pty Ltd	75	75
• Austbrokers FWR Pty Ltd	100	100
• Austbrokers Professional Services Pty Ltd	80	80
• Austbrokers AEI Transport Pty Ltd and controlled entities	65	65
• Carriers Insurance Brokers Pty Ltd	52	52
• Austbrokers AEI Pty Ltd	52	52
Australian Bus and Coach Underwriting Agency Pty Ltd	100	100

	Consolidated Equity interest held	
	2011	2010
	$'000	$'000

14. Shares in controlled entities (continued)

* All controlled entities are incorporated in Australia and comprise:

AHL Insurance Brokers Pty Ltd and its controlled entity	100	100
• AHL Insurance Brokers (Aust) Pty Ltd	100	100
Austagencies Pty Ltd and its controlled entities	100	100
• Cemac Pty Ltd	100	0
• Latitude Underwriting Pty Ltd	100	100
• Dolphin Insurance Pty Ltd	100	100
• 5 Star Underwriting Agency Pty Ltd	100	100
• Construction Underwriting Pty Ltd	51	0
• Breakdown Underwriting Pty Ltd	51	0
Austbrokers Central Coast Pty Ltd and its controlled entity	80	80
• Austbrokers Central Coast Financial Services Pty Ltd	80	80
Austbrokers Southern Pty Ltd	80	80
Austbrokers RWA Pty Ltd and its controlled entities	60	60
• Austbrokers RWA Financial Services Pty Ltd	60	60
• Harvey Business Management Pty Ltd	60	60
Austbrokers City State Pty Ltd	100	100
Adroit Hume Pty Ltd and its controlled entity	0	70
• Adroit Hume Financial Services Pty Ltd	0	52.5
Shield Underwriting Holdings Pty Ltd	100	100
McNaughton Gardiner Insurance Brokers Pty Ltd and its controlled entity	70	70
• McNaughton Gardiner Financial Services Pty Ltd	70	70
North Coast Insurance Brokers Pty Ltd and its controlled entities	70	70
• NCFS Unit Trust	70	70
• Ballina Insurance Brokers Pty Ltd as trustee for Ballina Insurance Brokers unit trust	56	56
Austbrokers Premier Pty Ltd	80	80
Austbrokers Terrace Insurance Brokers Pty Ltd and controlled entity	85	85
• Austbrokers Financial Solutions (SA) Pty Limited	43	43

Notes to the financial statements

For the year ended 30 June 2011

14. Shares in controlled entities (continued)

- During July 2009, the company deregistered AEI Financial planning Pty Ltd, AEI Mortgage and Financial Solutions Pty Ltd, AFS (Syd) Pty Ltd, Austbrokers Finance Pty Ltd and WUIB Pty Ltd.
- On 1 July 2009, Austbrokers ABS Aviation Pty Ltd issued 50 shares to a new shareholder at which date the company ceased to be a controlled entity. In December 2009, the company incorporated a new company Austbrokers Business Centre Pty Ltd for $2.
- On 28 February 2010, a controlled entity North Coast Insurance Brokers Pty Ltd acquired 80% (Austbrokers group share 56%) of the voting shares in a newly incorporated entity, Ballina Insurance Brokers Pty Ltd for $772,000.
- On 28 February 2010, a controlled entity, Austbrokers CE McDonald Pty Ltd acquired 100% of the voting shares in a newly incorporated entity, Traders Voice Services Pty Ltd for $1.
- On 1 April 2010, a controlled entity Austbrokers AEI Transport Pty Limited acquired 80% of the voting shares in Austbrokers AEI Pty Limited for $434,782.
- On 17 August 2010, the Consolidated Entity acquired a further 10% of the voting shares in Austbrokers Trade Credit Pty Ltd for $164,000.
- On 1 January 2011, the Consolidated Entity acquired a further 10% of the voting shares in Salisbury Payne Tinslay Pty Limited for $409,300.
- During the current year the Consolidated Entity acquired 51% of the voting shares in two newly incorporated entities, Construction Underwriting Pty Ltd and Breakdown Underwriting Pty Ltd for $51 each.
- On 30 November 2010, the Consolidated Entity acquired 100% of the voting shares in Cemac Pty Ltd for $4,617,029 including a contingent consideration on this acquisition of $1,442,029. The contingent consideration is expected to be paid by March 2012.
- On 30 November 2010, the company disposed of all of its voting shares in Adroit Hume Pty Ltd to an associated entity, Adroit Insurance Brokers Pty Ltd for $1,460,783.
- During the current year, 100% of the voting shares in 5 Star Underwriting Agency Pty Limited were transferred from Shield Underwriting Holdings Pty Ltd to Austagencies Pty Ltd.

	Consolidated			
	Property	*Plant and equipment*	*Motor vehicles*	*Total*
	$'000	**$'000**	**$'000**	**$'000**

15. Plant and equipment

Year ended 30 June 2011				
Balance at the beginning of the year	703	11,078	1,288	13,069
Additions during the year	—	1,239	363	1,602
Disposals during the year	—	(1,472)	(471)	(1,943)
PROPERTY, PLANT AND EQUIPMENT AT COST	***703***	***10,845***	***1,180***	***12,728***
Depreciation				
Balance at the beginning of the year	46	7,859	490	8,395
Disposals during the year	—	(1,429)	(261)	(1,690)
Depreciation during year	13	1,312	190	1,515
ACCUMULATED DEPRECIATION	***59***	***7,742***	***419***	***8,220***
Summary				
Net carrying amount at beginning of year	657	3,219	798	4,674
NET CARRYING AMOUNT AT END OF YEAR	***644***	***3,103***	***761***	***4,508***
Year ended 30 June 2010				
Balance at the beginning of the year	703	11,117	1,636	13,456
Disposal of controlled entity	—	(718)	(53)	(771)
Additions during the year	—	896	172	1,068
Disposals during the year	—	(217)	(467)	(684)
PROPERTY, PLANT AND EQUIPMENT AT COST	***703***	***11,078***	***1,288***	***13,069***
Depreciation				
Balance at the beginning of the year	32	7,117	462	7611
Disposal of controlled entity	—	(495)	(23)	(518)
Disposals during the year	—	(191)	(181)	(372)
Depreciation during year	14	1,428	232	1,674
ACCUMULATED DEPRECIATION	***46***	***7,859***	***490***	***8,395***
Summary				
Net carrying amount at beginning of year	671	4,000	1,174	5,845
NET CARRYING AMOUNT AT END OF YEAR	***657***	***3,219***	***798***	***4,674***

Notes to the financial statements

For the year ended 30 June 2011

	Consolidated		
	Goodwill	Insurance broking registers	Total
	$'000	$'000	$'000
16. Intangible assets and goodwill			
Year ended 30 June 2011			
Balance at the beginning of the year	58,107	25,787	83,894
Additional businesses and portfolios acquired	5,872	378	6,250
Disposal of controlled entity	(938)	(198)	(1,136)
TOTAL INTANGIBLES	**63,041**	**25,967**	**89,008**
Amortisation			
Balance at the beginning of the year	–	11,696	11,696
Amortisation current year	–	2,470	2,470
Disposal of controlled entity	–	–	–
Disposals of broking portfolios	–	(119)	(119)
ACCUMULATED AMORTISATION	**–**	**14,047**	**14,047**
Summary			
Net carrying amount at beginning of year	58,107	14,091	72,198
NET CARRYING AMOUNT AT END OF YEAR	**63,041**	**11,920**	**74,961**
Year ended 30 June 2010			
Balance at the beginning of the year	57,502	26,214	83,716
Additional businesses and portfolios acquired	1,609	726	2,335
Disposal of controlled entity	(873)	(1,153)	(2,026)
Disposals of broking portfolios	(131)	–	(131)
TOTAL INTANGIBLES	**58,107**	**25,787**	**83,894**
Amortisation			
Balance at the beginning of the year	–	10,067	10,067
Amortisation current year	–	2,530	2,530
Disposal of controlled entity	–	(901)	(901)
Disposals of broking portfolios	–	–	–
ACCUMULATED AMORTISATION	**–**	**11,696**	**11,696**
Summary			
Net carrying amount at beginning of year	57,502	16,147	73,649
NET CARRYING AMOUNT AT END OF YEAR	**58,107**	**14,091**	**72,198**

16. *Intangible assets and goodwill (continued)*

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. The balance of the Insurance broking register will be amortised over the remaining period ranging from 1 to 10 years depending on original acquisition date.

Individual intangible assets material to the group are attributable to the following controlled entities.

			Consolidated	
			2011	*2010*
			$'000	*$'000*
(i) Goodwill				
Austbrokers Sydney Pty Ltd and its controlled entities			25,077	25,293
Austbrokers Central Coast Pty Ltd and its controlled entities			2,350	2,452
Austbrokers RWA Pty Ltd and its controlled entities			2,963	2,757
Aprikeesh Pty Ltd and its controlled entities			2,315	2,315
Shield Underwriting Holdings Pty Ltd and its controlled entities			–	6,555
Austagencies and its controlled entities			11,987	813
Austbrokers Premier Pty Ltd			3,400	3,400
	Remaining amortisation period (years)			
	2011	*2010*		
(ii) Insurance Broking Registers				
Austbrokers Sydney Pty Ltd and its controlled entities	4.0	5.0	4,895	6,232
North Coast Insurance Brokers Pty Ltd and its controlled entities	8.5	9.5	721	706
Austbrokers Premier Pty Ltd	4.5	5.5	605	734
Aprikeesh Pty Ltd and its controlled entities	7.5	8.5	2,105	2,376
MGIB insurance Brokers Pty Ltd	9.5	7.0	1,047	1,006

Notes to the financial statements

For the year ended 30 June 2011

17. Impairment testing of intangible assets, goodwill and investment in associates

The recoverable amount of the equity accounted associates and goodwill and insurance broking registers arising on consolidation of broking subsidiaries is determined based on the higher of the directors' estimate of fair value of the cash generating unit to which they relate less costs to sell and its value in use. In determining fair value, each subsidiary or associate is considered a separate cash generating unit or grouped into the one cash generating unit where operations are linked.

The measure used in assessing fair value is based on the directors' estimates of the sustainable profits, which have been tested against the current and prior year's profits as well as the following year's financial budgets approved by senior management. After determining the appropriate after tax profit for each associate/controlled entity, the after tax profit is multiplied by a profit multiple from within the range of 9.99 to 11.90 times (2010: 9.58 to 11.32 times).

The profit multiples have been determined based on weighted average cost of capital (WACC) for each cash generating unit factoring in an assumed sustainable profit growth of 2.5% per annum.

The WACC is based on the cost of capital calculated for each cash generating unit after taking into account the risk free rate, market risks, a risk loading recognising the size of the business, current borrowing interest rates and factoring in the borrowing capacity of the businesses. External expert advice has been sought in relation to the determination of the appropriate WACC to be used in determining the profit multiples.

The profit multiples used are reviewed against externally accessible factors and are considered by directors to be reflective of generally accepted market values.

The resulting fair values are compared to the carrying value for each cash generating unit and in the event that the carrying value exceeds the recoverable amount, an impairment loss is recognised.

The directors may also consider an estimate of fair value with reference to a multiple of commission and fee income of each cash generating unit. This basis is used in the market for the acquisitions of similar businesses. This fair value measure has not been used in the current or previous financial year.

No reasonable change in assumptions would result in the recoverable amount of a cash generating unit being materially less than the carrying value.

18. Share-based payment plans

Employee Share Option Plan

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

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in share options issued during the year:

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

	2011	***2010***	***2011***	***2010***
SHARE OPTIONS	***No.***	***No.***	***WAEP ($)***	***WAEP ($)***
Outstanding at the beginning of the year	2,012,633	2,179,479	3.06	3.13
Granted during the year - Zero priced options	78,208	89,104	0.00	0.00
Lapsed during the year: Options issued during 2007	–	(52,150)	0.00	4.20
Lapsed during the year: Options issued during 2008	–	(7,750)	0.00	0.00
Exercised during the year: Options issued during 2005	(45,000)	(165,850)	2.00	2.00
Exercised during the year: Options issued during 2006	(38,300)	(30,200)	3.47	3.47
OUTSTANDING AT THE END OF THE YEAR	***2,007,541***	***2,012,633***	***2.96***	***3.06***

18. Share-based payment plans (continued)

Employee Share Option Plan (continued)

The outstanding balance as at 30 June 2011 is represented by:

- 420,850 (2010: 465,850) options granted on 5 October 2005, exercisable 3 years from the issue date at an exercise price of $2.00. On 29 July 2010, 45,000 (30 September 2009: $165,850) options were exercised at an option price of $2.00. The average market price on the date the options were exercised was $4.81

- 587,900 (2010:626,200) options granted on 25 September 2006, exercisable 3 years from the issue date at an exercise price of $3.47. On 29 July 2010, 38,300 (30 September 2009: 30,200) options were exercised at an option price of $3.47. The average market price on the date the options were exercised was $4.81

- 77,800 (2010: 77,800) options granted on 29 January 2007, exercisable 3 years from 25 September 2006 at an exercise price of $3.47.

- 590,950 (2010: 590,950) options granted on 14 September 2007, exercisable 3 years from the issue date at an exercise price of $4.20.

- 20,000 (2010: 20,000) options granted on 29 January 2008, exercisable 3 years from 14 September 2007 at an exercise price of $4.20.

- 49,942 (2010: 49,942) options granted on 29 September 2008, exercisable 3 years from 29 September 2008 at an exercise price of $4.22.

- 92,787 (2010: 92,787) options granted on 29 September 2008, exercisable 3 years from 29 September 2008 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 $4.22

- 89,104 (2010: 89,104) Share options were granted on 3 November 2009, exercisable 3 years from 3 November 2009 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 $4.81

- 78,208 Share options were granted on 15 October 2010, exercisable 3 years from 15 October 2010 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 $5.06

All options must be exercised by no later than 7 years from the issue date.

The fair value of the equity-settled share options granted under the option plan, other than zero priced options, is estimated as at the date of grant using a binomial model taking into account the terms and conditions upon which the options were granted.

During the current year 80,118 (2010: 89,104) zero priced options were granted. The options were valued using the volume weighted average share price for the five days prior to the grant date. During the year 1,910 options lapsed due to a staff resignation.

Options issued under the Austbroker's Senior Executive Option Plan ("the Plan") have a contractual life of 7 years. The expected life of the options is 5 years. This assumes that participants will take the opportunity to exercise vested options at an earlier date in the life of the option. For options exercised in respect of grants made in 2009 and 2010, the shares acquired cannot be disposed of before the expiry of a two year period from the date the options vested, except if employment is terminated.

The weighted average remaining contractual life for the share options outstanding at 30 June 2011 is 2.77 years. (2010: 3.59 years)

Notes to the financial statements

For the year ended 30 June 2011

18. Share-based payment plans (continued)

Option Exercise conditions

These option exercise conditions apply to all options.

(a) subject to satisfaction of the performance based conditions referred to in paragraphs (b) and (c) below, the Options will vest 3 years after the date of grant;

(b) if the First Test Compound Earnings Per Share Growth (Compound Growth) is:

(i) greater than or equal to 8.5% per annum, 20% of the Options will become exercisable;

(ii) equal to 10% per annum, 50% of the Options will become exercisable;

(iii) between 10% and 15%, the percentage of Options that are exercisable will be determined on a pro rata basis so that the number of Options that are exercisable will increase from 50% by 1 percentage point for every 0.1% percent additional Compound Growth over 10%;

(iv) 15% per annum or more, 100% of the Options will become exercisable in each case on the date on which the Company's audited financial statements for the third financial year ending after the grant are lodged with the Australian Securities Exchange (the "First Test Date");

(c) if all of the Options do not become exercisable on the First Test Date and the Second Test Compound Growth is higher than the First Test Compound Growth then on the date on which the Company's audited financial statements for the fourth financial year ending after the grant are lodged with the Australian Securities Exchange (the "Second Test Date") an additional number of Options will become exercisable as is equal to the difference between the number of Options which became exercisable under paragraph (b) and the number of Options which would have become exercisable if paragraph (b) applied on the basis of the Second Test Compound Growth (rather than the First Test Compound Growth);

(d) any Options which have not become exercisable by the Second Test Date lapse and are of no further force or effect

	Consolidated	
	2011	***2010***
	$'000	***$'000***
19. Trade and other payables		
Current		
Trade payables	7,928	5,995
Amount payable on broking/underwriting agency operations	142,755	123,935
Other payables	9,179	8,063
Related party payables		
• Related entities	155	203
	160,017	***138,196***

			Consolidated
	Employee entitlements	*Make good provision*	*Total*
	$'000	**$'000**	**$'000**
20. Provisions			
Year ended 30 June 2011			
Balance at the beginning of the year	8,061	703	8,764
Arising during the year	1,081	(141)	940
BALANCE AT THE END OF THE YEAR	**9,142**	**562**	**9,704**
Current 2011	8,019	175	8,194
Non-current 2011	1,123	387	1,510
	9,142	**562**	**9,704**
Year ended 30 June 2010			
Balance at the beginning of the year	7,702	749	8,451
Arising during the year	359	(46)	313
BALANCE AT THE END OF THE YEAR	**8,061**	**703**	**8,764**
Current 2010	7,014	438	7,452
Non-current 2010	1,047	265	1,312
	8,061	**703**	**8,764**

Make good provision on leased premises

In accordance with the various lease agreements, the Group must restore the leased premises to a similar condition that existed prior to leasing the premises by removing all fixed and removable partitions. A provision has been included for expected amounts payable.

Because of the long-term nature of the liability, the greatest uncertainty in estimating the provision is the cost that will ultimately be incurred. During the year further amounts were provided for premises leased during the year.

Current lease durations range from less than 1 year to 5 years. Make good payments will only be made at the end of the lease.

Employee entitlements

Refer to note 2.2 (r) for the relevant accounting policy and a discussion of the significant estimation and assumptions applied in the measurement of this provision.

Notes to the financial statements

For the year ended 30 June 2011

	Consolidated	
	2011	2010
	$'000	$'000
21. Interest bearing loans and borrowings		
Current		
Obligations under finance leases and hire purchase contracts (note 23)	472	303
Unsecured loan from other related parties	150	159
Unsecured loan - Bank overdraft	–	19
	622	***481***
Non-current		
Obligations under finance leases and hire purchase contracts (note 23)	481	738
Unsecured loan from other parties	67	82
Secured bank loan*	33,731	33,598
	34,279	***34,418***

* The Group has negotiated facilities through various banks including St George Bank, Macquarie Bank and Commonwealth Bank.

Details of facilities through St George Bank, Macquarie Bank and Commonwealth Bank.

St George Bank Facilities

St George Bank has provided finance facilities to the Austbrokers Holdings Ltd amounting to $44,091,000 (30 June 2010: $44,118,500). At balance date these facilities have been utilised to the amount of $32,965,620 (30 June 2010 $33,247,500) in bill acceptance/discount facilities and bank guarantees.

The undrawn amount of the facility allocated to this entity at 30 June 2011 was $11,125,380 (2010: $10,837,500)

The term of the loan facility is five years covering the period 11 August 2008 to 11 August 2013.

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.

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 loans.

The amounts of the facilities utilised totalling $32,965,620 ($30,655,000 loans advanced plus $2,310,620 in guarantees) and their respective terms, are as follows (2010: $33,247,000) ;

- A controlled entity, Austbrokers Services Pty Ltd, has utilised $27,310,620 of the facility, including $25,000,000 in loans and $2,310,620 for bank guarantees (30 June 2010: $26,426,000). Interest rates on $25,000,000 have been fixed at an effective rate of 6.8% until November 2011 and from then on the rate is fixed at 7.1% until August 2013. Bills are rolled over on quarterly intervals. Rollover of the bills are guaranteed for the duration of the facility as long as there are no breaches of the agreement.
- A controlled entity, Austbrokers Central Coast Pty Ltd has utilised $1,005,000 of the facility (2010: $1,005,000) to secure funding for the acquisition of broking portfolios.

  Although part of the larger Austbrokers Group facility, the term of the bill acceptance/discount facility is for 10 years from the first drawdown date which was October 2007.

  The facility is secured by registered fixed and floating charges over the assets of Austbrokers Central Coast Pty Ltd, a letter of comfort given by Austbrokers Holdings Ltd, and guarantees and indemnities given by the shareholders with non controlling interests. The interest rate on the bill facility is 7.33%. (2010: fixed for 1 year at 5.83%) and is rolled quarterly.

21. Interest bearing loans and borrowings (continued)

St George Bank Facilities (continued)

- A controlled entity, Austbrokers AEI Transport Pty Ltd has utilised $4,650,000 of the facility (30 June 2010: $4,650,000) to secure funding for the acquisition of broking entities and broking portfolios.

  Interest rates on $4,650,000 have been fixed at an effective rate of 5.91% (June 2010: 5.94%) until 30 March 2012. Rollover of the bills are guaranteed for the duration of the facilities as long as there are no breaches of the agreement.

Austbrokers AEI Transport Pty Ltd has also entered into a separate agreement with St George Bank to provide finance facilities amounting to $249,523 (30 June 2010: $249,523) to secure funding for the acquisition of broking entities and broking portfolios. At balance date these facilities have been utilised to the amount of $249,523 (30 June 2010: $419,500) in a bill acceptance/discount facility. This facility is fixed until 13 March 2015.

The facilities are secured by registered fixed and floating charges over the assets of Austbrokers AEI Transport Pty Ltd, a letter of comfort given by Austbrokers Holdings Ltd and guarantees and indemnities given by the shareholders with non controlling interests.

Interest rates on $249,523 have been fixed for 3 months at an effective rate of 7.33% (June 2010: 5.94%) until 13 August 2011. Rollover of the bills are guaranteed for the duration of the facilities as long as there are no breaches of the agreement.

A controlled entity, SPT Financial Services Pty Ltd, entered into an agreement with St George Bank to provide finance facilities amounting to $420,000 ($350,000 in loans and $70,000 in bank overdraft facilities) (2010: $NIL). At balance date these facilities have been utilised to the amount of $315,000. The undrawn amount of this facility is $105,000 (2010: $NIL).

The facility is for 5 years until 18 October 2015. The interest rate is renegotiated quarterly and the rate applicable at 30 June 2010 was 7.84%.

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, entered into an agreement with St George Bank to provide finance facilities amounting to $750,000 (2010: $750,000). At balance date these facilities have been utilised to the amount of $626,805 (2010: $746,805). The undrawn amount of the facility at 30 June 2011 was $123,195 (2010: $3,000)

$375,000 (2010: $375,000) of the total facility of $750,000 is fixed until March 2012 at a rate of 7.07%. The interest rate on the balance of $251,805 (2010: $371,805) is renegotiated quarterly and the rate applicable at 30 June 2011 was 6.99% (2010: 6.64%).

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.

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

Macquarie Bank facilities

Aprikeesh Pty Ltd and its controlled entities (Aprikeesh Group), negotiated with Macquarie Bank to provide finance facilities to the Aprikeesh Group amounting to $550,000. At 30 June 2011 these facilities have been utilised to the amount of $382,000. (2010: $502,000) The undrawn amount of the facility at 30 June 2011 was $168,000 (2010: $48,000).

The term of the loan facility is interest only for 5 years ending in March 2014. Interest rates on the facility are negotiated quarterly and the interest rate at 30 June 2011 was 8.14%. (2010: 8.1%)

The facilities are secured by registered fixed and floating charges over the assets and undertakings of the Aprikeesh Group and cross guarantees and indemnities given by each of the wholly owned subsidiaries.

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 loans.

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21. Interest bearing loans and borrowings (continued)

Commonwealth Bank facilities

A controlled entity, North Coast Insurance Brokers Pty Ltd has negotiated a $1,502,660 (2010: $1,275,000) loan facility that expires in June 2018. The total facility has been drawn down at year end and is repayable in June 2018.

Of the facility totalling $1,502,660, an amount of $475,000 (2010:$375,000 fixed at 9.15%) has been fixed until 1 September 2012 at a rate of 8.6% and an amount of $50,000 (2010 Nil) has been fixed until 11 September 2012 at a rate of 9.25%. The balance of the facility of $977,660 is at a variable rate of 9.15% (2010: 900,000 variable rate 8.72%).

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 loans.

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.

		Consolidated
	2011	*2010*
	$'000	***$'000***
Summary of secured bank loans		
St George Bank	31,846	31,821
Macquarie Bank	382	502
Commonwealth Bank	1,503	1,275
TOTAL SECURED BANK LOANS	***33,731***	***33,598***

22. Issued capital and reserves

Issued Capital opening balance	60,844	49,959
On 14 July 2010 allotted 45,000 shares at an issue price of $2.00	90	–
On 14 July 2010 allotted 38,300 shares at an issue price of $3.47	133	–
On 30 September 2009 allotted 165,850 shares at an issue price of $2.00	–	331
On 30 September 2009 allotted 30,200 shares at an issue price of $3.47	–	105
On 1 July 2009 transferred to share based payment reserve	–	(35)
Net Proceeds from Dividend Reinvestment Plan	9,683	10,484
ISSUED CAPITAL	***70,750***	***60,844***

	Consolidated	
	2011 Shares	2010 Shares
	No.	No.

22. Issued capital and reserves (continued)

	2011 Shares No.	2010 Shares No.
NUMBER OF SHARES ON ISSUE (ORDINARY SHARES FULLY PAID)	**54,658,736**	**52,653,687**
Movements in shares on issue		
Beginning of the financial year	52,653,687	50,238,170
On 14 July 2010 allotted 45,000 shares at an issue price of $2.00	45,000	–
On 14 July 2010 allotted 38,300 shares at an issue price of $3.47	38,300	–
On 18 October 2010, 924,835 shares were issued at $4.9365 as a result of a Dividend Reinvestment Plan.	924,835	–
On 22 October 2010, 677,611 shares were issued at $4.94 as a result of a Dividend Reinvestment Plan.	677,611	–
On 29 April 2011, 319,303 shares were issued at $5.92 as a result of a Dividend Reinvestment Plan.	319,303	–
On 30 September 2009 allotted 165,850 shares at an issue price of $2.00	–	165,850
On 30 September 2009 allotted 30,200 shares at an issue price of $3.47	–	30,200
On 23 October 2009, 1,424,740 shares were issued at $4.78 as a result of a Dividend Reinvestment Plan.	–	1,424,740
On 29 April 2010, 794,727 shares were issued at $4.89 as a result of a Dividend Reinvestment Plan.	–	794,727
TOTAL SHARES ON ISSUE	**54,658,736**	**52,653,687**

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.

Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve was used to record movements in the revalued amounts of broker register acquired through step up acquisition of broking subsidiaries before 1 July 2009. From this date, fair value adjustments on business combinations are no longer recognised through the asset revaluation reserve but in the income statement. The reserve can only be used to pay dividends in limited circumstances. The current year amortisation expense relating to those step ups is transferred to retained earnings when the amortisation expense is charged to the profit and loss account.

Share based payment reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 18 for further details of these plans.

	Consolidated	
	2011	2010
	$'000	$'000
Non controlling Interests		
Interest in:		
Ordinary shares	–	–
Retained earnings	12,306	12,276
	12,306	**12,276**

Notes to the financial statements

For the year ended 30 June 2011

	Consolidated 2011	Consolidated 2010
	$'000	**$'000**
23. Commitments and contingencies		
Finance lease and hire purchase commitments - Group as lessee		
The 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 entity that holds the lease.		
Finance Lease and Hire Purchase Commitments		
Payable		
• Not later than one year	553	382
• Later than one year and not later than five years	509	699
• Later than five years	–	80
Minimum lease and hire purchase payments	1,062	1,161
Deduct: Future finance charges	109	120
PRESENT VALUE OF MINIMUM LEASE AND HIRE PURCHASE PAYMENTS (REFER NOTE 21)	***953***	***1,041***
Operating lease commitments - Group as lessee		
The Group has entered into leases for premises, commercial leases on certain motor vehicles and fixed assets. 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.		
Operating Lease Commitments: Non Cancellable operating leases contracted for but not capitalised		
Payable		
• Not later than one year	3,181	3,028
• Later than one year and not later than five years	8,953	3,906
• Later than five years	–	–
	12,134	***6,934***
Operating lease commitments - Associates as lessee		
Operating Lease Commitments: Non Cancellable operating leases contracted for but not capitalised in the financial statements		
Payable		
• Not later than one year	2,013	1,711
• Later than one year and not later than five years	5,041	3,885
• Later than five years	1,059	1,051
	8,113	***6,647***
Contingent liabilities		
Estimates of the maximum amounts of contingent liabilities that may become payable		
Austbrokers Holdings Ltd has guaranteed loan facilities provided to an associate in proportion to its shareholding.	1,200	1,200
Austbrokers Holdings Ltd has guaranteed lease facilities provided to an associate in proportion to its shareholding.	260	260
	1,460	***1,460***

23. Commitments and contingencies (continued)

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. See note 29(f).

24. 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.

	Consolidated	
	2011	***2010***
	$	**$**
25. Auditors' remuneration		
Amounts received or due to Ernst & Young (Australia) for:		
Audit of the financial statements	677,000	635,000
Other - including taxation services	111,100	116,778
Total	***788,100***	***751,778***
Amounts received or due to non Ernst & Young audit firms for:		
Audit of the financial statements	256,964	237,615
Other assurance related services	26,590	16,930
Other - taxation services	105,450	95,188
Total	***389,004***	***349,733***
TOTAL AUDITORS' REMUNERATION	***1,177,104***	***1,101,511***

26. Subsequent events

On 25 August 2011 the Directors of Austbrokers Holdings Ltd declared a final dividend on ordinary shares in respect of the 2011 financial year. The total amount of the dividend is $9,291,985 which represents a fully franked dividend of 17.0 cents per share. The dividend has not been provided for in the 30 June 2011 financial statements.

Notes to the financial statements

For the year ended 30 June 2011

27. Related party disclosures

(a) The following related party transactions occurred during the year:

(i) Transactions with related parties in parent, subsidiaries and associates.

An entity within the wholly owned group charges associates $1,287,895 (2010: 1,133,060) in management fees for expenses incurred and services rendered. Further entities within the wholly owned group invest in trusts managed by related parties. These transactions are at normal commercial terms and conditions.

Entities within the wholly owned group provide funds to other entities within the group. These funds are non-interest bearing and are repayable on demand. See note 9 for amounts receivables from related parties $675,000 (2010 $1,901,000)and note 19 for payables to related parties $155,000 (2010 $203,000).

(ii) Transactions with other related parties.

Entities within the wholly owned group charge associated entities interest on interest bearing loans. Total interest charged for the period was $134,679 (2010: $431,613). The interest charged is on normal commercial terms and conditions.

Members of the economic entity have repaid loans issued by Austbroker Services Pty Ltd totalling $1,076,353 (2010: $384,977) during the year. Further loans have been advanced to members of the economic entity of $246,000 (2010: 399,000). The balance outstanding at 30 June 2011 was $736,165 (2010: $1,566,519).

(iii) Transactions with directors and director-related entities.

Entities within the wholly owned group receive fees for arranging insurance cover for directors and/or director related entities. These transactions are at normal commercial terms and conditions.

Other than disclosed above and in note 27 (c), there were no other transactions with director or directors related entities.

Information regarding outstanding balances at year end is included in notes 9, 10 11, 13 and 19.

(b) Details of Key Management Personnel

The directors of the company in office during the year and until the date of signing this report are:

Leonard Francis Earl	Director (non-executive) - (passed away 12 July 2010)
David John Harricks	Director (non-executive)
Richard Anthony Longes	Chairman (non-executive)
Raymond John Carless	Director (non-executive) - Appointed 1 October 2010
Phillip Robert Shirriff	Director (non-executive)
William Lachlan McKeough	Director and Chief Executive Officer

The following persons were the executives with the greatest authority for the planning, directing and controlling the activities of the consolidated entity during the financial year:

S.S. Rouvray	Chief Financial Officer and Company Secretary
G. Lambert	General Manager - Operations and Strategic Developments
F. Gualtieri	National Manager - Group Services and Support
J. Howells	General Manager - Austbrokers Sydney
G.J. Arms	General Manager - Equity Operations

27. Related party disclosures (continued)

(c) Shareholdings of Key Management Personnel

Shares held in Austbrokers Holdings Limited at 30 June 2011	Balance at 01-Jul-10	Shares acquired during year	Shares disposed during year	Balance at 30-Jun-11
Directors				
R. A. Longes	104,400	3,173	–	107,573
L. F. Earl (passed way 12 July 2010)	22,000	–	22,000	–
P. R. Shirriff	100,000	–	–	100,000
D. J. Harricks	27,000	–	–	27,000
R. J. Carless	–	10,451	–	10,451
W.L. McKeough	85,000	–	–	85,000
Executives				
S.S. Rouvray	208,300	–	–	208,300
G. Lambert	–	–	–	–
J. Howells	–	–	–	–
F. Gualtieri	50,000	–	–	50,000
G.J. Arms	31,100	883	–	31,983
TOTAL	**627,800**	**14,507**	**22,000**	**620,307**

Shares held in Austbrokers Holdings Limited at 30 June 2010	Balance at 01-Jul-09	Shares acquired during year	Options Exercised	Balance at 30-Jun-10
Directors				
R. A. Longes	100,000	4,400	–	104,400
L. F. Earl	22,000	–	–	22,000
P. R. Shirriff	100,000	–	–	100,000
D. J. Harricks	27,000	–	–	27,000
W.L. McKeough	85,000	–	–	85,000
Executives				
S.S. Rouvray	208,300	–	–	208,300
G. Lambert	–	–	–	–
J. Howells	–	–	–	–
F. Gualtieri	50,000	–	–	50,000
G.J. Arms	30,000	1,100	–	31,100
TOTAL	**622,300**	**5,500**	**–**	**627,800**

46,700 options were exercised by F. Gualtieri during the prior period. The shares acquired were sold on market on the same day as the options were exercised.

Notes to the financial statements

For the year ended 30 June 2011

27. Related party disclosures (continued)

(d) Compensation of Key Management Personnel by Category

	Consolidated 2011	Consolidated 2010
	$	$
Short-Term	2,799,108	2,763,146
Post Employment	363,121	324,080
Other Long-Term	142,200	–
Termination Benefits	–	–
Share-based Payment	215,343	253,491
	3,519,772	**3,340,717**

(e) Options granted as part of remuneration

YEAR ENDED 30 JUNE 2011	Granted No.	Grant Date	Fair value per option at grant date ($) (note 18)	Exercise price per option ($) (note 18)	Expiry Date	First Exercise Date	Last Exercise Date
Executives							
S.S. Rouvray	15,077	15-Oct-10	5.06	0.00	15-Oct-17	15-Oct-13	15-Oct-17
G. Lambert	10,437	15-Oct-10	5.06	0.00	15-Oct-17	15-Oct-13	15-Oct-17
F. Gualtieri	8,221	15-Oct-10	5.06	0.00	15-Oct-17	15-Oct-13	15-Oct-17
J. Howells	–	15-Oct-10	5.06	0.00	15-Oct-17	15-Oct-13	15-Oct-17
G.J. Arms	8,823	15-Oct-10	5.06	0.00	15-Oct-17	15-Oct-13	15-Oct-17
TOTAL	**42,558**						

Where options are exercised within two years after the date the options vest, the shares cannot be disposed of prior to the expiry of the two year period from the date the options vested, except if employment is terminated.

YEAR ENDED 30 JUNE 2010							
Executives							
S.S. Rouvray	15,487	3-Nov-09	4.81	0.00	3-Nov-16	3-Nov-12	3-Nov-16
G. Lambert	10,287	3-Nov-09	4.81	0.00	3-Nov-16	3-Nov-12	3-Nov-16
F. Gualtieri	8,403	3-Nov-09	4.81	0.00	3-Nov-16	3-Nov-12	3-Nov-16
J. Howells	9,548	3-Nov-09	4.81	0.00	3-Nov-16	3-Nov-12	3-Nov-16
G.J. Arms	8,976	3-Nov-09	4.81	0.00	3-Nov-16	3-Nov-12	3-Nov-16
TOTAL	**52,701**						

27. Related party disclosures (continued)

(f) Option holdings of Key Management Personnel.

OPTION HELD AT 30 JUNE 2011	Balance at beginning of period 01-Jul-10	Granted as Remuneration	Options Exercised	Balance at end of period 30-Jun-11	Vested at 30 June 2011 Exercisable	Not Exercisable
Director						
W.L. McKeough	1,010,100	–	–	1,010,100	1,010,100	–
Executives						
S.S. Rouvray	167,031	15,077	–	182,108	133,200	48,908
G. Lambert	103,706	10,437	–	114,143	69,050	45,093
F. Gualtieri	98,809	8,221	–	107,030	70,500	36,530
J. Howells	40,857	–	–	40,857	20,000	20,857
G.J. Arms	145,389	8,823	–	154,212	115,150	39,062
TOTAL	**1,565,892**	**42,558**	**–**	**1,608,450**	**1,418,000**	**190,450**

These options have an exercise price ranging from $2.00 for options issued in 2005 to $4.22 for options issued in 2009 financial year

During the current year a total of 78,208 zero priced options were issued (42,558 to Key Management Personnel).

OPTION HELD AT 30 JUNE 2011	Balance at beginning of period 01-Jul-09	Granted as Remuneration	Options Exercised	Balance at end of period 30-Jun-10	Vested at 30 June 2010 Exercisable	Not Exercisable
Director						
W.L. McKeough	1,010,100	–	–	1,010,100	673,400	336,700
Executives						
S.S. Rouvray	151,544	15,487	–	167,031	75,950	91,081
G. Lambert	93,419	10,287	–	103,706	38,900	64,806
F. Gualtieri	137,106	8,403	46,700	98,809	39,800	59,009
J. Howells	31,309	9,548	–	40,857	–	40,857
G.J. Arms	136,413	8,976	–	145,389	83,150	62,239
TOTAL	**1,559,891**	**52,701**	**46,700**	**1,565,892**	**911,200**	**654,692**

These options have an exercise price ranging from $2.00 for options issued in 2005 to $4.22 for options issued in 2009 financial year.

During the prior year a total of 89,104 zero priced options were issued (52,701 to Key Management Personnel)

(g) No loans have been advanced to Key Management Personnel during the current year. (2010: NIL)

Notes to the financial statements

For the year ended 30 June 2011

28. Parent entity information

	Consolidated	
	2011	*2010*
	$'000	**$'000**
Assets		
Cash and cash equivalents	15,615	5,803
Current Assets	42,673	19,167
Non-current Assets	52,059	72,402
TOTAL ASSETS	***110,347***	***97,372***
Liabilities		
Current Liabilities	3,132	2,762
Non-current Liabilities	–	–
TOTAL LIABILITIES	***3,132***	***2,762***
NET ASSETS	***107,215***	***94,610***
Equity		
Issued capital	70,750	60,844
Retained earnings and reserves	36,465	33,766
TOTAL SHAREHOLDERS EQUITY	***107,215***	***94,610***
Profit for the year before income tax	15,173	10,869
Income tax (credit) / expense	366	5
Net profit after tax for the period	14,807	10,864
Other comprehensive (expense) / income after income tax for the period	–	–
TOTAL COMPREHENSIVE INCOME AFTER TAX FOR THE PERIOD	***14,807***	***10,864***
Other information		
Guarantees entered into by the parent entity in relation to the debts of its subsidiaries or associates		
Austbrokers Holdings Ltd has guaranteed loan facilities provided to an associate in proportion to its shareholding.	1,200	1,200
Austbrokers Holdings Ltd has guaranteed lease facilities provided to an associate in proportion to its shareholding.	260	260
	1,460	***1,460***

28. *Parent entity information (continued)*

Contingent liabilities

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 current market values. These have been given in relation to shares pledged as security for funding provided to those shareholders in relation to the acquisition of those shares. See note 29(f).

29. *Financial instruments*

Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, mortgages, cash and short-term deposits, payables, finance leases, overdrafts, interest bearing loans and borrowings and bank overdrafts.

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

The Group does not enter into derivative transactions nor has any significant foreign currency transactions.

The Board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the Board Audit and Risk Management Committee, supported by a Management Committee, under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

Risk exposures and Responses

(a) Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, intercompany receivables, mortgages, trade and other receivables. Although there is a concentration of cash and cash equivalents held with a major bank, credit risk is not considered significant.

The company's exposure to credit risk is concentrated in the financial services industry with parties which are considered to be of sufficiently high credit quality. There are no financial assets which are past due or impaired.

Receivable balances are monitored on a ongoing basis with the result that the Group's exposure to bad debts is not significant.

Insurance Broking Account receivables

Receivables include amounts due from policyholders in respect of insurances arranged by controlled entities. Insurance brokers have credit terms of 90 days from policy inception to pay funds received from policyholders to insurers. Should policyholders not pay, the insurance policy is cancelled by the insurer and a credit given against the amount due. The Group's credit risk exposure in relation to these receivables is limited to commissions and fees charged. Commission revenue is recognised after taking into account an allowance for expected revenue losses on policy lapses and cancellations, based on past experience.

The Group's assets and liabilities include amounts due from policyholders and amounts due to underwriters from broking activities. Due to the reasons disclosed above, these assets and liabilities have been excluded from the Group's credit risk analysis. The net difference between the assets and liabilities relate to the undrawn commission and fee income brought to account in revenue. This amount has been deducted from amounts payable on broking/underwriting agency operations.

Notes to the financial statements

For the year ended 30 June 2011

29. Financial instruments (continued)

(a) Credit Risk (continued)

	Consolidated	
	2011	2010
	$'000	$'000
Assets and liabilities relating to Insurance Broking Account.		
Amounts due from customers on broking/ underwriting agency operations.	94,739	82,508
Cash held on trust	65,008	57,147
Amounts payable on broking/underwriting agency operations.	(142,755)	(123,935)
Undrawn income	(16,992)	(15,720)
NET RECEIVABLES INCLUDED IN INSURANCE BROKING ACCOUNT	–	–

Financial assets

The Group's exposure to credit risk in relation to financial assets arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. There is no significant concentration of risks within the Group as cash and cash equivalents are invested amongst a number of financial institutions to minimise the risk of defaults by counterparties. Cash and cash equivalents are deposited with Australian Banks. The majority of trade receivables are expected to be collected within 90 days. The remainder of the financial assets are to related entities or entities that have a relationship to our associates and are either on call or where loans have a fixed maturity date, are secured by fixed and floating charges (see note 10). At 30 June 2011, all financial assets were neither past due nor impaired.

Cash and cash equivalents	37,326	23,840
Trade and other receivables	6,716	5,971
Related party receivables	675	1,901
Mortgages - related entities	739	347
Mortgages - other	–	1,220
Other receivables	255	155
	45,711	**33,434**

The amount for trade and other receivables included in the table above excludes insurance broking account receivables.

29. Financial instruments (continued)

(b) Liquidity Risk

The company's objective is to maintain adequate cash to ensure continuity of funding and flexibility in its day-to-day operations.

The company reviews its cash flows weekly and models expected cash flows for the following 12 to 24 months (updated monthly) to ensure that any stress on liquidity is detected, monitored and managed, before risks arise.

To monitor existing financial assets and liabilities as well as enable an effective controlling of future risks, the Group has established comprehensive risk reporting that reflects expectations of management of expected settlement of financial assets and liabilities.

The Group's main borrowing facilities are provided by St George Bank. The terms of these arrangements have been disclosed in Note 21 "Interest bearing loans and borrowings". It is the Group's policy that the facilities expire no less than 13 months from balance date. Where facilities are due to expire, the Group will have new arrangements in place in the year the borrowing repayments become current. At 30 June 2011 there were no borrowings due to be repaid within 12 months (2010: NIL).

The company considers the maturity of its financial assets and projected cashflows from operations to monitor liquidity risk.

Liquidity risk arises in the event that the financial assets/liabilities are not able to be realised/settled for the amounts disclosed in the accounts on a timely basis.

The table below reflects all contractually fixed pay-outs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. Cash flows for financial assets and liabilities without a fixed amount or timing are based on the conditions existing at 30 June 2011 with comparatives based on conditions existing at 30 June 2010.

The table summarises the maturity profile of the Groups financial assets and financial liabilities based on contractual undiscounted payments.

	Consolidated	
	2011	***2010***
	$'000	***$'000***
Financial Assets		
Due not later than 6 months	204,763	171,934
6 months to not later than one year	340	731
Later than one year and not later than five years	355	291
Later than five years	–	–
	205,458	***172,956***
Financial Liabilities		
Due not later than 12 months	(160,639)	(138,677)
Later than one year and not later than five years	(34,279)	(36,623)
Later than five years	–	–
	(194,918)	***(175,300)***

The Group's liquidity risk relating to amounts receivable/ payable from broking operations have been included in the table above, although trust cash and amounts due from insurance broking account receivables/broking account payables are not available to meet operating expenses/business obligations other than for payments to underwriters and/or repayments to policyholders.

The risk implied from the values shown in the table, reflects a balanced view of cash inflows and outflows. Lease liabilities, trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as plant and equipment and investments in working capital, e.g. trade receivables and deferred payments on broker acquisitions.

Notes to the financial statements

For the year ended 30 June 2011

29. Financial instruments (continued)

(c) Fair Values of recognised assets and liabilities.

Set out below is a comparison by category of the carrying value and the fair value of all the Group's financial instruments.

	Carrying value		Fair value	
	2011	*2010*	*2011*	*2010*
	$'000	**$'000**	**$'000**	**$'000**
Financial Assets				
Cash and cash equivalents	102,334	80,987	102,334	80,987
Trade and other receivables	101,588	88,612	101,588	88,612
Related party receivables	675	1,901	675	1,901
Mortgages - related entities	739	347	739	347
Mortgages - other	—	1,220	—	1,220
Loan with associated entities	122	22	122	22
TOTAL FINANCIAL ASSETS	***205,458***	***173,089***	***205,458***	***173,089***
Financial liabilities				
Loans and other borrowings	(34,901)	(34,899)	(35,025)	(35,096)
Trade and other payables and accruals	(160,017)	(138,196)	(160,017)	(138,196)
TOTAL FINANCIAL LIABILITIES	***(194,918)***	***(173,095)***	***(195,042)***	***(173,292)***

Market values have been used to determine the fair value of securities. The fair value of loans and notes and other financial assets has been calculated using market interest rates.

The Group's fair value of recognised assets and liabilities above include trust cash and amounts relating to receivables/ payables from broking operations, although trust cash and amounts due from insurance broking account receivables/broking account payables are not available to meet operating expenses/business obligations other than for payments to underwriters and/or repayments to policyholders.

29. Financial instruments (continued)

(d) Market Risk

Interest rate risk

The Group's exposure to interest rate movements relates to cash and cash equivalents held by the Group and the Group's long-term debt obligations. To manage interest rate risk, interest rates on borrowings are fixed for a period depending on market conditions. This risk is minimal as the Group holds cash received from policyholders to pay insurers in excess of the amount of borrowings and therefore the group has a natural hedge against interest rate rises. Mortgage loans generally have interest rate resets every six months. In the event of interest rate rises, a net increase in interest revenue will occur due to cash and cash equivalents exceeding borrowings.

The main risk to the Group is in relation to interest rate reductions which will decrease the net income earned on cash and cash equivalents held. The cash held to pay insurers must be held in prescribed investments (Australian bank accounts or deposits) and as such will be subject to market interest rate fluctuations. The Group has at balance date, the following mix of financial assets and liabilities exposed to Australian variable interest rate risk.

	Consolidated	
	2011	***2010***
	$'000	**$'000**
Financial Assets		
Cash and cash equivalents (including trust account balance)	102,334	80,987
Mortgages - related entities	739	347
Mortgages - other	–	1,220
TOTAL FINANCIAL ASSETS	***103,073***	***82,554***
Financial liabilities		
Loans and other borrowings	(3,792)	(3,075)
NET EXPOSURE TO INTEREST RATE MOVEMENTS	***99,281***	***79,479***

Borrowings fixed for a period greater than 12 months have been excluded from the table above.

The Group's policy is to maintain a component of long term borrowings at fixed interest rates, determined six monthly or annually, which are carried at amortised cost and it is acknowledged that exposure to fluctuations in fair value is a by-product of the Group's policy. Of the total current and non current interest bearing loans and borrowings totaling $34.9 million, $31.1 million have been fixed for periods greater than 12 months at rates ranging from 5.91% to 8.6%. See note 21 for full details of terms and conditions.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the term for fixing interest rates.

The following sensitivity analysis is based on the interest rate exposures in existence at year end. The sensitivity for 2010 has been prepared on an equivalent basis.

At year end, had interest rates moved as illustrated in the table below, with all other variables held constant, post tax profits and equity would have been affected as follows:

	Post tax profits Higher/ (lower)		*Impacts directly to Equity Higher/ (lower)*	
	2011	***2010***	***2011***	***2010***
Judgements of reasonably possible movements.	**$'000**	**$'000**	**$'000**	**$'000**
Consolidated				
+2% (200 basis points) (2010 +3% (300 basis points))	1,390	1,156	–	–
-1.5% (150 basis points) (2010 -1% (100 basis points))	(1,042)	(578)	–	–

Notes to the financial statements

For the year ended 30 June 2011

29. Financial instruments (continued)

(d) Market Risk (continued)

Price risk

Equity securities price risk arises from investments in equity securities. The group does not invest in listed equity securities or derivatives.

At year end, the Group had no exposure to equities other than to shares in associated entities and controlled entities and therefore has no exposure to price risk that has not already been reflected in the financial statements. The Group tests for impairment annually and reviews all investments at least half yearly. The methodology for testing for impairment is shown in note 17. There were no impaired investments at balance date. (2010 : NIL)

(e) Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt if required.

The Group monitors capital on the basis of the gearing ratio. The debt to equity ratio is calculated as total borrowings divided by total equity and borrowings.

During 2011, the Group's strategy was to maintain a gearing ratio of not greater than 30% which was unchanged from 2010. The gearing ratio has changed marginally due to the increase in issued capital resulting from the Dividend Reinvestment Plan.

The gearing ratios at 30 June were as follows:

	Consolidated	
	2011	***2010***
	$'000	***$'000***
Debt to equity ratio		
Total borrowings	34,901	34,899
Total equity	153,316	134,574
TOTAL EQUITY AND BORROWINGS	***188,217***	***169,473***
Debt / Equity plus Borrowings Ratio	19%	21%

(f) Put Option

The Group has assisted certain security holders in associates and controlled entities to acquire their interest in those entities by entering into agreements to grant their financier an option to put to the Group any such securities held as security for the loan. The impact of this agreement is to enable those security holders to secure funding which may not have been otherwise available or which may have been available at a higher cost. This option can only be exercised by the financier in the event of a default by the borrower under the relevant loan agreement, where such default has not been remedied. Under the agreements the shares are to be acquired by the Group at fair value at the time the option is exercised. As the agreements stipulate that the securities are to be acquired at fair value, the put options have a nil value.

Directors' declaration

For the year ended 30 June 2011

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 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.2; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2011.

On behalf of the Board

W L McKeough, Director
Sydney, 25 August 2011

Independent auditors report

To the members of Austbrokers Holdings Limited

Report on the Financial Report

We have audited the accompanying financial report of Austbrokers Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2.2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

Opinion

In our opinion:

(a) the financial report of Austbrokers Holdings Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 51 to 57 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Austbrokers Holdings Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

Ernst & Young

P Harris
Partner
25 August 2011

ASX Additional information

For the year ended 30 June 2011

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 12th September 2011.

(a) Distribution of equity securities

Ordinary share capital

- 54,658,736 fully paid ordinary shares are held by 1,153 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

Options

- 2,007,541 options are held by 12 individual option holders.

Options do not carry a right to vote.

The number of shareholders, by size of holding, in each class are:	*Fully paid ordinary shares*	*Options*
1 – 1000	241	–
1,001 – 5,000	543	–
5,001 – 10,000	198	–
10,001 – 100,000	142	6
100,001 and over	29	6
	1,153	***12***
Holding less than a marketable parcel	47	–

(b) Substantial shareholders

Ordinary shareholders	*Number fully paid*	*Percentage*
QBE Insurance Group Limited (23/12/09)	7,469,201	14.40
Invesco Australia Limited (13/08/10)	3,826,948	7.26
Challenger Financial Services Group Limited (19/10/10)	4,809,317	8.96
Westpac Banking Corporation / BT Investment Management Limited (10/08/09)	3,103,463	6.18
Treasury Group Limited (13/12/2010)	3,227,697	5.90
Aviva Investors Australia Limited (27/04/10)	2,871,540	5.54
Greencape Capital Pty Ltd (28/09/2010)	2,838,347	5.38
Celeste Funds Management Limited (8/08/11)	2,746,877	5.03
Allianz Australia Insurance Limited (27/08/07)	2,557,000	5.01

(c) Twenty largest holders of quoted equity securities

Ordinary shareholders	*Number fully paid*	*Percentage*
National Nominees Limited	11,017,226	20.16
Citicorp Nominees Pty Limited	9,183,162	16.80
J P Morgan Nominees Australia Limited	8,850,077	16.19
HSBC Custody Nominees (Australia) Ltd	4,559,568	8.34
Aust Executor Trustees NSW Ltd <Tea Custodians Limited>	2,186,408	4.00
Citicorp Nominees Pty Limited <Colonial First State Inv A/c>	1,095,191	2.00
UBS Wealth Management Australia Nominees Pty Ltd	1,061,968	1.94
Mirrabooka Investments Limited	918,208	1.68
Milton Corporation Limited	904,046	1.65
J P Morgan Nominees Australia Limited	837,093	1.53
Cogent Nominees Pty Ltd	797,069	1.46
RBC Dexia Investor Services Australia Nominees Pty Ltd <PIPOOLED A/C>	748,270	1.37
Masfen Securities Limited	660,755	1.21
Bond Street Custodians Limited <Celeste Concentrated Fund>	543,712	0.99
SIB Holdings Pty Ltd <SIB UNIT A/C>	494,882	0.91
Cogent Nominees Pty Limited <SMP Account>	474,389	0.87
RBC Dexia Investor Services Nominees Pty Limited <BKUST A/C>	467,800	0.86
UBS Nominees <PB SEG A/C>	455,659	0.83
The Trust Company (Australia) Limited	377,466	0.69
Bond Street Custodians Limited	290,616	0.53

Annual general meeting

The Annual General Meeting of Austbrokers Holdings Limited will be held at the Four Seasons Hotel, 199 George Street, Sydney, NSW 2000 on Thursday 24th of November 2011 at 10.00am.

Corporate information

ABN 60 000 000 715

This annual report covers the consolidated entity comprising Austbrokers Holdings Limited and its subsidiaries.
The Group's functional and presentation currency is AUD ($).

A description of the Group's operations and of its principal activities is included in the operating and financial review in the Directors' report on page 49.

Directors

R.A. Longes (Chairman)
W.L. McKeough (Chief Executive Officer)
R. J. Carless
D.J. Harricks
P.R. Shirriff

Company Secretary

S.S. Rouvray

Registered office and Principal Place of business

Level 21
111 Pacific Highway
North Sydney, NSW 2060
Phone: 61 2 9935 2222

Share Register

Link Market Services Limited
Level 12
680 George Street
Sydney, NSW 2000
Phone: 1800 194 270 (Outside Australia + 61 2 8280 7209)

Austbrokers Holdings Limited shares are listed on the Australian Securities Exchange (ASX)

Solicitors

Clayton Utz
1 Bligh Street
Sydney, NSW 2000

Bankers

St George Bank Limited
Chifley Square
Sydney, NSW 2000

Auditors

Ernst & Young
680 George Street
Sydney, NSW 2000

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