28th September 2012

The Company Announcements Platform
Australian Securities Exchange

Austbrokers Annual Report 2012

Please find attached the Austbrokers Annual Report 2012 including the Financial Report for the year ended 30th June 2012.

Yours sincerely,

S.S. Rouvray
Company Secretary
Austbrokers Holdings Limited

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

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austbrokers

2012

Annual Report

Statement of Purpose

Austbrokers is a leading network of general insurance broking, underwriting agencies and financial services operations represented in over 110 locations across Australia and New Zealand. Austbrokers member firms provide quality advice on general insurance, financial services and risk management products to all client sectors in the broader community.

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 shareholders.

Contents

2012 Highlights

20% Increase in net profit after tax to **$25.6 million** for the year ended 30 June 2012

25.6 2012

21.4 2011

18.2 2010

15.9 2009

Net profit after tax (millions)

Dividends per share (cents)

20.5 2009

22.5 2010

25.5 2011

31.0 2012

Total dividend of **31 cents** which repersents a **21.6%** increase on last year's dividend

46.3 cents per share earnings for the financial year, **16.9%** above last year

46.3 2012

39.6 2011

35.3 2010

31.7 2009

Earnings per share (cents)

"Given the economic conditions and the state of the investment markets, this has been an exceptional performance"
Richard Longes

Chairman's Letter

Dear Shareholder

I am pleased to report, on behalf of the Board, that Austbrokers has continued its strong financial performance through our seventh year as a listed company. Through our strong partnerships with our key stakeholders, the company has delivered outstanding increases in profits, earnings per share, dividends and share price growth for shareholders.

Net Profit after Tax increased to $25.6 million, a 20% increase over the previous year. The Directors have declared a final fully franked dividend of 21.5 cents per share, payable in October 2012. This, together with the interim dividend of 9.5 cents, is a full year dividend of 31 cents and represents a 21.6% increase on last year's dividend. Earnings per share of 46.3 cents was 16.9% above last year. These results were assisted by a tax adjustment relating to prior years and adjustments to contingent acquisition payments which if excluded would show an underlying increase in profit of 15% over last year.

Shareholders have enjoyed substantial returns since listing with total shareholder returns of 13.5%, 31.2% and 16.7% for one year, three year and five year periods respectively, all around 20% above the return for the All Ordinaries index. Given the economic conditions and the state of the investment markets, this has been an exceptional performance.

Acquisitions continue to have largely been made as bolt-ons within the broking network during the last 12 months, but the Company did acquire Dittman & Associates based in Gladstone in January 2012. In addition we have acquired the business of Taggart & Associates effective in July 2012. Both of these had significant life risk and financial services businesses broking which will add to the group's operations in this sector.

The Austagencies' underwriting agency business also made the acquisition of Film Insurance Underwriting Agencies in January 2012 which complemented our existing business. For the full year, Austagencies performed very well with a 54% increase in its contribution to the group profit largely as a result of this and the revenue synergies obtained from the CEMAC acquisition made last financial year.

The Company remains well positioned with cash, substantial available banking lines and a conservative gearing to respond to acquisition opportunities as they arise.

The Board continues to be conscious of the need to provide for succession of Directors and will commence a process to appoint an additional director in 2013.

On behalf of the Board I would like to emphasise the contribution to the group's success from our partners in the broking network and agency businesses and their employees. Their expertise and dedication is a key ingredient in Austbrokers' success.

The excellent results give the Board confidence that the experienced management team have the requisite skills, experience and dedication to enhance Austbrokers' position as Australia's leading broker network.

To the team and all employees, thanks for such a strong performance and we look forward to another successful year.

Richard Longes.

R A Longes
Chairman

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 67

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 nsurance 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 62

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

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 66

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

Ray Carless
Non-Executive Director

Ray Carless has over 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 57

Managing Director's Report

"We continue to build up resources in this business to ensure growth into the future"
Lachlan McKeough

2012 was another successful year for Austbrokers, reflecting the strength of our existing business model as well as the diversity and strength of the individual broking and underwriting agency businesses. Our partnership model has brought rewards to all our stakeholders including our equity partners.

The 20% growth in reported net profit after tax was a considerable achievement delivered under difficult trading conditions with the two speed economy persisting through the year which impacted SME business in particular. In addition despite premium rate increases in property lines they were only moderate in other classes and fairly flat in liability classes, therefore overall not making a significant contribution to the growth.

A total of 7 acquisitions were made during the financial year, the majority of which were bolt-on acquisitions for network members. In January we were pleased to acquire the general insurance broking and life risk and financial services business of Dittman & Associates based in Gladstone. In addition on 1 July 2012 we acquired a similar business from Taggart & Associates. Recognising that acquisitions are important to Austbrokers' future growth, during the year, Fabian Pasquini was appointed General Manager Acquisitions & Development to give additional dedicated focus.

Profits from the broking network were up 10.7%. This growth was assisted by acquisitions, direct and bolt-on and some increase in premium rates but also reflected the strength of the brokerages further developing their business.

Austagencies, our underwriting agency business, has also shown excellent growth with its contribution to group profit increasing by 54% largely due to acquisitions of CEMAC, a plant and equipment portfolio, in 2011 and Film Insurance Underwriting Agency in January 2012. The latter complemented our existing film and television underwriting agency. The increase in profits was also assisted by increased profit commissions and claims management fees from underwriters. We continue to build up resources in this business to ensure growth into the future.

Information Technology is an integral part of our business framework and recognising the need to continue being competitive, we have reinstated the position of Chief Information Officer by appointing Theo Stevens into the role. To meet current technology trends, stream lining of services is planned for our brokers to deliver efficiencies through dynamic scaling of information technology assets and automation of administrative tasks.

The recent introduction of our business intelligence reporting tool will provide streamlined self-service reporting that empowers our brokers and drives innovative decision making. Implementation of iClose business pack has been fulfilled with four of our strategic underwriters having connectivity to iClose placements and with our fifth partner expected to be connected at the second half of the year, this will provide greater efficiencies in processing for both broker and underwriter.

Our product range through iClose will also expand to include ISR and liability in the second half of the year.

In our sights also is the continuation of product releases through iClose with the strategic differentiator being the ability for underwriters to manufacture distinction in cover, terms and conditions when they deliver product through iClose.

The premium funding joint venture with Pacific Premium Funding expired on 31 July 2012 and after extensive evaluation of the most beneficial way forward, an arrangement was entered into with Hunter Premium Funding for a period of 5 years.

The joint venture with IBNA has been successful in achieving its objectives and with both parties support will continue to do so.

The outlook for the next financial year is characterised by the expectation of moderate premium rate increases continuing, somewhat uncertain economic conditions especially impacting SME businesses and a lower interest rate environment. The last two matters are likely to have negative impacts on profit growth next year but given the general resilience of the businesses we are still budgeting for moderate growth to be achieved.

W L McKeough
Director

Chief Financial Officer's Report

I am pleased to report to Shareholders that net profit after tax (NPAT) for the year ended 30 June 2012 was $25.6 million representing an increase of 20% over the 2011 financial year.

This profit includes after tax profits on sale of interests in associates and controlled entities of $0.1 million last year and this year an adjustment to the contingent consideration on the acquisition of a controlled entity of $0.2 million. The profit this year also includes an income tax credit arising from recognition of a deferred tax asset in relation to prior years' share based payment expense of $0.6 million. If the above mentioned items, together with the amortisation of intangibles are excluded, the net profit (Adjusted NPAT) was $27.4 million in 2012 (2011: $23.8 million) an increase of 15%. This measure better reflects the performance of the underlying business.

Earnings per share (EPS) of 46.3 cents represented an increase of 16.8% over the prior corresponding period (this increase was 11.9% based on Adjusted NPAT). This is the sixth 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.

Operating Results

Revenue for the year was $126 million, up almost 10% on 2011. While the year saw hardening of rates across property classes of insurance business, premium rate increases in other areas 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 2012 result.

Growth from the broker network, contributed 10.7% to profit growth reflecting both direct and bolt on acquisitions and business development initiatives undertaken by individual brokers. Obtaining the full benefit from acquisitions has been delayed due to accounting changes requiring expensing of acquisition costs and the amortisation of discount required to be recognised on contingent consideration. These costs reduced growth by approximately 2.0%.

The network's growth in base commission and fee income was around 5% to 6% (excluding acquisitions). Total commission and fee income increased by 13.9% and total income was also up 9.8% over the prior period (excluding direct acquisitions). Expenses in the broker network increased by 10.4% (excluding direct acquisitions). This reflected some increase as a result of bolt on 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 54% on 2011 contributing 6.2% of overall growth. Commission and fee income increased by 55%, of which, approximately half was due to acquisitions. Profit shares received from underwriters were up 41% on 2011 and claims management fees also increased. Overall acquisitions contributed half of the profit increase. Existing businesses increased income by 18%.

Corporate expenses were up 4.1% over the prior year due to general inflationary impacts and IT costs in relation to the iClose project. This reduced profit growth by 0.8%. Borrowing costs increased due to the amortisation of discount on contingent consideration payments for acquisitions reducing profit growth by a further 0.5%. Corporate interest earned increased due to higher loans and cash held, increasing growth by 0.8%.

Balance Sheet

Total bank facilities of $44.8 million have been provided to the group by St George Bank, the majority of which extends to August 2013. Of this amount $33.8 million was utilised at 30 June 2012. As a result $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 21.5 cents per share fully franked (up 26.5% on the 2011 final dividend) has been declared by the Board of directors and is payable on 24th October 2012 to shareholders registered in the company's register of members at 5pm on 5th October 2012.

The total dividend for the year of 31.0 cents per share represents an increase of 21.6% on 2011, exceeding earnings per share growth of 17% based on reported NPAT and 11.9% based on Adjusted NPAT and the income tax credit. The payout ratio on the latter basis increased from 58% to almost 62%.

The company's Dividend Reinvestment Plan (DRP) will be open to shareholders entitled to participate in the 2012 final dividend. Shares will be issued under the DRP at a 2.5% discount to the 5 day volume weighted average price. The last day to elect for participation is 4 October 2012.

	2012	2011	2010	2009	2008	2007
	%	%	%	%	%	%
Growth in Earnings Per Share*	11.9	12.8	9.2	14.5	18.4	15.1
Growth in NPAT*	15.0	18.1	12.1	14.7	18.5	15.3

* on an Adjusted NPAT basis

S S Rouvray
Chief Financial Officer

20%

Increase in profits over the 2011 financial year

31.0¢

Per Share Dividend in 2012

$126m

Total revenue, up 10% on 2011

54%

Increase in Underwriting Agency Profits

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.

Theo Stevens
Chief Information Officer

Theo has over 20 years experience in the general insurance industry.

Theo joined Austbrokers this year in the role of Chief Information Officer after ten years with QBE where he held the role of Head of eCommerce Development Global Distribution which included responsibility for strategic information technology development. During his time at QBE Theo developed many electronic product programs that relied on emerging technologies.

He has extensive experience in building responsive Information Technology teams that consistently deliver results by aligning technology initiatives with business goals including leading Internet, database and business intelligence reporting capabilities critical to the success of production systems and company performance.

Theo has a Bachelor of Business Charles Sturt and a Certificate III in General Insurance.

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.

Fabian Pasquini
General Manager Acquisitions & Development

Fabian has over thirty years insurance industry experience in the general underwriting and broking sectors.

Having joined Austbrokers in 1999, Fabian held senior management roles with NZI (now CGU) in sales and operational divisions, and also had an eight year career in broking. He has previously acted as Regional Operations Manager representing Austbrokers on several of its partner firm boards.

Fabian has a Diploma of Business Management (Deakin University) and is a Fellow of the Australian Institute of Company Directors. He holds an Advanced Diploma of Financial Services (Qualified Practicing Insurance Broker) and is a Senior Associate & Certified Insurance Professional of the Australian and New Zealand Institute of Insurance & Finance. Fabian has also participated as a member and Chairman of the National Insurance Brokers Association (Vic) Committee.

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.

Craig Patterson
Managing Director 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 Diploma of Australian Insurance Institute and is a Member of the Australian Risk Management Institute.

Insurance Broking Operations Team

Tony Clark

Greg Arms

Ron Broadbent

Insurance Broking Operations

Insurance Broking

Insurance broking is Austbrokers' core business generating 92% of the company's revenues for the year ending 30 June 2012.

Currently there are 42 broking businesses in the Austbrokers network:

- 4 wholly owned
- 18 50% - 85% owned
- 20 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, Vero (Suncorp) and with Lloyd's of London.

The performance of the network during the year has been very good with total income increase of 12.7%, achieved through a combination of acquisitions and organic growth. Premium rate increases during the period were only moderate.

In a tough acquisition market one significant direct acquisition was completed during the year. Dittman & Associates based in Gladstone was acquired on 1 January 2012. This business which included insurance broking and a significant life risk and financial services business has now been renamed Austbrokers Gladstone.

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

- Austbrokers Countrywride acquired 80% of Hamilton & Hamilton
- Austbrokers RWA acquired businesses in Tamworth and Coonabarabran
- County Wide Insurance Brokers acquired a business in Perth
- MGA acquired portfolios and businesses in Adelaide and Melbourne

On 1 July 2012 the general insurance broking and financial services business of Taggart Group based in Baulkham Hills in Sydney was acquired by Austbrokers Sydney and Austbrokers Financial Solutions. This will further boost the Group's financial services capabilities.

Also in early July the remaining 50% of Insurics was acquired making this now wholly owned.

The owner driver was sustained with a number of succession transitions in network members with new shareholders being introduced in Power Insurance Brokers, Austbrokers City State, Austbrokers Premier and Strathearn.

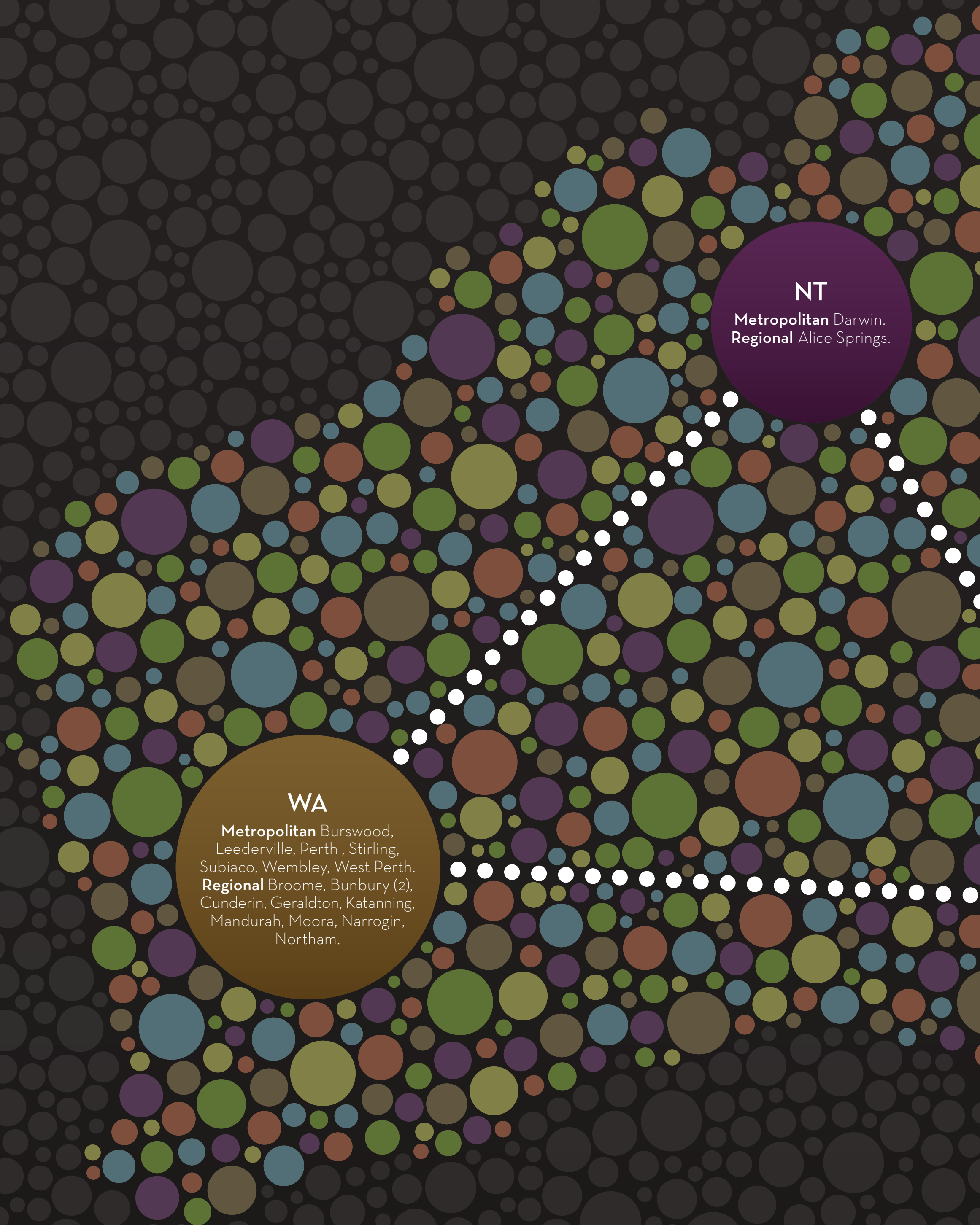
Part of Austbrokers strategy has been to diversify its service offering into other related areas.

Austbrokers holds equity in two standalone financial services businesses and as stated has acquired another two businesses during the year that have substantial financial services businesses.

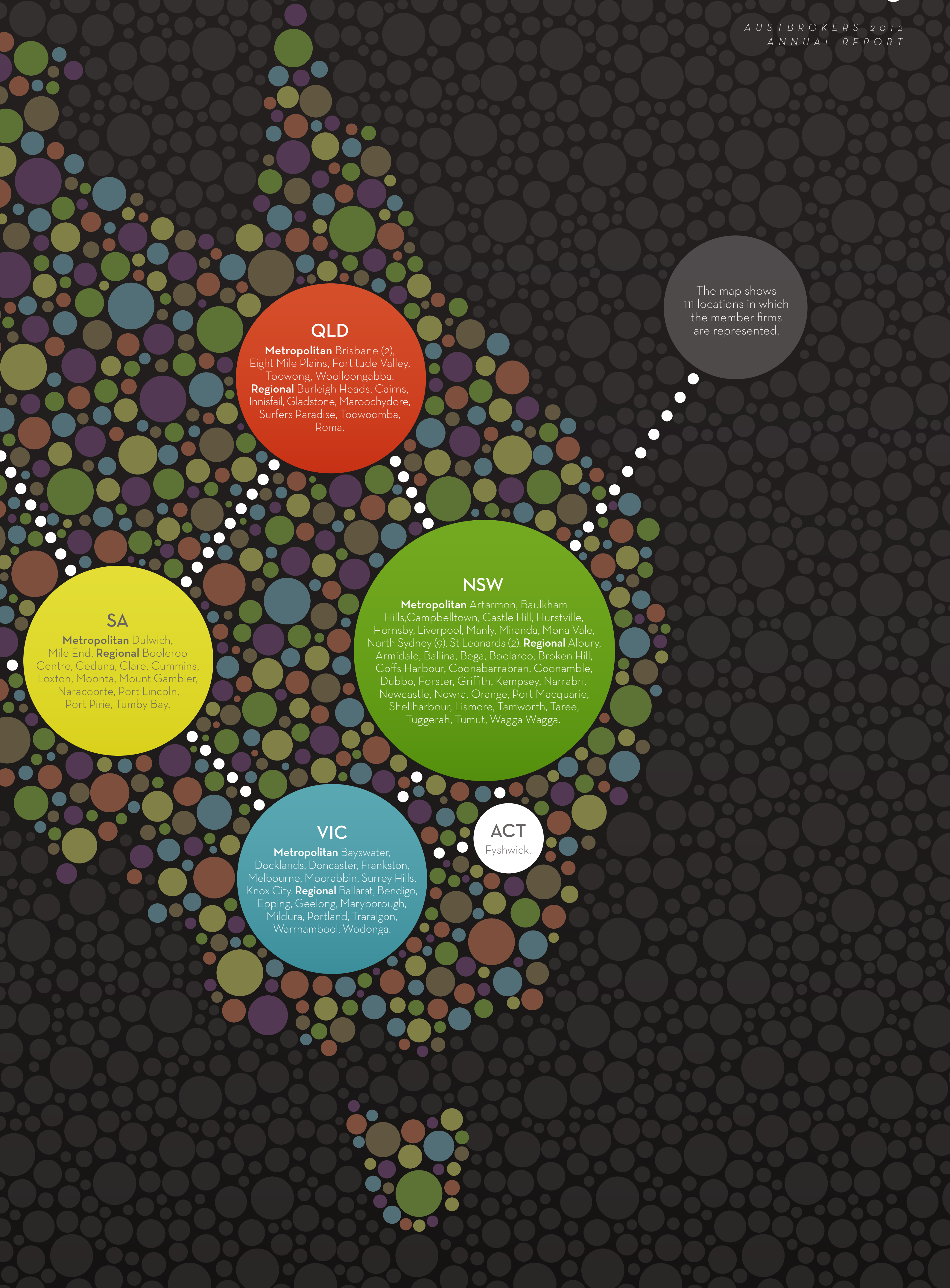
The broking network also includes a number of businesses which have established subsidiaries which operate life insurance, superannuation and in a few cases financial planning businesses. These vary in scale and the stage of development but are seen as an important aspect of servicing clients in all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

Austbrokers joint venture with Pacific Premium Funding (owned by GE) developed this business significantly. During the year Austbrokers undertook a strategic review of the arrangement and in July 2012 entered into a new agreement with Hunter Premium Funding. This agreement will continue to provide brokers with a substantial source of income.



Broking Firm Presence


QLD
Metropolitan Brisbane (2), Eight Mile Plains, Fortitude Valley, Toowong, Woolloongabba. **Regional** Burleigh Heads, Cairns, Innisfail, Gladstone, Maroochydore, Surfers Paradise, Toowoomba, Roma.
NSW
Metropolitan Artarmon, Baulkham Hills,Campbelltown, Castle Hill, Hurstville, Hornsby, Liverpool, Manly, Miranda, Mona Vale, North Sydney (9), St Leonards (2). **Regional** Albury, Armidale, Ballina, Bega, Boolaroo, Broken Hill, Coffs Harbour, Coonabarrabran, Coonamble, Dubbo, Forster, Griffith, Kempsey, Narrabri, Newcastle, Nowra, Orange, Port Macquarie, Shellharbour, Lismore, Tamworth, Taree, Tuggerah, Tumut, Wagga Wagga.
SA
Metropolitan Dulwich, Mile End. **Regional** Booleroo Centre, Ceduna, Clare, Cummins, Loxton, Moonta, Mount Gambier, Naracoorte, Port Lincoln, Port Pirie, Tumby Bay.
VIC
Metropolitan Bayswater, Docklands, Doncaster, Frankston, Melbourne, Moorabbin, Surrey Hills, Knox City. **Regional** Ballarat, Bendigo, Epping, Geelong, Maryborough, Mildura, Portland, Traralgon, Warrnambool, Wodonga.
ACT
Fyshwick.
The map shows 111 locations in which the member firms are represented.

Broker Network Steering Committee

Austbrokers works cohesively with its partner businesses to improve operational, marketing and human resources activities and processes.

The Austbrokers Network Steering Committee undertakes the important task of being the bridge from the Network to Austbrokers' management to facilitate communications on priorities for developments to assist the Network. Representatives from each State are formally elected by the Network businesses and are joined by Austbrokers' operations team members in considering key issues for the Network including prioritising IT developments and responding to emerging issues.

The individual Network members meet regularly in State Cluster meetings with matters arising from discussion at these brought forward for consideration by the Steering Committee.

The process ensures that the communication flow from the Network is structured and receives attention which is core to the development of the group initiatives and their successful implementation.

Tim Considine
Austbrokers Countrywide
(VIC)

Brian Salisbury
Austbrokers SPT
(Sydney Metro)

Scott Brown
Peter L Brown & Associates
(NSW Regional)

Antony Gallagher
MGIB (WA & SA)

Don Tickle
Rivers (QLD)

Broker Network

austbrokers ABS

Specialising in: Corporate, Commercial, SME, Affinity/ Associations, Strata, Bloodstock and Workers Compensation

Austbrokers ABS

ABS focuses on what we believe our clients value: Reliability and Trustworthiness, Responsive service (24/7 availability), Client advocacy and quick settlement of claims, Professional advice, Value for money, Tailored and cost effective coverage.

Services include: Risk consulting, insurance programme design, transactional broking, premium funding and claims management.

austbrokers AEI

Insurance Broking Specialists

Specialising in: Manufacturing, Retail, Professional Risks, Construction & Transport

Austbrokers AEI

Austbrokers AEI was formed in 2010 through a merger of Chegwyn Corporate Services. It has a commitment of personal service to organisations in the SME sector through to manufacturers with large turnovers.

Services include: Insurance reviews advice and placement, claims management and workers compensation services.

austbrokers ABS Aviation

Specialising in: Aviation

Austbrokers ABS Aviation

Aviation insurance is a specialist area. We have the capability to handle all classes of aviation business and our insurance expertise covers the full spectrum from general aviation to commercial airlines and from airports to aircraft maintenance and repair facilities.

Services include: Aircraft Hull and Liability, Aircraft Hull War, Aviation Premises, Hangar Keepers and Products Liability, Airport Liability, Airport Security Liability, Aircrew Loss of Licence, Aircrew Personal Accident.

austbrokers Canberra

Specialising in: Construction, Transport, Motor Vehicle Dealerships, SME Sector, Registered Clubs

Austbrokers Canberra

A long-standing business servicing Canberra and regional NSW in excess of 28 years. The business has consistently provided specialist services to a number of satellite programmes, the Master Builders Association of Australia (ACT) as well as commercial, domestic builders civil contractors, and major national transport businesses, recently expanding its operations across Australia.

Services include: Professional Indemnity, Public Liability, Workers Compensation, Construction, Marine Transit, Directors & Officers insurance, as well as tailor-made insurance programs to registered clubs of all sizes.

Carriers Insurance Brokers

We are a dynamic business that prides itself on our personalised client service. Our experience, knowledge and customised insurance solutions have placed us as a leading insurance broker within the Transport Industry.

Services include: Motor Fleet Insurance, Specialised Owner-Operator Packages, Management Liability, Contractors Plant and Machinery, Marine Cargo Insurance for Freight Forwarders and Custom Agents, Personal Accident and Illness Insurance, NSW CTP Greenslips, Risk Management, Claims Management.

austbrokers Carriers

Specialising in: the Transport Industry

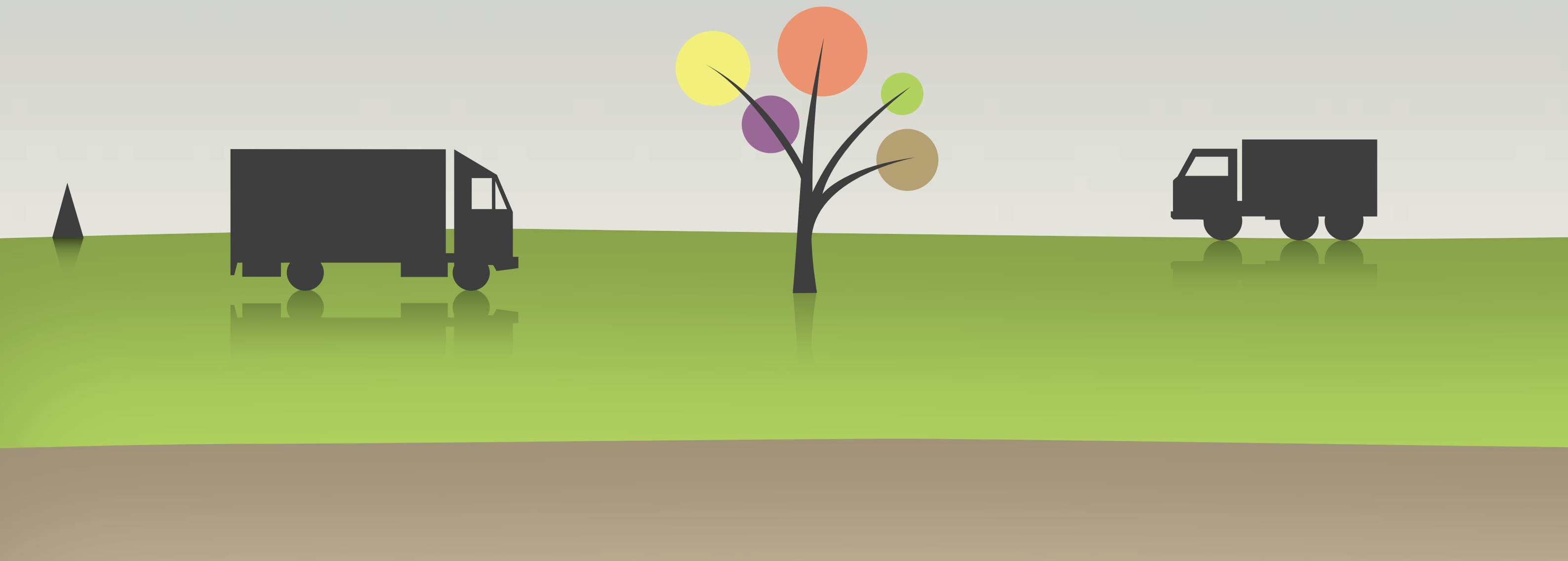
austbrokers AEI Transport

Specialising in: Heavy Transport, Owner Operators, Warehousing & Logistics, Civil Contractors & Earthmoving, Workers Compensation

Austbrokers AEI Transport

Austbrokers AEI Transport is a “Heavy Transport Specialist” that has been involved in the transport arena for over 25 years. 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 to assist clients arrange appropriate insurance solutions.

Services include: Partnerships with Industry Associations, Dedicated Claims Division 24/7 Accident Assist, Customised / Enhanced Wordings, Risk Management Solutions, Workers Compensation Division.



austbrokers
C E McDonald

Specialising in: Retail Motor Dealer Networks, Market Stall Holders in conjunction with Market Organisers

Austbrokers CE McDonald

The company has developed an enviable reputation for its expertise, personal service and rapid claims resolution in its target industry sectors.

Services include: Specialist policy wordings and risk programmes tailored to specific industries.

austbrokers
Coast to Coast

Specialising in: Small to Medium Enterprise, Petroleum, Transport, Food Processing Industries

Austbrokers Coast to Coast

As one of the largest Insurance Broking houses in the Gold Coast / Burleigh area, Austbrokers Coast to Coast continues to grow its loyal client base. Our focus on technical excellence, and gaining a thorough knowledge of our clients businesses, allows us to provide insurance solutions that are comprehensive, innovative and cost effective.

Services include: General Insurance Placements, Risk Management, Claims Management, Life Insurance and Premium Funding.

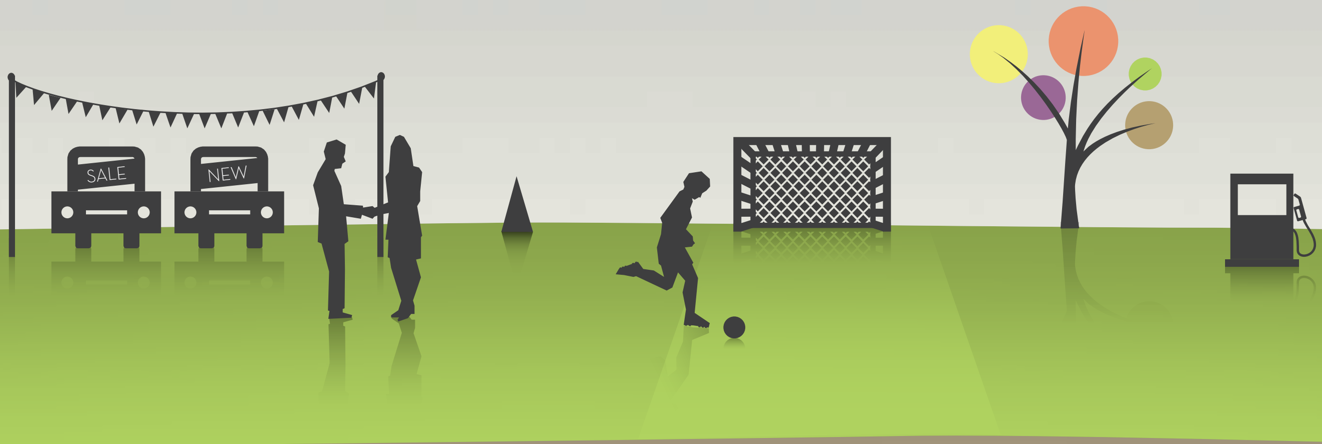
austbrokers
Central Coast

Specialising in: Small Medium Enterprises, Sporting Clubs, Heavy Transport, Taxi Fleets, Not For Profits, Aged & Child Care

Austbrokers Central Coast

A young and enthusiastic company providing insurance solutions primarily for the Central Coast of NSW, serviced by local people with local knowledge, but with access to global solutions.

Services include: Insurance Broking, Risk Management Services, CTP Greenslips, Claims Management, Financial Services capabilities.



austbrokers City State

Specialising in:
Engineering, Transport,
Turf Farming, Construction
Industries

Austbrokers City State
Serving the Illawarra and Shoalhaven communities for over 25 years, Austbrokers City State maintains offices in both Shellharbour and Nowra. We take great pride in providing our clients with innovative, and cost effective insurance solutions, combined with friendly efficient service.

Services include: General Insurance Placements, Claims Management, Workers Compensation and Premium Funding.

austbrokers Financial Solutions (SYD)

Specialising in: Business Succession
Planning, Personal & Family
Protection Strategies,
Life Insurances, Corporate
Superannuation

Austbrokers Financial Solutions (Syd)
Provides advice and products including life insurance, group life insurance and superannuation to assist companies and individuals to protect assets and income.

Services include: The full range of life insurance protection for both business and personal protection needs and superannuation.

austbrokers Countrywide

Specialising in:
Insurance Advice, Risk Management,
Financial Solutions

Austbrokers Countrywide
Austbrokers Countrywide is a leading provider of insurance and financial solutions. Providing a unique customer orientated experience for SME's and Professional Associations throughout Australia. We host free monthly business seminars and business leader forums which cover a range of organisational topics. This value adding service intends to support our clients in the growth of their own businesses whilst establishing and strengthening our relationship with clients.

Services include: Professional Risks, Corporate/Commercial Insurance, Domestic, Risk Management, Financial Planning, Sum insured health checks, Free review of any insurance policy, Free monthly business seminars, Business leaders discussion forums.

Austbrokers HCI

A local business for 40 years and the largest non international broker in the Toowoomba area. Our focus is providing our clients with the best cover for their situation and also to secure their financial future.

Services include: Personal Insurance, financial planning, commercial insurances, risk management and asset protection.

austbrokers HCI

Specialising in: Small Business, Truck Fleets, Personal Insurance, Business Insurance and Financial Planning

Austbrokers NCFS

Austbrokers NCFS has maintained a strong market growth in the NSW North Coast region over the past 12 months. Our team has grown to a total of 19 staff who services our clients from two locations, based in Lismore and Ballina. Austbrokers NCFS employees support the company principles of providing excellence in service, knowledge and choice and are professionally trained in delivering this to every client.

Services include: General Insurance, Commercial Insurance, Workers' Compensation, Claims Management, Life/Risk Insurance, Superannuation, Financial Planning Services.

austbrokers NCFS

Specialising in: Construction, Manufacturing, Mining Industries, Retail Businesses

austbrokers Gladstone

Specialising in: Mining, Ports/Wharves, Construction, Power, Marine, Aluminium Refineries & Smelters, Steel & LNG.

Austbrokers Gladstone
T/A Dittman & Associates Insurance

Provides advice and placement for all general insurance products and on Income Protection, Life Insurance, Trauma Insurance and Superannuation, assisting with Risk Management programs.

austbrokers NTIB

Specialising in: Rural Insurance, Wool Industry, Agricultural Services, Professional Risks, Property Owners

Austbrokers NTIB

As proud members of the New England business community, our qualified staff are local people who take great pride in providing the best possible insurance experience for our clients. We combine our extensive technical expertise, and thorough analysis of client risk exposures to provide comprehensive and cost effective insurance solutions.

Services include: General Insurance Placements, Claims Management, Workers Compensation and Premium Funding.

austbrokers Premier

Specialising in: Timber, Pet, Construction Industries, Medical Practises, Business Brokers, Professional Services, Hospitality

Austbrokers Premier

We provide risk advice to customers and through consultation, implement appropriate insurance protection, coverage risk advice and services to our chosen markets. In addition we provide specialist advice and insurance services for SME businesses, risk protection and design for the larger business operation.

Services include: All general insurance services for Private Clients, SME Commercial and Corporate Risk businesses, claim negotiation and settlement, in-house partners for Life Broking and Financial Planning services.

austbrokers Phillips

Specialising in: Workers Compensation, Timber Industry, Adventure Leisure, Transport, Health & Safety Industry

Austbrokers Phillips

Austbrokers Phillips encompasses a range of personal and professional services including Workers Compensation, Financial Planning and Superannuation. We have developed a Private Client division to assist business owners and individuals with all their personal insurance, life insurance and Financial Planning needs.

Services include: Business Insurance, Workers Compensation Claims and Premium Consulting, General Insurance Claims Support, Private Insurance, Personal and Business Life and Risk Insurance, Financial Planning, Corporate Super, Self Managed Superannuation, Referral Partners Program.

Austbrokers Risk & Insurance Services

With a presence in both metropolitan Sydney and Regional NSW, Austbrokers Risk & Insurance Services is a diverse business offering expertise and Insurance Broking solutions in General Insurance, Workers Compensation, Life and Financial services, and our niche, the Bus & Coach Industry.

Services include: All Commercial, Industrial & Domestic Insurance, Bus & Coach Insurance, Transport Insurance, Rural Insurance, Professional Risks Insurance, Workers Compensation, Life & Financial Risks, Claims Management.

austbrokers Risk and Insurance Services

Specialising in:
Bus and Coach Industry,
Rural and Workers
Compensation

Austbrokers RWA

Our Manly Office has a wide spread of SME accounts covering a diverse range of occupations & industries. Our Tamworth Office, with representatives in Narrabri & Coonamble has a large farm portfolio & continues to experience growth via organic means and acquisition of small portfolios.

Services include: General Insurance Solutions, Farm & Crop Insurance, Nursing Homes.

austbrokers RWA

Specialising in:
Farm & Crop Insurance,
Nursing Homes

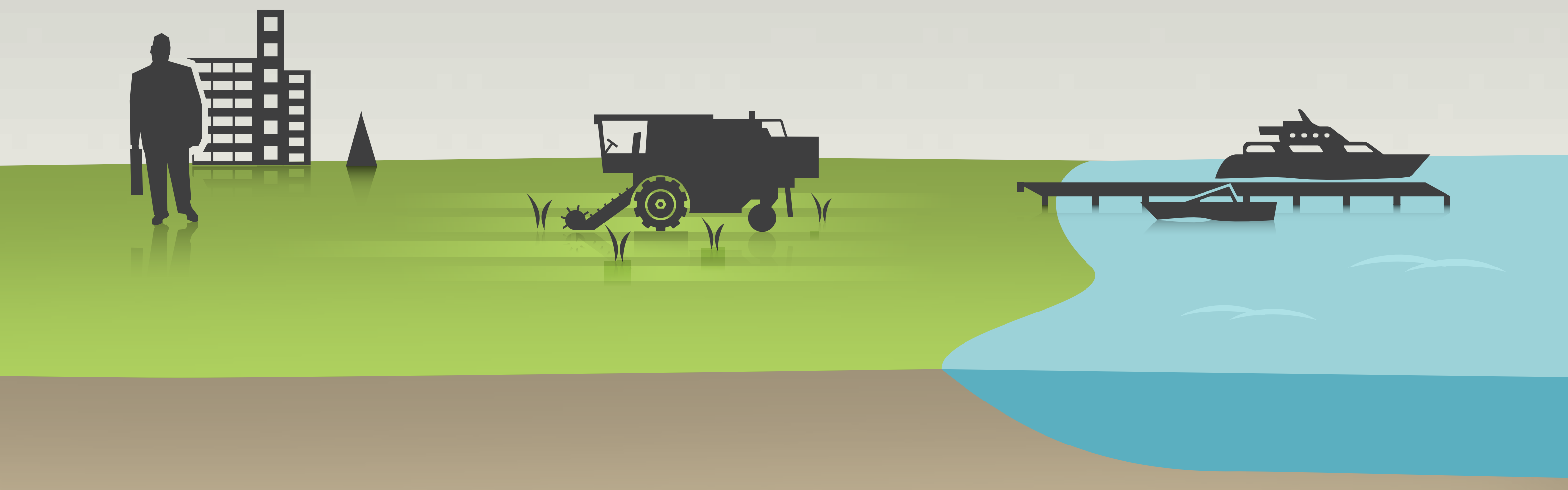
austbrokers Professional Services

Specialising in: Professional Risks
Insurance, Professional Indemnity
and D&O/Management
Liability Insurance

Austbrokers Professional Services

We are a specialist wholesale broker that advises on and places professional risks insurance products. Our approach is to focus on assisting brokers to offer their clients the most appropriate coverage balanced with competitive terms.

Services include: Professional Indemnity, Management Liability, Directors and Officers, Association Liability/Not For Profit, Information Technology, Cyber Liability Insurance, Financial Institutions, Investment Managers (IMI), Employment Practices, Statutory Liability, Crime (incl. Employee Theft).



austbrokers SPT

Specialising in:
Broad Based Insurance
Broking Services

Austbrokers SPT

Our long established business provides professional insurance broking services to local and international clients. Specialist local facilities include professional indemnity, pleasurecraft and other affinity group insurance products. Web-based solutions play a strong and ever-growing role in our service offering.

Services include: Commercial Lines, Professional Indemnity for NSW Conveyancers, Pleasurecraft (PWC-Jetski), Work Experience, International inbound & outbound broking solutions – members of UNIBA, Hospitality, Affinity groups.

Austbrokers Terrace

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.

Services include: General Insurance, Life Insurance & Personal Superannuation.

austbrokers Terrace

Specialising in:
Rail Industry, Dental Industry

austbrokers Southern

Specialising in:
Rural, Fishing, Forestry,
Construction Industries

Austbrokers Southern

Serving the South Coast of NSW and ACT for over 20 years, Austbrokers Southern is based centrally to these markets, in the rural community of Bega. We take great pride in our partnership approach to servicing clients, which is based on integrity, honesty, and striving for excellence in all that we do.

Services include: General Insurance Placements, Claims Management, Workers Compensation and Premium Funding.

austbrokers Trade Credit

Specialising in:
Trade Credit Insurance

Austbrokers Trade Credit

Austbrokers Trade Credit is committed to assisting its clients in protecting cash flow and trade debtors assets by securing trade cover.

Services include: Advice and insurance products for Domestic and Commercial Risks, Export and Political Risks and Buyer Insolvency.

AUSTRAL RISK SERVICES

Specialising in: Taxis, Small Charter Vehicle, Learner Drivers, Industrial/ Commercial Enterprises

Austral Risk Services

A boutique brokerage offering tailored insurance packages and risk management solutions and specialising in hard to place risks.

Services include: Industry Schemes, Risk Management, Insurance solutions for all clients from Corporate to SME.

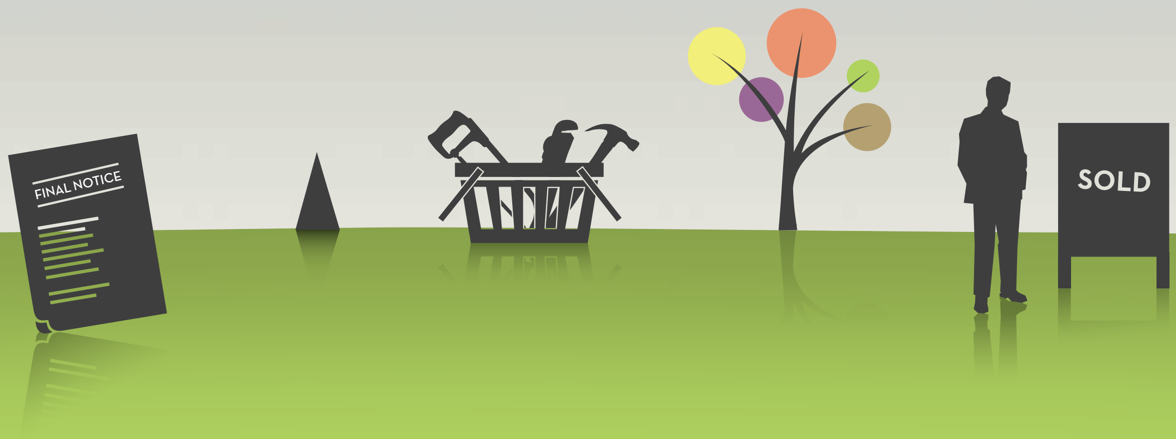
Adroit Insurance Group

One of the largest insurance brokers in Victoria providing full insurance solutions tailored to individual needs delivered through local relationships.

Services include: Partnering with clients to provide peace of mind, Partnering with Associations to provide tailored solutions, Workplace injury and claims management specialists, Risk Insurance.

ADROIT INSURANCE GROUP

Specialising in: Supermarkets, Hardware, Trades, Builders, Manufacturers, Engineers, Hotels, Accountants



CITYCOVER
(AUST) PTY LTD.

Specialising in: Transport, Plant & Machinery, Caravan, Restaurant and Eco Tourism Industries

Citycover

As a major mid-market broker in the city of Brisbane, Citycover continues to build a reputation for professionalism and integrity. Highly respected by both clients and underwriters, the business is also an employer of choice in the Insurance Industry, continuing to attract talent, and currently employing 26 enthusiastic, qualified staff.

Services include: General Insurance Placements, Risk Management, Claims Management, Life Insurance and Premium Funding.

COUNTRY WIDE
INSURANCE BROKERS
Service • Knowledge • Choice

Specialising in: Rural, Farm Machinery Dealers, SME Sector

Country Wide Insurance Brokers

Country Wide through its geographical presence of 9 branches located through out the metropolitan and regional areas of Western Australia provides a balanced portfolio of small to medium sized business's including unique rural insurances.

The company has strong affiliations with the WA Farmers Association and the Farm Machinery Dealers Association.

Services include: Business, Professional, Agricultural and Personal Insurance.

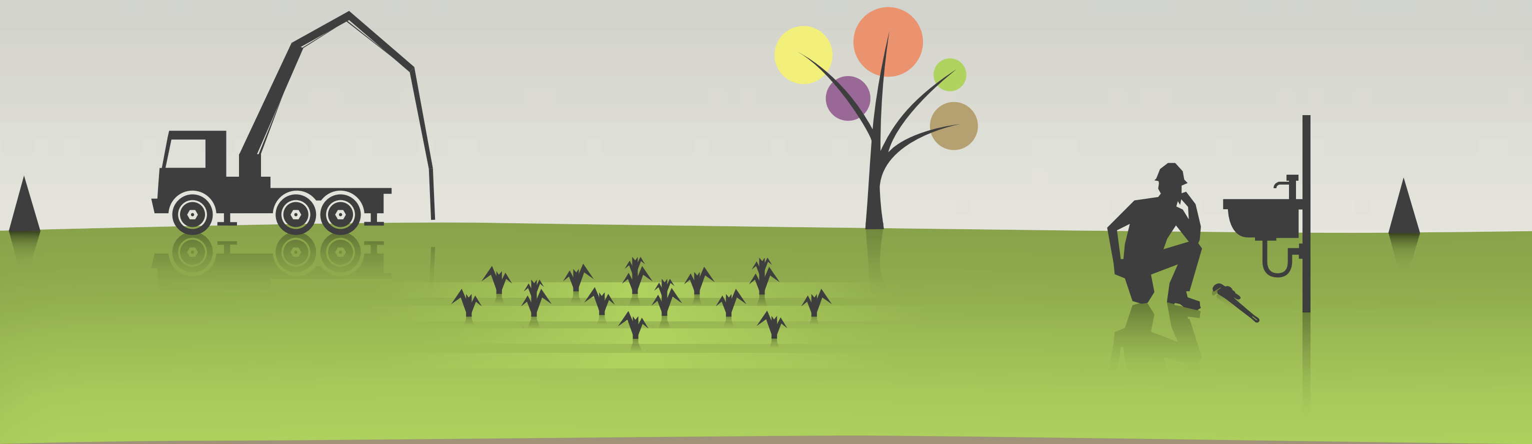
Comsure
COMMERCIAL & FINANCIAL
RISK SOLUTIONS

Specialising in: Industrial/Commercial, SME Businesses, Trades.

Comsure Insurance Brokers

Comsure is a Queensland based national insurance broker which provides specialised risk analysis and customised insurance programmes for a broad range of clients from SME to corporate.

Services include: Risk Assessment and Advice, Risk Management, Claims Management, Insurance Programme Placement, Financial Planning.



Finsura

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

Services include: General Insurance, Life Insurance, Financial Planning, Workers Compensation.

finsura
professional advice specialists

Specialising in:
Commercial Ski Lodges, Nanny Agencies, Pet Industry

Specialising in: All General Insurance Products

fergusons
INSURANCE BROKERS

Specialising in:
Small to Medium Businesses

Fergusons Insurance Brokers

The key to Fergusons success is the quality of the customer service that we provide to our clients. This allows us to gain a better insight and understanding of our client's businesses and leads to the building of mutually beneficial long-term relationships. Fergusons has over 4,000 clients across Australia and 70 of our largest clients have enjoyed a relationship spanning more than 20 years, a testament to our commitment to excellence and service.

Services include: A full range of financial services to customers, including general insurance broking, income protection, life insurance and superannuation, all supported by an enthusiastic and professional team of experienced, knowledgeable and qualified staff.

Insurance Advisernet Australia

Insurance Advisernet allows insurance advisers the benefits of maintaining their local presence while being able to access a national buying group for products and services. We aim to support our advisers and be a market leader distributing quality insurance products and services.

Services include: Providing spport to advisers to enable them in providing insurance products and services to customers.

Markey Group
Markey Group is the largest provider of Insurance Broking Services in the Newcastle / Hunter Valley area. With over 5,000 clients, we now provide employment for over 50 local people. Our dedicated, qualified staff provide a professional, reliable and efficient service to a growing client base of Corporate, SME and personal clients.

Services include: General Insurance Placements, Risk Management, Claims Management, Life Insurance and Premium Funding.

markey INSURANCE BROKERS

Specialising in: Small to Medium Enterprise, Financial Institutions, Professional Risks, Heavy Plant & Machinery, Crane & Construction Industries

MGIB
MGIB has its core operation in the general insurance market & 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, from its two locations in Perth and Bunbury in WA.

Services include: General Insurance, Life Insurance

mgib Insurance Brokers Financial Services

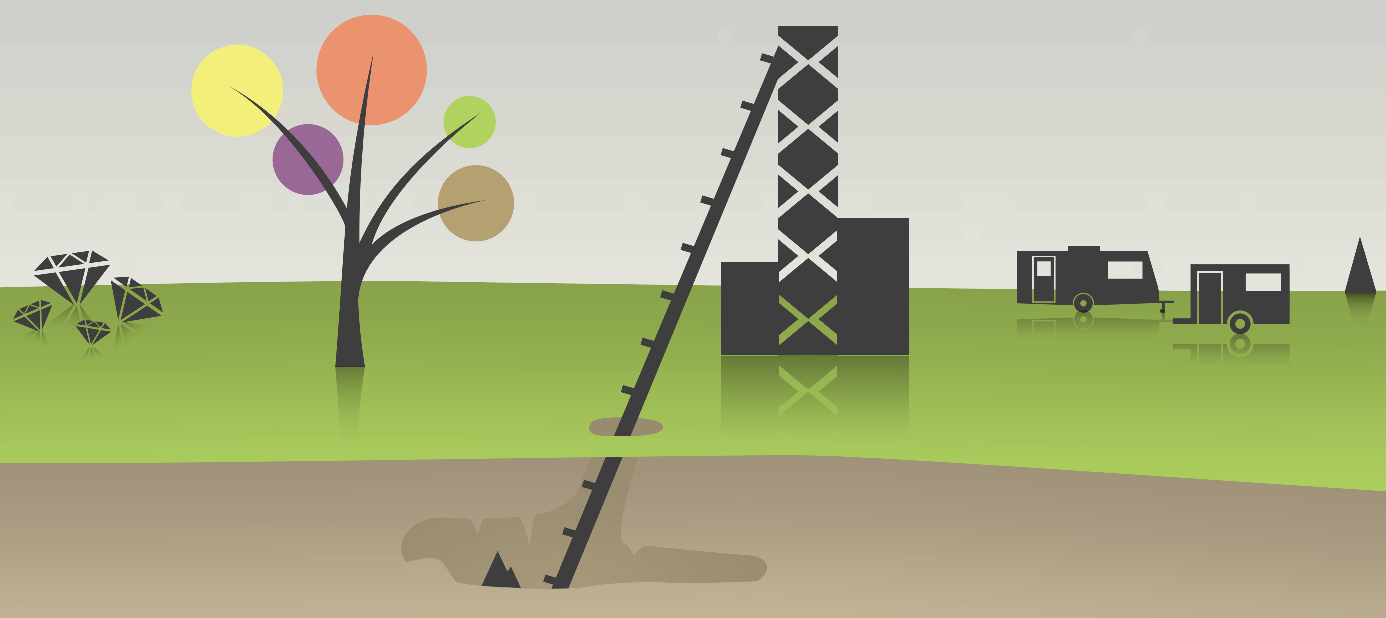
Specialising in: Tourism & Hospitality

JMD ROSS Insurance Brokers Pty Limited

Specialising in: Professional Indemnity, Jewellers Block

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

Services include: Tailored programmes in Tourism, Jewellery, Butchers, Accountants, Architects & Engineers



Specialising in:
Strata, Commercial, Rural,
Transport Industry

MGA Insurance Brokers

MGA have an Australia wide network that specialises in a range of industries as varied as each of its 25 locations. The focus is on establishing businesses with a connection to the local community and with an emphasis on solid client relationships.

Services: Trades, contractors, heavy motor, caravan parks, lawnmowers, wineries, aquaculture, fishing, lawn bowls, nurses PI, painters, pet industry.

Specialising in:
SME, Rural, Construction,
Professional Services

Peter L Brown and Associates

We provide professional insurance advice by experienced brokers backed by responsive service and claims management targeted to maximise outcomes and exceed client expectations.

Services include: Insurance Placements, Program Review, Claims Management, Workers Compensation Management.

Specialising in: Business Insurances,
Workers Compensation, Life Risk
Insurance, Financial Planning

Oxley Insurance Brokers

OIB is the Mid North Coast's (NSW) leading insurance broker with offices located in Forster, Taree, Port Macquarie, Kempsey and Coffs Harbour. Our Brokers & Advisors enjoy long term relationships with their clients through the provision of excellent service and advice. Industry specialists advise on any aspect.

Services include: Business Insurance, Workers Compensation, Life Insurance, Financial Planning.

Rivers

Specialising in: Property Development, Construction, Commercial Property, Manufacturer, Plantations, Professional Services, Commercial Marine, Tourism, Agricultural

Rivers Insurance Brokers and Far North Insurance Brokers

We have a strong focus on providing a level of service and expertise, which is superior to our competitors. Part of this philosophy involves us understanding the way your business operates, so that we can make sensible recommendations on protection for your business.

Services include: Risk identification and management, Policy design, Negotiation with Insurers, Assessors and Suppliers, Claims advice and handling, Premium funding.

corporate srg

Specialising in: All Commercial Business, Sport & Recreation, Construction & Mobile Plant & Machinery

SRG Corporate

With offices in Western Australia and Queensland, SRG have the capabilities to service large national insurance programmes complemented by their designated small business service team who service over 2,000 small business clients nationally. Our newly developed Sports and Recreation division has secured several of Australia's leading sporting organisations. SRG also have an affiliated brand Bikesure, which is a specialist Bicycle Insurance provider.

Services include: All General Insurance Products, Construction and Crane Specialists, Sport and Recreation Specialists, Complex Corporate Insurance Programmes, Small Business Service Unit, Claims lodgement and Management Services, Risk Management services.

insurics
Advice . Solutions . Protection

Specialising in: Rail, Transport & Logistics, Earthmoving and Civil Contractors

Insurics

Insurics combines extensive technical insurance expertise, with a thorough approach to risk analysis, to ensure that our clients enjoy the very best in Advice, Solutions and Protection.

Services include: General Insurance Placements, Workers Compensation, Professional Indemnity, Management Liability and Claims Management.

WESTERN UNITED
FINANCIAL SERVICES PTY LTD
AFS Licence No. 244620

Specialising in:
Heavy Transport

Strathearn Insurance Brokers

Strathearn is a general insurance broker and risk adviser with offices in Perth, Brisbane, Adelaide and Sydney. Strathearn clients benefit from specialised skills and knowledge across products industries, foreign jurisdictions, national and international underwriting markets.

Services include: Providing specialised insurance advice and products including business interruption, companies officers and corporate risks, contract works, legal liabilities, marine and transit, political risks, professional indemnity, property, surety bonds and trade credit.

Western United Financial Services

Western United is based in Perth and 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.

Services include: General Insurance, Life Insurance, Superannuation, Claims Management.

STRATHEARN
INSURANCE BROKERS

Specialising in: Construction, Mining & Resources, Financial Services, Engineering, Aviation, Clinical Trials & Life Science, Heavy Machinery

Austagencies Underwriting Agencies

Introduction

Austagencies Pty Ltd is is wholly owned by Austbrokers. 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, and Lloyd's.

Gross Written Premium by Austagencies booked in the past 12 months was just in excess of $160 million. Its growth in net profit has increased by over 50% this year and has had compound growth of over 30% net profit per annum for the last 3 years. This net profit 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 agency has developed a very successful owner driver model for key underwriting talent in Australia where both the agency and the underwriter benefit from the platform offered.

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.

Austagencies businesses operate under the following brands

Latitude Underwriting
ISR, Liability, Commercial, Package, Marine Equipment Breakdown, Construction, Alpine

FIUA
Film & TV Production, Errors & Omissions Cover

Tasman Underwriting
Professional Indemnity

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. Over the past 12 months Austagencies received in excess of $1,100,000 in profit commission revenue reinforcing its ability to grow both its top and bottom line.

Growth

Austagencies continues to deliver growth through the following initiatives:

Acquisitions

In January 2012 Austagencies acquired 100% of Film Insurance Underwriting Agencies (FIUA), based in Sydney. FIUA is the leading film production insurance agency in Australia and has built an enviable brand in this segment 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.

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 a new market leading product for CEMAC, one of the largest plant and equipment insurance agencies in Australia. This new product has allowed Austagencies to further expand this segment following the acquisition of CEMAC in 2010.

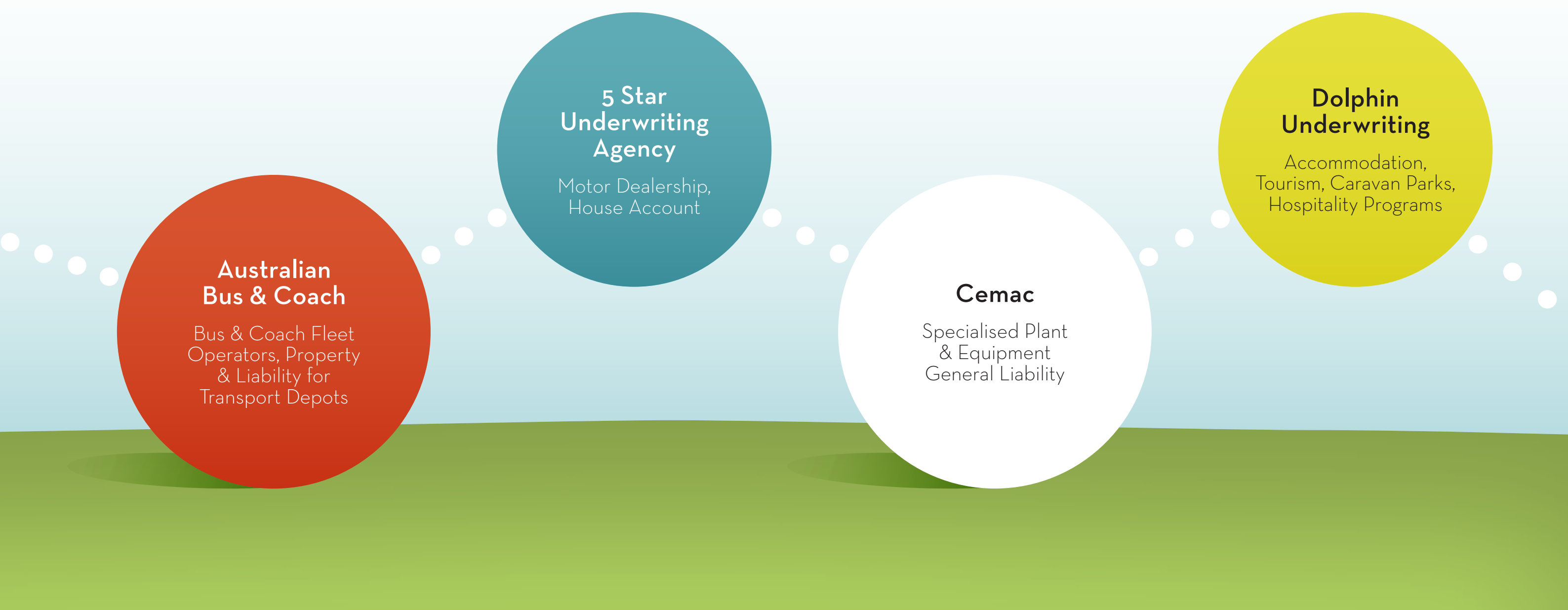
Start up underwriting platforms for Equipment Breakdown, Construction Insurance and Marine all continue to provide positive returns to the business.

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

In the coming months Austagencies will release a new brand, Longitude Insurance focussed on the Domestic Strata market in Australia. Experienced Management and underwriters have been employed to develop this new product which will be available to all brokers nationally.

Marketing

Austagencies has developed many products that it branded 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.



A & I Member Services

A & I Member Services Pty Ltd (AIMS) was established in 2007 to provide services for the collective benefit of 120 members from Austbrokers and IBNA networks, who place premium of over $2.3billion 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 Business Convention, Insurance Product Development and a Regional Committee in each state.

The strategic purpose of AIMS is:

- to deliver leading insurance products, industry tools, business intelligence, training and 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-branded policies for Business Pack, Private and Commercial Motor, Domestic Home and Contents, Industrial Special Risks and General Liability. Across all markets these 6 products cover the majority of general policy needs for insured clients, representing in excess of 60% of Austbrokers' total client policy sales.

The branded 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. In 2011/2012, revised editions of the Commercial Business Package and General Liabililty policies have been issued to members.

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. AIMS has commissioned an independent market research firm to conduct on line surveys of brokers every 6 months. The research is widely accepted as a reliable indicator of brokers' opinions about products and service from insurers. The results are used by insurers in planning their service delivery to our brokers.

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 2011/2012.

Members' Professional Indemnity Insurance Program

This program is a key service to members. With stable security, it provides an acknowledged market-leading policy wording, a cost-effective structure and high limits of liability to protect participating broker members. 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 Business Convention is the high profile forum for partner networking and promotion of risk and insurance solutions. Approximately 450 delegates and business partners attended in 2012. Topics addressed include Emerging Risks, Demographic trends, and the new AIMS Commercial Business Package policy.

Measurable Growth

In representing our broker members to insurers, AIMS recognises that, for the security of the insurance consumer, growth and profitability for our members must be complemented by the growth and profitability of the insurance market. 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.

Austbrokers Group Services & Support

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

Austbrokers Business Centre

The Business Centre was established as a central hub for Austbrokers future transformation in terms of both 'Innovation' and 'Business Enablement'. This means that the Business Centre is continually refining provision of back-office services, so that brokers may work from anywhere in the world, and plans to augment its pool of talented professionals to enable this to happen.

The aim of the Business Centre is to reduce network overheads and enable the brokers sales force growth by affording them additional time to compete in the market more effectively.

The Business Centre's service provisions now, and in the immediate future include:

1. Financial accounting and reporting including all tax related matters.

   Management Reports are published to the intranet and preparation of financial reports is fast, and accurate. The full gamete of financial statements is now prepared by the Business Centre and specific software enables us better presentation and format. Audit processes are efficiently managed in the process.

2. Payroll management including payment and recording.

   We are currently trialling an online HR/Payroll Management Software Programme which has a streamlined back-office payroll system. The online, systemised HR/Payroll processing provides easy and instantaneous access for brokers to reports and associated HR/payroll documentation.

3. Management including the provision of policies and templates, assistance with recruitment and performance management.

The Business Centre has increased the number to businesses for which it provides services to 22 during the year.

Risk Management & Compliance

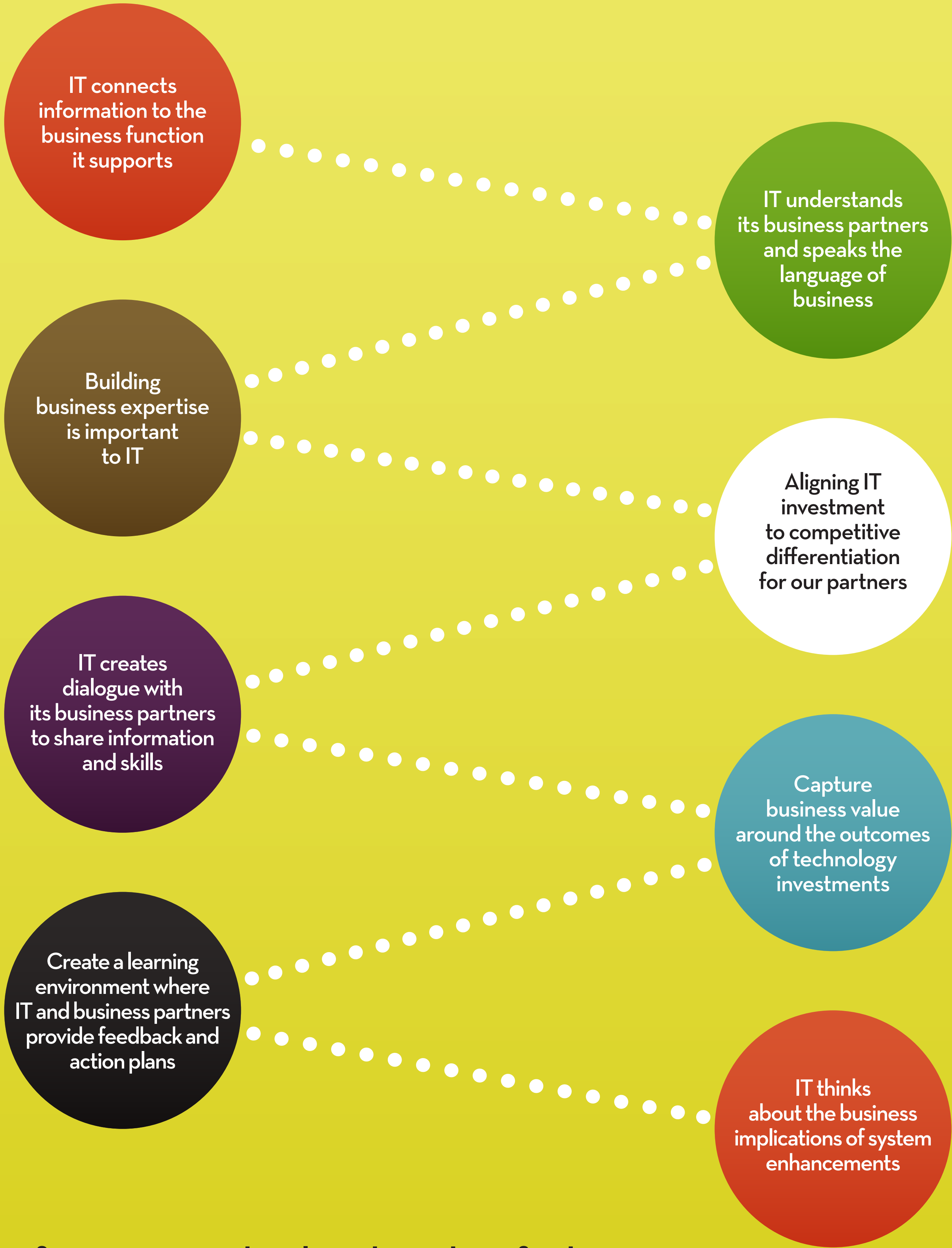
Austbrokers developed a highly specialised framework to comply with Financial Services Regulations which has been implemented by the brokers. This has been overlayed by a risk management programme and audit function to ensure ongoing compliance with requirements.

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.



Information Technology has identified ways to archieve more with our business partners

Today, every business needs a flexible, powerful, and connected information work platform and the skills to use it in a variety of contexts and business scenarios.

Information Technology

Information Technology is committed to achieving excellence in three “key business drivers”. These three themes are critical to a successful engagement model with our partners.

Team work: In order to accomplish our objectives and achieve our vision in Austbrokers, a culture of teamwork and cooperation is essential within the Information Technology team to help drive daily operations. This applies both internally to our partner sites and externally to our relationships with our strategic partners, clients and suppliers.

Customer Service: The information technology team is dedicated to delivering quality technology products and services on time, under budget, and in the right quantities. Information technology understands communication is the key to successful customer service for its partners.

Continuous Improvement: Information technology will strive to continually improve all aspect of service to add value back into our partners and operations. This includes streamlining processes, exploiting technology, and optimising resources.

The value of information technology also entails, establishing tools and methods to identify the most productive investments and to communicate the value to stakeholders at all levels of Austbrokers.

Broker System

A sound and cohesive IT strategy is in place when it comes to utilising a broking system. Austbrokers continues to listen to the market and its partners around its Broking system and is always making informed decisions based on the operating environment.

It is critical that the governance structure is flexible enough to accommodate switches in direction and deliver on business and market demands.

Austbrokers IT coordinates and supports business processes and injects innovation in the broking systems to meet our partners requirements.

Business Continuity

As with any system, interruptions can occur and sometimes not all businesses have the ability to manage the interruption. Austbrokers information technology understands the importance of having an operational system even during an interruption.

Business continuity is paramount and with Austbrokers we have disaster recovery and business continuity covered for our partner site business systems.

Austbrokers has established partnerships with accredited information technology vendors who also understand our partner site critical business systems need to be operational as soon as possible.

Structuring information technology for your business

Austbrokers information technology in partnership with accredited information technology vendors provide the management of servers, thin clients, mobile devices, and applications.

The partnership also achieves efficient resource usage to help eliminate unnecessary cost and complexity, ensuring our partners are always up and running through the establishment of a responsive, proactive infrastructure.

- Security
- IT governance
- IT asset management
- System integrations

Training

Training and Development is fundamental to partners achieving their business objectives as well as their individual goals and with dedicated training staff, partners can become more productive through technology.

Application and infrastructure

The information technology team for infrastructure and application development will help the Austbroker network gain a better understanding of information technology through a more secure, well-managed, and dynamic core IT infrastructure. In return helping our business partners reduce overall IT costs, make better use of IT resources, and make IT a strategic asset.

Business Solutions

Faster, smarter decisions drive business success and our business partners have access to tools to help them run their business. Effective decisions and business requirements need timely, accurate information and information technology helps differentiate our business partners from other intermediaries by supporting them with a business solutions team.

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 examples of the support provided 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 organisation and is personally involved in the building of a new $2 million centre, which will open in 2012. The Centre 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) its staff and advisers donate over $170,000 a year to various charities and community groups.
- Adroit provides significant support to the local community in regional Victoria. Staff are encouraged to volunteer with community organisations. Through its Charity Golf Day they raised $80,000 for Geelong Community Foundation. Other local community organisations supported include Community Foundation for Bendigo and Central Victoria (Bendigo), Bordertrust (Albury Wodonga), Ballarat Foundation and Wombat's Wish who provides community based grief support for parentally bereaved children.
- Markey Group has continued its commitment to support the local community during the last year by raising over $10,000 for the Cancer Council during the Hunter Relay for Life event as well as donating the $33,000 proceeds from its annual Charity Golf day to ConnectAbility Australia. Other smaller donations were also made to the Hunter Medical Research Institute and local Lions and Rotary Clubs. Markey Group also provides sponsorship for the local Hockey, Netball, Soccer and Sailing Associations.
- Peter L. Brown at Wagga Wagga provide significant support to the 'HeartKids' charity. General Manager Scott Brown has recently organised a 670km bike ride to raise money for HeartKids.
- Austbrokers NCFS has a long association with the Northern Rivers charity 'Our Kids', and have donated a Twin Cot to the Special Care nursery of the Lismore Base Hospital.

Austbrokers donated over $44,000 including the Sunrise Village in Cambodia, $11,000 to the Reach Foundation, $8,000 to the National Centre of Indigenous Excellence and $7,000 to the Create Foundation.

MGA
Management Service
contribute around

$100,000

to The Royal Flying Doctor Service, Variety and Geraldine Cox's Sunrise Children's Villages in Cambodia in money and resources

Insurance
Advisernet Australia
donates over

$170,000

to various charities and community groups

Adroit
raised

$80,000

for Geelong Community Foundation

Markey Group
raised over

$10,000

for the Cancer Council

9.7%
Increase in Total Revenue (Austbrokers)

31c
Franked Dividend

54%
Austagencies Increase in Contribution to Group Profit

20%
Growth in NPAT

12.5%
Increase in Revenue (Insurance Borker Network)

Financial Report

For the year ended 30 June 2012

$25.6

Net Profit Afer Tax (millions)

46.3c

Basic Earnings Per Share (cents)

Directors' Report

For the year ended 30 June 2012

Your Directors submit their report for the year ended 30 June 2012.

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) Age 67

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, serves on the Audit and Risk Management Committee and chairs the 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.

W.L. McKeough QPIB, Adv Dip Fin Serv, MAICD, FAIM (Director and Chief Executive Officer) Age 62

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 Age 57

Ray Carless has over 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 is a member of the Audit and Risk Management, Nomination and Remuneration and Succession Planning Committees.

D.J. Harricks BA, BCom, FCA Age 67

David Harricks has over 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 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 Age 66

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

S.S. Rouvray has been the Company Secretary of Austbrokers Holdings Limited for 26 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	109,168	–
W.L. McKeough	86,260	470,100
R. J. Carless	12,516	–
D.J. Harricks	27,000	–
P.R. Shirriff	100,000	–

Dividends	**Cents**	**$000**
Final dividend recommended:		
• on ordinary shares	21.5	12,040
Dividends paid in the year:		
• on ordinary shares - interim	9.5	5,277
• on ordinary shares - final	17.0	9,421
		14,698

Principal Activities

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

- Insurance broking services and the distribution of ancillary products
- 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 insurance brokers and underwriting agencies. Equity is held in 42 insurance broking operations with a 50% holding in 20, a 100% holding in 4 and a 51% to 85% holding in 18. The Company's preferred "owner driver" model is for substantial equity to be held by the management of the business.

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, CPE, Cinesure, Unitas, CEMAC, Tasman, Dolphin, Longitude, Film Insurance Underwriting and 5Star. In addition Latitude underwrites business and property risks.

The Austbrokers Group and its associates employ over 1,600 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 insurance intermediary market sector and this sector has 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 and initiatives undertaken to increase business volumes. This was assisted by acquisitions, largely within the broker network.

The underwriting agency business also expanded through further developing existing businesses, adding new products and acquisitions including Film Insurance Underwriting Agency.

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

Net profit after tax attributable to equity holders of the parent increased by 20% to $25.640 million (2011: $21.365 million). This profit includes after tax profits on sale of interests in associates and controlled entities and an adjustment to the contingent consideration on the acquisition of a controlled entity. The profit for the year also includes an income tax credit arising from recognition of a deferred tax asset in relation to prior years' share based payment expense. If the above mentioned items, together with the amortisation of intangibles are excluded (as shown in the table below), the net profit (Adjusted NPAT) was $27.395 million in 2012 (2011: $23.813 million). In the table below, the Adjusted NPAT of $27.395 million is reconciled to the net profit attributable to equity holders of the parent as reported in the Income Statement.

	2012 $000	2011 $000	Increase
Adjusted NPAT attributable to equity holders of the parent	27,395	23,813	15%
Adjustment to contingent consideration on acquisition of controlled entity (no income tax applicable*)	192	–	
Net Profit after tax on sale or reduction of interests in associates and controlled entities*	–	105	
Income tax credit arising from recognition of deferred tax asset on prior years share based payment expense*	631	–	
Net Profit after tax before amortisation of intangibles	28,218	23,918	18%
Less Amortisation of intangibles (net of tax credit)*	(2,578)	(2,553)	
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT AS REPORTED IN THE INCOME STATEMENT	***25,640***	***21,365***	***20%***

** This financial information has been derived from the consolidated financial statements which have been audited by the company's auditors.*

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

Amortisation of intangibles expense was in line with last year due to limited large acquisition activity and acquisitions being relatively late in the financial year. This expense is a non cash item and will fluctuate depending on the amount and timing of acquisitions. The annual expense in relation to existing intangibles will reduce as intangibles are fully amortised.

Of the 15% growth in Adjusted NPAT, the broker network, including acquisitions, contributed 10.7% and underwriting agencies 6.2% which were partially offset by increases in finance costs, corporate expenses and a higher effective tax rate.

Dittman & Associates based in Gladstone was acquired during the year which, with Country Wide Insurance Brokers (acquired in the previous year), after acquisition costs contributed 2.2% to the growth. Significant bolt on acquisition activity continued within the broker network. The requirement for acquisition costs to be expensed together with amortization of the discount on contingent consideration payments reduced the contribution to profit achieved from acquisitions made during the year. Overall profit growth was almost 2% higher before taking account of these items.

Total commission and fee income increased by 13.9% and total income by 12.5% over the prior year (9.8% excluding direct acquisitions). Premium funding income was up 16.3% but profit shares were 49% below last year. Expenses in the broker network increased by 13.1% (10.4% 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.

Underwriting agencies' profits increased by 54% assisted by the acquisition of Film Insurance Underwriting Agency on 1 January 2012 and CEMAC in December 2010. The acquisitions contributed around half of the growth with a significant contribution from income synergies achieved. Income excluding acquisitions grew by 18%.

Directors' Report

For the year ended 30 June 2012

At the corporate level, finance costs were up on last year due to the requirement to amortise the discount on deferred contingent consideration payments as referred to above. Interest earned increased due to higher cash held and loans to the businesses for acquisitions.

Corporate expenses increased by 4.2% over the prior year largely due to inflationary factors and an increase in IT costs in relation to the iClose project partially offset by lower variable incentive costs in line with performance compared to the prior year.

A higher effective tax rate, largely as a result of non deductible items particularly arising from expensing acquisition costs for the first time this year, reduced profit growth by 1.4%.

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 %*
2012	46.3	16.9	31.0	21.6
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 the results and outlook have had on the share price with a return of 13.5% for 2012 and 31.2% for the 3 years and 16.8% for the 5 years to 30 June 2012 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 from $37,326,000 to $40,743,000. Borrowings remain stable at $34,514,000 with $11,000,000 still available to be drawn down. The facility term runs to August 2013. Gearing which is 17% at year end, remains below the acceptable limit 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 $172,290,000 from $153,316,000. 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 and the issue of shares as a result of the exercise of employee share options.

Significant events after the balance date

On 27 August 2012 the Directors of Austbrokers Holdings Limited declared a final fully franked dividend on ordinary shares of 21.5 cents per share in respect of the 2012 financial year. Based on the current number of ordinary shares on issue, the total amount of the dividend is $12,039,805.

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. Interest earnings will be reduced in the 2013 financial year as a result of the reductions in cash deposit rates which have occurred following the Reserve Bank reducing the cash rate.

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 although competition may be increased with other entities entering the market.

Premium rates are expected to increase moderately in property classes and remain reasonably stable in others. Organic growth, bolstered by acquisitions, should provide moderate growth in 2013 over the 2012 financial year in net profit after tax before amortisation of intangibles, profit or losses on sale of equity interests and on adjustment to contingent acquisition payments.

Environmental regulation and performance

The Company is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

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 1,118,673 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 and were required to be exercised no later than 5 October 2012. The exercise price of each option was $2.00. During the year the remaining 420,850 options were exercised leaving none unexercised at reporting date.

The second tranche of options vested fully on 25 September 2009 and are required to be exercised no later than 25 September 2013. The exercise price for each option was $3.47. During the year 318,150 options were exercised leaving 347,550 unexercised at reporting date.

The third tranche of options fully vested on 14 September 2010 and are required to be exercised no later than 14 September 2014. The exercise price for each option was $4.20. During the year 90,750 options were exercised leaving 520,200 unexercised at reporting date.

The earliest vesting date for the fourth tranche of 142,729 options was 29 September 2011. All options must be exercised no later than 29 September 2015. During the year 104,834 options vested, of which 57,090 were exercised leaving 47,744 unexercised at reporting date. Performance conditions required for vesting of the 37,895 unvested options will not be met and they have lapsed. The exercise price for each option remaining was $4.22 for 20,160 options and zero for 27,584 options.

The earliest vesting date for the fifth tranche of 89,104 options is 3 November 2012. Options totaling 10,287 lapsed during the year due to the resignation of an employee leaving 78,817 outstanding at reporting date. 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. Options totaling 10,437 lapsed during the year due to the resignation of an employee leaving 67,771 outstanding at reporting date. 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.

The earliest vesting date for the seventh tranche of 56,591 options is 31 October 2014. 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 31 October 2018. 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 420,850 fully paid shares in Austbrokers Holdings Limited at $2.00 each, 318,150 at $3.47, 90,750 at $4.20, 16,524 at $4.22 and 40,566 for no consideration. Consequently 886,840 ordinary shares were issued during the financial year.

Indemnification and insurance of directors and officers

During or since the end of 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 53, which has been subject to audit, outlines the remuneration arrangements in place for Directors and Executives of Austbrokers Holdings Limited (the company).

The Remuneration Report for the year ending 30 June 2011 received positive shareholder support at the 2011 AGM with a vote of 99.6% in favour.

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
- 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. 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 paid to 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 review process. Advice was obtained last year from an external remuneration consultant to ensure that fees were in line with the current market. As a result of their recommendations, fees were increased from 1 April 2011 and remain unchanged since.

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.

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 an annual fee of $150,000.

Directors' Report

For the year ended 30 June 2012

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 companies on whose Boards they sit.

The remuneration of Non-executive Directors for the year ended 30 June 2012 is detailed in Table 1 of this report.

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
- Ensure total remuneration is competitive by market standards

Structure

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 49.

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)

As the CEO's contract term expires in November 2012, a LTI or MTI was not appropriate and target remuneration mix for the 2012 financial year comprises 46% fixed remuneration and 54% target STI opportunity. Senior executives target remuneration mix ranges from 60-65% fixed remuneration, 20-25% target STI opportunity and 10- 15% LTI.

It is the Company's policy to have fixed remuneration at market median and total remuneration at the upper quartile.

To ensure the Remuneration Committee is fully informed when making remuneration decisions it seeks external remuneration advice. A formal appointment process was undertaken and KPMG was appointed to advise on senior executive remuneration. In order to ensure that the Remuneration Committee is provided with advice ,and as required, recommendations, free from undue influence by members of the Key Management Personnel (KMP) group to whom recommendations may relate, the engagement of KPMG by the Committee was based on an agreed set of protocols that would be followed by the Committee, KPMG and members of the KMP. During the year KPMG provided advice in the form of a written report providing insights on remuneration trends and shareholder views and market data in relation to CEO and executive remuneration.
No remuneration recommendations were provided.

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 which was obtained as part of the 2012 review.

Structure

Senior executives 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.

Structure

The Group sets financial targets and each executive has set personal objectives against which their performance is evaluated.

On an annual basis, a rating is determined for each executive based on an evaluation of each executive's performance against predetermined objectives. This rating is then applied to an allocated STI opportunity determined as a percentage of fixed remuneration. This amount is then scaled up or down to reflect the Group's performance against its financial target of 10% growth in Adjusted NPAT (net of all STI costs) over the prior year to a maximum of 2 times if 20% achieved. As a result, the level of incentive reflects the performance of the company and the executive, therefore ensuring it is aligned with shareholders' interests. An incentive pool is set aside annually based on company performance and amounts are allocated to individual executives as set out above. This process usually occurs within 3 months of 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 2011 financial year, 97% of the STI cash bonus provided in the financial statements was paid in the 2012 financial year. The Remuneration Committee will consider the STI payments for the 2012 financial year in September 2012. The maximum amount available for the 2012 financial year is $1,665,000. This amount has been provided for in the 2012 financial year based on the growth in the net profit after tax for the year over the prior 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.

Due to the expiry of the Chief Executive Officer's contract in November 2012, he has been granted a further short term incentive opportunity of $275,000, at the discretion of the board and subject to various performance criteria. This amount has been fully provided for in the 2012 financial year.

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 2012 is $190,000, which has been provided for in the 2012 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 7 years and the increases achieved.

Year to 30 June	*Basic earnings per share - cents*	*Increase %*
2012	46.3	16.9
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 2012 was 13%.

Total annualized shareholder returns over the one year, three year and five year periods to 30 June 2012 were 13.5%, 31.2% and 16.7% respectively, confirming the alignment of executive remuneration to shareholder returns.

Based on the performance achieved the grants in 2005, 2006 and 2007 fully vested, 73% of the grants made in 2008 vested and 63% of the grants made in 2009 are expected to vest based on the performance to 30 June 2012 with the remainder to be retested based on performance over the 4 years to 30 June 2013.

Employment contracts

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

- From 1 July 2012, Mr. McKeough received fixed remuneration of $550,000 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 2012

Remuneration of Directors and named Executives

Table 1: Compensation of Directors and other Key Management Personnel for the year-ended 30 June 2012 (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 2012	**$**	**$**	**$**	**$**	**$**	**$**	**%**
Directors							
R.A. Longes Chairman	137,615	–	–	12,385	–	150,000	–
W.L. McKeough* Chief Executive	432,254	675,000	58,061	50,000	–	1,215,315	55.54%
R.J. Carless Non-executive Director	73,395	–	–	6,605	–	80,000	–
D.J. Harricks Non-executive Director	37,500	–	–	50,000	–	87,500	–
P.R. Shirriff Non-executive Director	73,395	–	–	6,605	–	80,000	–
Executives							
S.S. Rouvray Chief Financial Officer/ Company Secretary	236,648	202,836	49,001	49,149	79,015	616,649	45.71%
G. Lambert** General Manager - Operations and Strategic Developments	167,841	179,167	4,494	24,399	–	375,901	47.66%
F. Gualtieri National Manager - Group Services and Support	193,132	124,001	27,920	45,808	42,974	433,835	38.49%
J. Howells General Manager - Austbrokers Sydney	258,604	137,850	11,457	49,180	–	457,091	30.16%
F Pasquini*** General Manager - Acquisition and Development	135,950	–	13,158	11,610	42,409	203,127	20.88%
G.J. Arms General Manager - Equity Operations	175,397	155,967	63,540	47,869	46,014	488,787	41.32%
TOTAL	***1,921,731***	***1,474,821***	***227,631***	***353,610***	***210,412***	***4,188,205***	

Notes

* *Short term incentives for W.L. McKeough includes $137,500 in respect of other long term performance bonus.*

** *G Lambert ceased employment on 11 December 2011.*

*** *F Pasquini bacame a key management person on 1 December 2011 following his apointment as General Manager - Acquisitions and Development. Remuneration above is only for the period from this date.*

Remuneration of Directors and named Executives

Table 2: 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***	

Notes

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

Directors' Report

For the year ended 30 June 2012

Remuneration of Directors and named Executives (continued)

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

30 June 2012	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	12,582	31-Oct-11	6.28	–	31-Oct-18	31-Oct-14	31-Oct-18
G. Lambert	–	31-Oct-11	6.28	–	31-Oct-18	31-Oct-14	31-Oct-18
F. Gualtieri	6,843	31-Oct-11	6.28	–	31-Oct-18	31-Oct-14	31-Oct-18
J. Howells	–	31-Oct-11	–	–	–	–	–
F Pasquini	6,753	31-Oct-11	6.28	–	31-Oct-18	31-Oct-14	31-Oct-18
G.J. Arms	7,327	31-Oct-11	6.28	–	31-Oct-18	31-Oct-14	31-Oct-18
TOTAL	***33,505***						

Zero priced options granted to G. Lambert on 31 October 2011, were forfeited on cessation of employment on 11 December 2011.

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***						

Remuneration of Directors and named Executives

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

					Shares issued on exercise of options		
	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*	*Shares issued*	*Paid per share*	*Unpaid per share*
30 June 2012	**$**	**$**	**$**	**%**	**No.**	**$**	**$**
Director							
W.L. McKeough	–	254,120	–	0.00%	540,000	2.55	–
Executives							
S.S. Rouvray	79,015	56,856	20,556	12.81%	13,473	0.00	–
G. Lambert	–	96,530	115,837	–	86,949	3.59	–
F. Gualtieri	42,974	–	11,064	9.91%	–	–	–
J. Howells	–	–	12,673	0.00%	–	–	–
F Pasquini	42,409	–	10,453	20.88%	–	–	–
G.J. Arms	46,014	97,477	11,818	9.41%	120,356	2.99	–
TOTAL	***210,412***	***504,983***	***182,401***		***760,778***		

G Lambert forfeited options due to cessation of employment on 11 December 2011

30 June 2011							
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***	–	–		–		

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 2012

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**	**1**	**3**
No. of meetings attended:				
R.A. Longes	6	6	1	3
W.L. McKeough	6	N/A	N/A	N/A
R J Carless	6	6	1	3
D.J. Harricks	6	6	1	3
P.R. Shirriff	6	6	1	3

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 55 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 2012. 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 24 of the Financial Report.

Signed in accordance with a resolution of the Directors.

W L McKeough
Director

Sydney, 27 August 2012

Auditor's Independence 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 2012, 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

Paul Harris
Partner
Sydney, 27 August 2012

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 2012 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
- Diversity 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
R. J. Carless	Non-executive Director
D.J. Harricks	Non-executive Director
P. R. Shirriff	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	7 years
W.L. McKeough	21 years
R. J. Carless	2 years
D.J. Harricks	7 years
P.R. Shirriff	27 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 and the Remuneration and Succession Planning 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)

R. J. Carless

D. J. Harricks

P.R. Shirriff

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 fulfil their responsibility to 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

R.A. Longes

P.R. Shirriff

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.

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.

Corporate Governance Statement

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
- Significant change in method of distributing insurance products by underwriters
- Fraud and embezzlement of company funds

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
- Performance incentives that allow executives to share the success of Austbrokers Holdings Limited
- 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

D. J. Harricks

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.

Diversity Policy

The company recognises that to remain competitive in today's commercial environment it is necessary to focus on developing a talented and diversified workforce. Austbrokers is committed to developing the quality and skills of its people and by encouraging diversity at all levels of the organisation to enable individuals to realise their maximum potential.

To achieve this, a Diversity policy has been put in place. The primary function of the Diversity Policy is to:

- Ensure that individuals are treated equitably, with a level of mutual respect
- Reduce bias and prejudice
- Develop a range of practices and guidelines that actively counteracts bias or prejudice
- Promote inclusive practices
- Encourage all individuals to communicate respectfully and fairly

Through the implementation of this Diversity Policy, Austbrokers seeks to achieve the following objectives:

- To promote a corporate culture which embraces diversity when determining the composition of employees, senior management and the board, including recruitment of employees and directors from a diverse pool of qualified candidates
- Maximise the pool of potential job applicants and improve their chances to recruit the right person first time, every time
- Become the employer of choice, reducing the costs of recruitment and improving retention
- Make more effective use of human capital, improve workforce morale, reduce staff turnover, sickness and absenteeism
- Safeguard the organisation with good succession planning and knowledge transfer
- Gain goodwill in the community and improve business profile
- Exploit links to increase sales to new customers and clients from minority communities
- Develop the capacity of the workforce to do business with all sections of the community
- Provide better customer service, respond effectively to change in the marketplace, and become the supplier of choice
- Encourage employees to develop to their fullest potential and utilise the talents and resources of the workforce to maximise the efficiency of the organisation
- Comply with relevant equality legislation, codes of practice and relevant best practice guidelines

The Diversity Policy is overseen by the Remuneration and Succession Planning Committee of the Board. Management reports to the Committee on a six monthly basis on the status of the implementation of the Policy and the progress towards achieving its objectives.

Austbrokers is committed to developing, promoting and retaining women. Our commitment to women in leadership comprises a range of initiatives including:

- Board Nomination Committee to include recognition of the need for gender diversity in its Charter
- Implementing recruitment procedures to ensure equal numbers of male and female candidates are put forward for Senior Management and Board positions
- Highlighting promotion of women in Network communications including website
- Mentoring and career resiliency programs embedding equal opportunity to senior positions into recruitment and selection policies
- Attracting and promoting talented women into management positions
- Updating organisation policies and procedures (e.g. work life balance, senior executive meetings to be held in office hours) , policies for career planning (mentoring), encourage promotion from within
- Providing human resources policies that help women balance their work, life and family responsibilities
- Combining the Austbrokers Young Leaders staff training programme with career progression focus
- Developing and implementing measurable gender diversity objectives to monitor progress

Austbrokers seeks to reap the benefits of equal opportunity for women in the workplace programs through increased employee effectiveness, attracting and retaining the best talent, improving morale and increasing consumer and market responsiveness.

Surveys of the makeup of the work force across Austbrokers and its associates are conducted annually (the most recent in August 2011) to monitor gender diversity in leadership, management and support roles. This showed females made up 55% of total employees and were well represented in management roles at 35% but this fell to 14% when considering leadership roles. In addition, with a small board of 5 directors (4 non-executives) there are currently no females on the board. This also applies to the make up of the senior management group. The nature of Austbrokers diversified individual insurance broking businesses (the majority with outside shareholding held by the businesses' management) does allow for females to develop into leadership roles in those businesses. By its nature however, it does not have management progression from those businesses to what is a relatively small specialist senior management group and this provides challenges in achieving the objectives.

Objectives have been set as follows:

- A female board member to be appointed by 2015
- Increase number of women in the leadership group by 10% by 2014
- Increase the number of women in management roles by 10% by 2013

Since the policy was established further females have been appointed in leadership roles. A further survey will be undertaken in August / September 2012 to monitor progress in achieving the objectives.

Income Statement

For the year ended 30 June 2012

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Revenue	4 (i)	101,441	92,339
Other income	4 (ii)	5,929	5,655
Share of profit of associates	4 (iii)	18,060	16,294
Profit from sale of interests in controlled entities, broking portfolios and contingent consideration adjustments	4 (vi), 7	192	249
Expenses	4 (iv)	(85,678)	(79,963)
Finance costs	4 (v)	(2,576)	(2,446)
Profit before income tax		***37,368***	***32,128***
Income tax expense	5	7,697	7,109
NET PROFIT AFTER TAX FOR THE PERIOD		***29,671***	***25,019***
Net Profit after tax for the period attributable to:			
Equity holders of the parent		25,640	21,365
Non-controlling interests		4,031	3,654
		29,671	***25,019***
Basic earnings per share (cents per share)	6	46.3	39.6
Diluted earnings per share (cents per share)	6	45.8	38.9

Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	Consolidated 2012	2011
		$'000	$'000
Net Profit after tax for the period		*29,671*	*25,019*
Other comprehensive income			
Other comprehensive income		–	–
Income tax (expense) relating to components of other comprehensive income		–	–
Other comprehensive income after income tax for the period		–	–
TOTAL COMPREHENSIVE INCOME AFTER TAX FOR THE PERIOD		***29,671***	***25,019***
Total comprehensive income after tax for the period attributable to:			
Equity holders of the parent		25,640	21,365
Non-controlling interests		4,031	3,654
		29,671	***25,019***

Statement of Financial Position

For the year ended 30 June 2012

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Assets			
Current Assets			
Cash and cash equivalents	7	40,743	37,326
Cash and cash equivalents - Trust	7	74,859	65,008
Trade and other receivables	9	117,167	102,090
Other financial assets	10	1,316	679
Total Current Assets		**234,085**	**205,103**
Non-current Assets			
Trade and other receivables	11	261	173
Other financial assets	12	152	182
Investment in associates	13	79,553	78,690
Property, plant and equipment	15	5,058	4,508
Intangible assets and goodwill	16	82,836	74,961
Deferred income tax asset	5	5,194	3,710
Total Non-current Assets		**173,054**	**162,224**
TOTAL ASSETS		**407,139**	**367,327**
Liabilities			
Current Liabilities			
Trade and other payables	19	181,420	160,017
Income tax payable	5	3,655	4,718
Provisions	20	8,418	8,194
Interest bearing loans and borrowings	21	1,130	622
Total Current Liabilities		**194,623**	**173,551**
Non-current Liabilities			
Provisions	20	1,871	1,510
Deferred tax liabilities	5	4,971	4,671
Interest bearing loans and borrowings	21	33,384	34,279
Total Non-current Liabilities		**40,226**	**40,460**
TOTAL LIABILITIES		**234,849**	**214,011**
NET ASSETS		**172,290**	**153,316**
Equity			
Issued capital	22	76,036	70,750
Retained earnings		77,017	65,349
Share based payments reserve	22	3,873	2,255
Asset revaluation reserve	22	2,109	2,656
Equity attributable to equity holders of the parent		**159,035**	**141,010**
Non-controlling interests		13,255	12,306
TOTAL EQUITY		**172,290**	**153,316**

Statement of Cash Flows

For the year ended 30 June 2012

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash flows from operating activities			
Receipts from customers		96,564	90,257
Net increase in cash held in customer trust accounts		9,851	7,861
Dividends/trust distributions received from associates		17,214	15,053
Interest received		5,928	4,478
Management fees received from associates / related entities		1,601	1,343
Payments to suppliers and employees		(82,382)	(74,407)
Interest paid		(2,456)	(2,446)
Income tax (paid)		(9,112)	(7,151)
NET CASH FLOWS FROM OPERATING ACTIVITIES	*7 (a)*	*37,208*	*34,988*
Proceeds from reduction in interests in controlled entities	7 (b)	498	–
Payment for increase in interests in controlled entities	7 (c)	–	(573)
Net payments for new consolidated entities, net of cash acquired	7, (d), (e), (f), (g), (h)	(3,892)	(2,157)
Payment for new associates	7, (i), (j), (k)	(184)	(3,502)
Payment for new broking portfolios purchased by members of the economic entity	7 (l)	(3,627)	(1,785)
Proceeds from sale of broking portfolios by member of the economic entity	7 (m)	–	35
Proceeds from sale of consolidated entity	7 (n)	–	1,461
(Payment) for purchases/proceeds from sale of other financial assets		–	(110)
Proceeds from sale of plant and equipment		293	256
Payment for plant and equipment		(2,111)	(1,602)
Advances of mortgages		(997)	(246)
Proceeds from mortgage repayments		390	1,074
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		*(9,630)*	*(7,149)*
Cash flows from financing activities			
Dividends paid to shareholders		(11,792)	(7,292)
Dividends paid to shareholders of non controlling interests		(3,286)	(3,171)
Proceeds from issue of share capital		2,380	223
Net proceeds from dividend reinvestment plan		–	4,446
Payment for contingent consideration on prior year acquisitions		(1,186)	(1,312)
(Repayment) / increase from borrowings and lease liabilities		(509)	2
Proceeds from issue of shares to non controlling interests relating to new acquisitions		–	90
Repayments from / (advances to) related entities		83	522
NET CASH FLOWS (USED IN) FINANCING ACTIVITIES		*(14,310)*	*(6,492)*
Net increase in cash and cash equivalents		**13,268**	**21,347**
Cash and cash equivalents at beginning of the period		102,334	80,987
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*7 (a)*	*115,602*	*102,334*

Statement of Changes in Equity

For the year ended 30 June 2012

	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**
Profit for the year	–	21,365	–	–	21,365	3,654	25,019
Other comprehensive income	–	–	–	–	–	–	–
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(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***

Consolidated	Issued Capital $'000	Retained earnings $'000	Asset revaluation reserve $'000	Share based payment reserve $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
	Attributable to equity holders of the parent						
At 1 July 2011	**70,750**	**65,349**	**2,656**	**2,255**	**141,010**	**12,306**	**153,316**
Profit for the year	–	25,640	–	–	25,640	4,031	29,671
Other comprehensive income	–		–		–	–	–
Total comprehensive income for the year	–	25,640	–	–	25,640	4,031	29,671
Adjustment to asset revaluation reserve on part sale of controlled entity	–	–	(7)	–	(7)	7	–
Profit on part sale of controlled entity treated as a transaction between owners and credited directly to retained earnings (see note 7 (b))	–	186	–	–	186	–	186
Transfer to non controlling interest on 10% share of net assets on part sale of controlled entity (see note 7(b))	–	–	–	–	–	197	197
Transfer from asset revaluation reserve for amortisation of broking register on step acquisition of broking subsidiaries	–	772	(772)	–	–	–	–
Tax effect on transfer from asset revaluation reserve for amortisation of broking register on step acquisition of broking subsidiaries	–	(232)	232	–	–	–	–
Share-based payment expense	–	–	–	191	191	–	191
Tax benefit arising from payments made to employee share trust to acquire shares to satisfy exercise of share options. (See note 2).	–	–	–	762	762	–	762
Tax benefit arising from expected future payments to acquire shares to satisfy vested and partially vested options which were unexercised at balance date, net of any benefit previously recognised in the income statement relating to share based payment expense. (See note 2).	–	–	–	665	665	–	665
On 21 September 2011 allotted 420,850 shares at an issue price of $2.00 on exercise of options (see note 22).	842	–	–	–	842	–	842
On 21 September 2011 allotted 279,250 shares at an issue price of $3.47 on exercise of options (see note 22).	969	–	–	–	969	–	969
On 21 September 2011 allotted 60,600 shares at an issue price of $4.20 on exercise of options (see note 22).	254	–	–	–	254	–	254
On 12 December 2011 allotted 16,524 shares at an issue price of $4.22 (see note 22).	70	–	–	–	70	–	70
On 12 December 2011 allotted 38,900 shares at an issue price of $3.47 on exercise of options (see note 22).	135	–	–	–	135	–	135
On 12 December 2011 allotted 30,150 shares at an issue price of $4.20 on exercise of options (see note 22).	127	–	–	–	127	–	127
Issued capital resulting from Dividend Reinvestment Plan (see note 22).	2,906				2,906	–	2,906
Share issue expenses	(17)	–	–	–	(17)		(17)
Equity dividends	–	(14,698)	–	–	(14,698)	(3,286)	(17,984)
AT 30 JUNE 2012	***76,036***	***77,017***	***2,109***	***3,873***	***159,035***	***13,255***	***172,290***

Note to the Financial Statements

For the year ended 30 June 2012

1. Corporate information

The financial report of Austbrokers Holdings Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 27 August 2012.

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 insurance broking services, distribution of ancillary products and conducting underwriting agency businesses.

2.1 Changes in accounting policies and disclosures

The accounting policies and methods of computation are the same as those adopted in prior years except as noted below.

The revised AASB 124 Related Party Disclosures (December 2009),simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition including:

- The definition now identifies a controlled entity and an associate with the same investor as a related party of each other.
- Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other.
- The definition now identifies that, whenever a person or entity has both 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.
- The adoption of the amendment did not have any impact on the financial position or performance of the Group.

Additional disclosure in relation to establishment of employee share trust:

- During the year, Austbrokers Holdings Ltd, has established Austbrokers Employee Share Acquisition Schemes Trust to acquire shares, either issued to it by Austbrokers Holdings Limited, or purchased on the open market, to satisfy option grants. This trust overcomes the restriction on entities having direct holdings of their own shares, enables shares to be purchased and held to satisfy option grants. Austbrokers Holdings Limited is entitled to a tax deduction for the amount paid to the trust to enable the acquisition of shares, reduced by the amounts received from employees in relation to the option exercise price.
- A Deferred Tax Asset and corresponding tax credit has been recognised during the period for the share based payments expense, relating to unexercised options. The estimated future tax benefit booked as a deferred tax asset is based on the expectation that Austbrokers Holdings Limited will become entitled to a tax deduction as the options are exercised. The tax benefit booked in the income statement is limited to the tax credit on the amount expensed in the profit and loss account as required to be recognised by AASB 2 in respect of those options issued. Any tax benefit arising in excess of the amount booked in the income statement will be credited directly to equity.
- A Deferred Tax Asset has been recognised for the tax benefit arising from the expected future payments to be made to acquire shares to satisfy the exercise of options. The tax benefit has been calculated on vested and partially vested options, which were unexercised at balance date using the share price on that date. The tax benefit is recorded in equity and calculated net of the total of the option exercise price and the amount previously included in the share based payment expense.

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.

Note to the Financial Statements

For the year ended 30 June 2012

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 controlled entities. The Group deems they have significant influence if they have more than 20% of the voting rights.

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.

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).

Note to the Financial Statements

For the year ended 30 June 2012

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.

Note to the Financial Statements

For the year ended 30 June 2012

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 2012. 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 2011-9	Presentation of Other Comprehensive Income (AASB 101)	This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be subsequently reclassified to the Income Statement and those items that will most likely remain in the statement of Comprehensive Income.	1 July 2012	No expected change to financial statements as there have been no items classified as ""Other Comprehensive Income"" in the current year or previous year and it is not expected that there will be any items in the following year.	1 July 2012
AASB 119	Employee benefits	This revised standard changes the definition of short-term employee benefits. The distinction between short-term and long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.	1 January 2013	It is not expected that the change in definition of employee benefits will have any material change in the classification of employee provisions between current and non current liabilities.	1 July 2013
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 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.	1 Jan 2013	Management have assessed the effect of applying AASB 10 by carrying out a full analysis of voting power and influence over the operations of each associate. It is not expected that investments currently recognised as associates or joint ventures will need to be consolidated into the Group as subsidiaries. In the event that after further analysis during the next 12 months that an associate will be required to be consolidated, this 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

Reference	*Title*	*Summary*	*Application date of standard*	*Impact on financial report*	*Application date for Group*
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly Controlled Entities*. AASB 11 uses the principle of control as set out in AASB 10 to define joint control, and therefore the determination of whether joint control exists, may change.	1 Jan 2013	Whilst the Group has not accounted for any investments under AASB 11 it is not expected that investments currently recognised as associates will need to be consolidated into the Group as controlled entities. A full analysis of voting power and influence over the operations has been carried out over the last 12 months and it is not expected that there will be any change in the accounting for associates. In the event that after further analysis during the next 12 months that an associate will be required to be consolidated, this 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
AASB 12	Disclosure of Interests in Other Entities	AASB 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.	1 Jan 2013	Management are in the process of assessing what additional disclosures, if any, are required to comply with AASB 12.	1 July 2013
AASB 13	Fair Value Measurement	AASB 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. AASB 13 also expands the disclosure requirements for all assets and liabilities carried at fair value.	1 Jan 2013	Management are in the process of assessing the impact on fair value measurement and additional disclosures required, if any, to comply with AASB 13.	1 July 2013

Note to the Financial Statements

For the year ended 30 June 2012

	Consolidated 2012	Consolidated 2011
	$'000	**$'000**
4. Revenue and expenses		
(i) Revenue		
Commission, Brokerage and Fee Income	99,840	90,996
Management fees related entities	1,601	1,343
TOTAL REVENUE	***101,441***	***92,339***
(ii) Other income		
Dividends from other persons	1	1
Interest from other persons / corporations	4,807	4,478
Other income	1,121	1,176
TOTAL OTHER INCOME	***5,929***	***5,655***
(iii) Share of profit of associates		
Share of Net Profits of Associates Accounted for using the Equity Method before amortisation	19,458	17,597
Amortisation of Intangibles - Associates	(1,398)	(1,303)
TOTAL SHARE OF PROFIT OF ASSOCIATES	***18,060***	***16,294***
(iv) Expenses		
Amortisation of Intangibles - controlled entities	2,414	2,470
Salaries and wages	54,259	48,922
Share-based payments	191	422
Audit fees	1,267	1,097
Travel/Telephone/ Motor/Stationery	4,369	4,079
Depreciation of property plant and equipment	1,397	1,515
Other expenses	9,955	9,843
Rent (operating leases)	4,574	3,959
Commission expense	5,376	5,645
Insurance	1,876	2,011
TOTAL OTHER EXPENSES	***85,678***	***79,963***
(v) Finance costs		
Borrowing costs	2,576	2,446
TOTAL FINANCE COSTS	***2,576***	***2,446***
(vi) Profit from sale of interests in controlled entities, broking portfolios and contingent consideration adjustments		
Profit from sale of interests in controlled entities and broking portfolios (see note 7(m),(n))	–	249
Adjustment to contingent consideration on acquisition of controlled entities (see note 7(h),(j))	192	–
TOTAL PROFIT FROM SALE OF INTERESTS IN CONTROLLED ENTITIES, BROKING PORTFOLIOS AND CONTINGENT CONSIDERATION ADJUSTMENTS	***192***	***249***

	Consolidated 2012 $'000	Consolidated 2011 $'000
5. Income tax		
Major components of income tax expense		
Income statement		
Current income tax		
Current income tax charge	8,423	7,299
Adjustment for prior years	(585)	(164)
Deferred tax expense		
Origination and reversal of temporary differences	(141)	(26)
TOTAL INCOME TAX EXPENSE IN INCOME STATEMENT	*7,697*	*7,109*
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	37,368	32,128
At the company's statutory income tax rate of 30% (2011: 30%)	11,210	9,638
Non assessable income from associated entities	(3,148)	(2,666)
Non-taxable gains/losses on sale	–	(64)
Capital Losses recouped	–	126
(Over)/ under provision prior year	46	(164)
Tax on distributions from associates operating as trusts	(61)	(64)
Adjustment to contingent consideration on acquisition of controlled entity	(58)	–
Income tax credit arising from recognition of deferred tax asset on prior years' share based payment expense	(631)	–
Share based payments	–	127
Non deductible expenses/other	339	176
INCOME TAX EXPENSE REPORTED IN THE CONSOLIDATED INCOME STATEMENT	*7,697*	*7,109*
INCOME TAX PAYABLE	*3,655*	*4,718*

	Consolidated Income statement 2012 $'000	Consolidated Income statement 2011 $'000	Consolidated Statement of Financial Position 2012 $'000	Consolidated Statement of Financial Position 2011 $'000
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liability				
Income accrued not assessable	(619)	263	1,714	1,095
Unamortised value of broker register	–	–	3,981	4,317
Tax credit on amortisation expense	(724)	(741)	(724)	(741)
GROSS DEFERRED INCOME TAX LIABILITIES			*4,971*	*4,671*
Deferred tax asset				
Provisions and accruals not claimed for tax purposes	1,484	507	5,194	3,710
Borrowing costs not claimed	–	(3)	–	–
GROSS DEFERRED INCOME TAX ASSETS			*5,194*	*3,710*
Deferred tax income/(expense)	***141***	***26***		

Note to the Financial Statements

For the year ended 30 June 2012

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 a 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.

(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	
	2012	*2011*
	$'000	**$'000**
Net profit attributable to ordinary equity holders of the parent	***25,640***	***21,365***
	Thousands Shares	*Thousands Shares*
Weighted average number of ordinary shares for basic earnings per share	55,396	53,900
Effect of dilution:		
Weighted average number of shares under option adjusted for shares that would have been issued at average market price	596	956
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES ADJUSTED FOR THE EFFECT OF DILUTION	***55,992***	***54,856***
Basic earnings per share (cents per share)	46.3	39.6
Diluted earnings per share (cents per share)	45.8	38.9

	Consolidated	
	2012	2011
	$'000	$'000

7. Cash and cash equivalents

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

	2012 $'000	2011 $'000
Profit after tax for the period	29,671	25,019
Profit from sale of interests in controlled entities, broking portfolios and contingent consideration adjustments	(192)	(249)
Equity accounted (profits) after income tax	(18,060)	(16,294)
Dividends/trust distributions received from associates	17,213	15,053
Amortisation of intangibles	2,414	2,470
Depreciation of fixed assets	1,397	1,515
Share options expensed	191	422
Changes in assets and liabilities		
(Increase) in trade and other receivables	(674)	(704)
(Decrease)/Increase in trade and other payables	(567)	1,092
(Increase) in trust receivables	(12,078)	(11,113)
Increase in trust payables	19,325	16,879
(Decrease)/Increase in provisions	(19)	940
(Increase) in deferred tax asset	(958)	(481)
(Decrease) in deferred tax liability	(106)	(1,003)
(Decrease))/Increase in provision for tax	(349)	1,442
NET CASH FLOWS FROM OPERATING ACTIVITIES	***37,208***	***34,988***
Cash and cash equivalents	40,743	37,326
Cash and cash equivalents - Trust	74,859	65,008
TOTAL CASH AND CASH EQUIVALENTS	***115,602***	***102,334***

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 activity 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.

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 contingent consideration 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.

Note to the Financial Statements

For the year ended 30 June 2012

7. Cash and cash equivalents (continued)

Business combinations (continued)

Equity transactions between owners during the current year

(b) On 1 July 2011, the Consolidated entity disposed of 10% of the voting shares of Austbrokers Citystate Pty Ltd for $497,691 reducing the equity ownership to 90%.

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

The carrying value of the identifiable assets and liabilities of Austbrokers Citystate Pty Ltd as at the date of the reduction in equity were:

	Carrying value
	$'000
Cash	2,171
Receivables	3,394
Property plant and equipment	140
Intangibles	1,516
Total assets	***7,221***
Payables and provisions	5,078
Tax Liabilities	170
Total liabilities	***5,248***
Net assets	***1,973***
Cost base of shares sold to non controlling interests	197
SALE PROCEEDS	***498***
Profit on sale on disposal of 10% of voting shares	301
Less capital gains tax on sale of 10% of voting shares	(115)
Net transfer to reserves	***186***

7. Cash and cash equivalents (continued)

Business combinations (continued)

Equity transactions between owners during the previous year

(c) 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.

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 Austbrokers Trade Credit Pty Ltd and Salisbury Payne Tinslay Pty Ltd as at the date of the acquisition were:

	Austbrokers Trade Credit Pty Ltd	*Salisbury Payne Tinslay Pty Limited*	*Total*
	Carrying value	*Carrying value*	*Carrying value*
	$'000	**$'000**	**$'000**
Cash	491	1,091	1,582
Receivables	42	1,478	1,520
Plant and Equipment	–	108	108
Intangibles	210	390	600
Total assets	***743***	***3,067***	***3,810***
Payables and provisions	285	2,821	3,106
Deferred Tax Liabilities	63	–	63
Total liabilities	***348***	***2,821***	***3,169***
Net assets	***395***	***246***	***641***
Non controlling interest share - acquired	39	25	64
Non controlling interest share - adjustment	–	49	49
PURCHASE PRICE - CASH PAID	***164***	***409***	***573***
Transfer to reserves (retained earnings)	(125)	(335)	(460)

Note to the Financial Statements

For the year ended 30 June 2012

7. Cash and cash equivalents (continued)

Business combinations (continued)

Acquisition of new controlled entities in the current year

(d) On 1 January 2012, the Consolidated Entity acquired 100% of the voting shares of Film Industry Underwriting Agencies Pty Ltd (FIUA) for $4,527,034.

Fair values of the identifiable assets and liabilities of FIUA at the date of the acquisition were:

	Fair value recognised on acquisition	*Carrying value*
	$'000	**$'000**
Cash	829	829
Receivables	1,018	1,018
Deferred tax asset	–	–
Total assets	***1,847***	***1,847***
Payables and provisions	1,564	1,564
Deferred Tax Liabilities	10	10
Total liabilities	***1,574***	***1,574***
Net asset	***273***	***273***
Fair value of assets acquired	273	
Purchase price - cash paid	3,600	
Contingent consideration	927	
Goodwill arising on acquisition	***4,254***	
Cash outflow on acquisition is as follows;		
Net cash acquired with the controlled entity	829	
Cash paid	(3,600)	
NET CASH OUTFLOW	*(2,771)*	

The purchase price includes a deferred payment which is payable in January 2013 based on an agreed amount of $927,034.

The acquisition of 100% of FIUA was effective on 1 January 2012. The additional acquisition contributed $397,604 to net profit before tax and $725,096 to revenue. Had the acquisition taken place at the beginning of the period, the profit before tax contribution would have increased by $471,823 and revenue by $1,315,197.

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.

7. Cash and cash equivalents (continued)

Business combinations (continued)

(e) On 1 January 2012, Austbrokers RWA Pty Ltd acquired 100% of the voting shares of CTRL Pty Ltd for $1,193,409.

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

	Fair value recognised on acquisition	*Carrying value*
	$'000	**$'000**
Cash	72	72
Receivables	28	28
Plant and equipment	50	50
Intangibles	281	–
Total assets	***431***	***150***
Payables and provisions	85	85
Deferred Tax Liabilities	84	–
Total liabilities	***169***	***85***
Net asset	***262***	***65***
Fair value of assets acquired	262	
Purchase price - cash paid	1,193	
Goodwill arising on acquisition	***931***	
Cash outflow on acquisition is as follows;		
Net cash acquired with the controlled entity	72	
Cash paid	(1,193)	
NET CASH OUTFLOW	***(1,121)***	

The acquisition of 100% of CTRL Pty Ltd was effective on 1 January 2012. The acquisition contributed $14,656 to net profit before tax and $259,808 to revenue. Had the acquisition taken place at the beginning of the period, the profit before tax contribution would have increased by $57,015 and revenue by $563,844.

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.

Note to the Financial Statements

For the year ended 30 June 2012

7. Cash and cash equivalents (continued)

Business combinations (continued)

(f) The consolidated entity acquired 100% of the voting shares in three newly incorporated entities, Austbrokers Gladstone Pty Ltd, Austbrokers Financial Services (Gladstone) Pty Ltd and Longitude Insurance Pty Ltd for $100 each.

Acquisition of new controlled entities in the previous year

(g) During the previous 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.

(h) 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 asset	***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)***	

The purchase price includes an element of contingent consideration which will be determined on a multiple of commission and fees achieved in the financial year immediately following acquisition and which is subject to a maximum undiscounted limit of $2.1 million. The fair value of this contingent consideration at the date of acquisition was estimated as $1,430,567. A further $12,000 was paid for the fair value of the assets acquired.

The contingent consideration was paid in March 2012. The actual commission and fee income on which the contingent consideration was based was less than originally estimated resulting in a reduction of $418,421 which has been included in the income statement for the current period. (see note 4(vi)).

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.

7. Cash and cash equivalents (continued)

Acquisition of associates during current year

(i) On 1 July 2011, the consolidated entity acquired 18.4% of Millennium Underwriting Agency Pty Ltd for $184,000. The consolidated entity has a further 31.6% interest indirectly through an associate. There is no contingent consideration in respect of this acquisition.

Acquisition of associates during prior year

(j) 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 had been estimated as $1,660,416. During the current year the contingent consideration has been increased from $1,660,416 to $1,885,803. The difference of $225,387 has been charged to the income statement during the current period. (see note 4(vi)).

(k) 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 had been estimated as $529,427. There has been no change to this amount during the current year.

Acquisition and disposal of broking portfolios

(l) The group acquired broking portfolios by way of business combinations as follows:

	Consolidated	
	Fair value recognised on acquisition	
	2012	*2011*
	$'000	**$'000**
Intangibles	1,069	378
Deferred tax liabilities	(322)	(113)
Fair value of assets acquired	747	265
less:		
PURCHASE PRICE - CASH PAID	***3,627***	***1,785***
Contingent consideration	874	351
Goodwill on acquisition	***3,754***	***1,871***

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 $778,000 and $1,236,000. The fair value of this contingent consideration on these portfolio acquisitions has been estimated as $874,000.

During the previous period, the potential undiscounted amount of all future payments that could be required was between $341,000 and $413,000. The fair value of that contingent consideration had been estimated as $351,000. There has been no change to this amount during the current year.

Note to the Financial Statements

For the year ended 30 June 2012

	Consolidated Fair value recognised on acquisition 2012	2011
	$'000	$'000
7. Cash and cash equivalents (continued)		
Acquisition and disposal of broking portfolios (continued)		
(m) 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

(n) 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.

	2012	2011
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 outflow on disposal is as follows;		
Net cash reduction on deconsolidation of controlled entity	–	–
Cash received on disposal of controlled entity	–	1,461
NET CASH INFLOW	–	1,461
TOTAL PROFIT ON DISPOSALS PRE TAX - ITEMS 7 (m) - 7(n) (SEE NOTE 4 (vi))	–	249

	Consolidated 2012	Consolidated 2011
	$'000	**$'000**

8. Dividends paid and proposed

Equity dividends on ordinary shares:

(a) Dividends paid during the year

	2012 $'000	2011 $'000
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
Final franked dividend for financial year ended 30 June 2011: 17.0 cents	9,421	–
Interim franked dividend for financial year ended 30 June 2012: 9.5 cents	5,277	–
TOTAL DIVIDENDS PAID IN CURRENT YEAR	*14,698*	*12,529*

In addition to the above, dividends paid to non controlling interests totalled $3,286,000 (2011: $3,171,000).

(b) Dividends proposed and not recognised as a liability

	2012 $'000	2011 $'000
Final franked dividend for financial year ended 30 June 2011: 17.0 cents	–	9,292
Final franked dividend for financial year ended 30 June 2012: 21.5 cents	12,040	–
	12,040	*9,292*
Dividends paid per share (cents per share)	26.5	23.5
Dividends proposed per share (cents per share) not recognised at balance date	21.5	17.0

Franking credit balance

The amount of franking credits available for the subsequent financial year are:

	2012 $'000	2011 $'000
• franking account balance as at the end of the financial year at 30% (2011: 30%)	24,327	19,897
• franking credits that will arise from the payment of income tax payable as at the end of the financial year	937	1,593
The amount of franking credits available for future reporting periods.	***25,264***	***21,490***
• 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.	(5,160)	(3,982)
THE AMOUNT OF FRANKING CREDITS AVAILABLE FOR FUTURE REPORTING PERIODS AFTER PAYMENT OF DIVIDEND.	*20,104*	*17,508*

The tax rate at which paid dividends have been franked is 30% (2011: 30%)

Dividends proposed will be franked at the rate of 30% (2011: 30%)

Note to the Financial Statements

For the year ended 30 June 2012

	Consolidated 2012 $'000	Consolidated 2011 $'000
9. Trade and other receivables (current)		
Trade receivables	9,663	6,676
Amount due from customers on broking/underwriting agency operations	106,917	94,739
Other receivables - related entities	587	675
TOTAL RECEIVABLES (CURRENT)	***117,167***	***102,090***
10. Other financial assets (current)		
Mortgages - related entities (amortised cost)	1,316	679
TOTAL OTHER FINANCIAL ASSETS (CURRENT)	***1,316***	***679***

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 2012 $'000	Consolidated 2011 $'000
11. Trade and other receivables (non current)		
Trade receivables	128	40
Loans to associated entities	133	133
TOTAL RECEIVABLES (NON CURRENT)	***261***	***173***
12. Other financial assets (non current)		
Mortgages - related entities (amortised cost)	30	60
Other	122	122
TOTAL OTHER FINANCIAL ASSETS (NON CURRENT)	***152***	***182***

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 2012	Consolidated 2011
	$'000	$'000

13. Investment in associates

Investments at equity accounted amount:

	2012 $'000	2011 $'000
ASSOCIATED ENTITIES - UNLISTED SHARES	*79,553*	*78,690*

	Equity percentage owned		*Equity accounted amount*	
	Jun-12	*Jun-11*	*2012*	*2011*
	%	%	$'000	$'000
Austral Insurance Brokers Pty Ltd	50.0	50.0	3,199	3,173
A & I Member Services Pty Ltd	50.0	50.0	–	–
Adroit Insurance Brokers Pty Ltd	49.9	49.9	2,512	2,192
Austbrokers RIS Pty Ltd	49.9	49.9	2,360	2,374
Austbrokers ABS Aviation Pty Ltd	50.0	50.0	–	–
Bruce Park Pty Ltd trading as Fergusons Financial Services	49.9	49.9	1,431	1,364
Citycover (Aust) Pty Ltd	49.9	49.9	1,636	1,693
Comsure Insurance Brokers Pty Ltd	49.9	49.9	603	746
Insurance Advisernet Australia Pty Ltd/ Insurance Advisernet Australia Unit Trust and controlled entity	49.9	49.9	15,993	15,659
Insurance Advisernet Holdings Unit Trust	49.9	49.9	390	317
Insurics Pty Ltd	50.0	50.0	1,150	1,247
JMD Ross Insurance Brokers Pty Ltd	49.9	49.9	840	751
Markey Group Pty Ltd	49.9	49.9	3,280	2,961
MGA Management Services Pty Ltd	49.9	49.9	6,539	6,090
Northern Tablelands Insurance Brokers Pty Ltd	49.9	49.9	79	22
Northlake Holdings Pty Ltd trading as Country Wide Insurance Brokers	50.0	50.0	4,915	4,664
Peter L Brown & Associates Pty Ltd	49.9	49.9	625	616
Power Insurance Brokers Pty Ltd	49.9	49.9	56	895
Rivers Insurance Brokers Pty Ltd	49.9	49.9	3,074	3,138
Secure Enterprises Pty Ltd / Strathearn Insurance Brokers Unit Trust	49.9	49.9	17,528	18,266
Parkstar Enterprises Pty Ltd / Strathearn Insurance Brokers (Qld) Unit Trust	49.9	49.9	4,673	5,044
Supabrook Pty Ltd trading as Austbrokers HCI	49.9	49.9	902	785
SRG Group Pty Ltd	50.0	50.0	2,019	1,983
Western United Financial Services Pty Ltd	49.9	49.9	1,288	1,013
Countrywide Tolstrup Financial Services Group Pty Ltd / Countrywide Tolstrup Group Unit Trust	49.9	49.9	2,095	1,875
Oxley Insurance Brokers Pty Ltd / Port Macquarie Insurance Brokers Unit Trust and consolidated entities	49.9	49.9	461	264
Oxley Insurance Brokers Pty Ltd / Coffs Harbour Unit Trust	37.5	37.5	75	90
Tasman Underwriting Pty Ltd	50.0	50.0	473	412
Millennium Underwriting Agency Pty Ltd	50.0	0.0	252	–
Celestial Underwriting Agency Pty Ltd	50.0	50.0	1,105	1,056
			79,553	*78,690*

Note to the Financial Statements

For the year ended 30 June 2012

13. Investment in associates (continued)

During the current year, the following transactions occurred:

- During the current period, the consolidated entity acquired 18.4% of Millennium Underwriting Agency Pty Ltd for $184,000. The consolidated entity has a further 31.6% interest indirectly through an associate.

During the previous year, the following transactions occurred:

- 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 a 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. During the current year the contingent consideration has been increased from $1,660,416 to $1,885,803. The difference of $225,387 has been charged to the income statement during the current period. (see note 4(vi)).

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, Celestial Underwriting Agency Pty Ltd and Millennium 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 2012 (prior year reporting date 30 June 2011).

(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	
	2012	2011
	$'000	$'000
(h) The entity's share of associates' profits/(losses)		
Share of associates':		
Revenue	***83,417***	***73,651***
Operating profits before income tax	24,333	21,762
Amortisation of intangibles	(1,398)	(1,303)
Net profit before income tax	***22,935***	***20,459***
Income tax expense attributable to operating profits	(4,875)	(4,165)
SHARE OF ASSOCIATES' NET PROFITS	***18,060***	***16,294***
(i) The entity's share of the assets and liabilities of associates in aggregate:		
Current assets	170,726	146,224
Non-current assets	39,425	40,340
Current liabilities	(167,472)	(143,152)
Non-current liabilities	(10,441)	(10,022)
NET ASSETS	***32,238***	***33,390***

14. Shares in controlled entities

* All controlled entities are incorporated in Australia and comprise:

	Consolidated Equity interest held 2012 %	Consolidated Equity interest held 2011 %
Name and Interests in controlled entities:		
Austbrokers Investments Pty Ltd	100	100
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	75
Austbrokers Gladstone Pty Ltd	100	0
Austbrokers Financial Services (Gladstone) Pty Ltd	100	0
Salisbury Payne Tinslay Pty Limited As Trustee For Salisbury Payne Tinslay Unit Trust	70	70
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	0	100
Austbrokers Central Coast Pty Ltd and its controlled entity	80	80
• Austbrokers Central Coast Financial Services Pty Ltd	80	80
Austbrokers City State Pty Ltd	90	100
Austbrokers Premier Pty Ltd	80	80
Austbrokers Southern Pty Ltd	80	80

Note to the Financial Statements

For the year ended 30 June 2012

	Consolidated Equity interest held 2012 %	2011 %
14. Shares in controlled entities (continued)		
* All controlled entities are incorporated in Australia and comprise:		
Name and Interests in controlled entities:		
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
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	100
• Latitude Underwriting Agency Pty Ltd	100	100
• Dolphin Insurance Pty Ltd	100	100
• 5 Star Underwriting Agency Pty Ltd	100	100
• Longitude Insurance Pty Ltd	100	0
• Film Insurance Underwriting Agencies Pty Ltd	100	0
• Construction Underwriting Pty Ltd	51	51
• Breakdown Underwriting Pty Ltd	51	51
Austbrokers RWA Pty Ltd and its controlled entities	60	60
• Austbrokers RWA Financial Services Pty Ltd	30	60
• Harvey Business Management Pty Ltd	60	60
• CTRL Pty Ltd	60	0
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 Terrace Insurance Brokers Pty Ltd and controlled entity	85	85
• Austbrokers Financial Solutions (SA) Pty Limited	43	43
Austbrokers Employee Share Acquisition Schemes Trust	100	0

14. Shares in controlled entities (continued)

During the current year, the following transactions occurred:

- On 1 January 2012, Austbrokers RWA Pty Ltd acquired 100% of the voting shares in CTRL Pty Limited for $1,193,409
- The consolidated entity acquired 100% of the voting shares in three newly incorporated entities, Austbrokers Gladstone Pty Ltd, Austbrokers Financial Services (Gladstone) Pty Ltd and Longitude Insurance Pty Ltd for $100 each
- On 1 July 2011, the Consolidated entity disposed of 10% of the voting shares of Austbrokers Citystate Pty Ltd for $497,691 reducing the equity to 90%. The profit on this transaction was treated as a transaction between owners and an amount of $186,000 was credited to reserves
- On 1 January 2012, Austagencies Pty Ltd acquired 100% of the voting shares of Film Insurance Underwriting Agencies Pty Ltd for $4,527,034 including a deferred consideration payment on this acquisition of $927,034. The deferred payment is expected to be paid by March 2013
- Austbrokers Holdings Limited established Austbrokers Employee Share Acquisition Schemes Trust, to acquire shares, either issued to it by Austbrokers Holdings Limited, or purchased on the open market, to satisfy option grants
- During the year, a controlled entity, Austbrokers RWA Pty Ltd, reduced its equity in Austbrokers RWA Financial Services to 50%, by diluting its shareholding, therefore Austbrokers Holdings Ltd direct equity in this entity is now 30%
- Traders Voice Services Pty Ltd was deregistered on the 23rd May 2012

During the previous year, the following transactions occurred:

- On 17 August 2010, the Consolidated group acquired a further 10% equity interest 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
- In September 2010, 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 group 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 was paid in March 2012. At 31 March 2012, the contingent consideration was reduced by $418,421 after taking into account actual commission and fee income booked during the period 1 December 2010 and 30 November 2011. The reduction in contingent consideration has been included in the income statement for the current period (see note 4(vi))
- 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.
- On 1 July 2010, 100% of the voting shares in 5 Star Underwriting Agency Pty Limited were transferred from Shield Underwriting Holdings Pty Ltd to Austagencies Pty Ltd

Note to the Financial Statements

For the year ended 30 June 2012

				Consolidated
	Property	Plant and equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000
15. Property, plant and equipment				
Year ended 30 June 2012				
Balance at the beginning of the year	703	10,845	1,180	12,728
Acquisition of controlled entity	27	11	37	75
Additions during the year	–	1,977	215	2,192
Disposals during the year	–	(804)	(349)	(1,153)
Property, plant and equipment at cost	***730***	***12,029***	***1,083***	***13,842***
Depreciation				
Balance at the beginning of the year	59	7,742	419	8,220
Acquisition of controlled entity	11	9	5	25
Disposals during the year	–	(653)	(205)	(858)
Depreciation during year	13	1,198	186	1,397
Accumulated depreciation	***83***	***8,296***	***405***	***8,784***
Summary				
Net carrying amount at beginning of year	644	3,103	761	4,508
NET CARRYING AMOUNT AT END OF YEAR	***647***	***3,733***	***678***	***5,058***
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***

16. Intangible assets and goodwill

	Consolidated		
	Goodwill	Insurance broking registers	Total
	$'000	$'000	$'000
Year ended 30 June 2012			
Balance at the beginning of the year	63,041	25,967	89,008
Additional businesses and portfolios acquired	8,939	1,350	10,289
Total Intangibles	***71,980***	***27,317***	***99,297***
Amortisation			
Balance at the beginning of the year	–	14,047	14,047
Amortisation current year	–	2,414	2,414
Accumulated amortisation	**–**	***16,461***	***16,461***
Summary			
Net carrying amount at beginning of year	63,041	11,920	74,961
NET CARRYING AMOUNT AT END OF YEAR	***71,980***	***10,856***	***82,836***
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
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***

Note to the Financial Statements

For the year ended 30 June 2012

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	
			2012	2011
			$'000	$'000
(i) Goodwill				
Austbrokers Sydney Pty Ltd and its controlled entities			23,285	25,077
Austbrokers Central Coast Pty Ltd and its controlled entities			2,350	2,350
Austbrokers RWA Pty Ltd and its controlled entities			5,043	2,963
Aprikeesh Pty Ltd and its controlled entities			2,315	2,315
Austbrokers Financial Solutions (Sydney) Pty Ltd and its controlled entity			4,008	4,008
Austagencies and its controlled entities			16,261	11,987
Austbrokers Premier Pty Ltd			3,400	3,400
	Remaining amortisation period (years)			
	2012	2011		
(ii) Insurance Broking Registers				
Austbrokers Sydney Pty Ltd and its controlled entities	3.0	4.0	3,772	4,895
North Coast Insurance Brokers Pty Ltd and its controlled entities	7.5	8.5	628	721
Austbrokers Premier Pty Ltd	3.5	4.5	477	605
Aprikeesh Pty Ltd and its controlled entities	6.5	7.5	1,834	2,105
McNaughton Gardiner Insurance Brokers Pty Ltd	8.5	9.5	890	1,047
Austbrokers RWA Pty Ltd and its controlled entities	9.5	5.5	854	352

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 controlled entities 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 10.65 to 12.20 times (2011: 9.99 to 11.90 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.

External expert advice has been sought in relation to the determination of the appropriate WACC to be used in determining the profit multiples. The WACC is based on the cost of capital calculated for each cash generating unit after taking into account market risks, a risk loading recognising the size of the business, current borrowing interest rates, factoring in the borrowing capacity of the businesses and the risk free rate. In the previous year, the 10 year bond rate prevailing at year end was used to determine the risk free rate. This year, due to the significant reduction in interest rates, the 10 year average rate for 10 year bonds was used to reflect a sustainable risk free rate.

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.

	2012	*2011*	*2012*	*2011*
SHARE OPTIONS	**No.**	**No.**	**WAEP ($)**	**WAEP ($)**
Outstanding at the beginning of the year	2,007,541	2,012,633	2.96	3.06
Granted during the year - Zero priced options	56,591	78,208	0.00	0.00
Exercised during the period: Options issued during 2005	(420,850)	(45,000)	2.00	2.00
Exercised during the period: Options issued during 2006	(318,150)	(38,300)	3.47	3.47
Exercised during the period: Options issued during 2007	(90,750)	–	4.20	4.20
Exercised during the period: Options issued during 2008	(16,524)	–	4.22	0.00
Exercised during the period: Options issued during 2008	(40,566)	–	0.00	0.00
Lapsed/forfeited during the period: Options issued during 2008	(13,259)	–	4.22	0.00
Lapsed/forfeited during the period: Options issued during 2008	(24,636)	–	0.00	0.00
Lapsed/forfeited during the period: Options issued during 2009	(10,287)	–	0.00	0.00
Lapsed/forfeited during the period: Options issued during 2010	(10,437)	–	0.00	0.00
OUTSTANDING AT THE END OF THE YEAR	***1,118,673***	***2,007,541***	***3.11***	***2.96***

The outstanding balance as at 30 June 2012 is represented by:

- NIL (2011: 420,850) options granted on 5 October 2005, exercisable 3 years from the issue date at an exercise price of $2.00
- 308,650 (2011: 587,900) options granted on 25 September 2006, exercisable 3 years from the issue date at an exercise price of $3.47
- 38,900 (2011: 77,800) options granted on 29 January 2007, exercisable 3 years from 25 September 2006 at an exercise price of $3.47
- 500,200 (2011: 590,950) options granted on 14 September 2007, exercisable 3 years from the issue date at an exercise price of $4.20
- 20,000 (2011: 20,000) options granted on 29 January 2008, exercisable 3 years from 14 September 2007 at an exercise price of $4.20
- 20,160 (2011: 49,942) options granted on 29 September 2008, exercisable 3 years from 29 September 2008 at an exercise price of $4.22
- 27,584 (2011: 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
- 78,817 (2011: 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
- 67,771 (2011: 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
- 56,591 Share options were granted on 31 October 2011, exercisable 3 years from 31 October 2011 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 $6.28

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

Note to the Financial Statements

For the year ended 30 June 2012

18. Share-based payment plans (continued)

During the year the following options were exercised or lapsed

- 65,301 Share options were granted on 31 October 2011, exercisable 3 years from 31 October 2011 at an exercise price of $NIL. During the period 8,710 zero priced options were lapsed due to the resignation of a staff member. The options were valued at $6.2797 using the volume weighted average share price for the five days prior to the grant date
- 420,850 Share options were exercised on 21 September 2011 at an exercise price of $2.00. The volume weighted average price for the 5 business days prior to the date the options were exercised was $6.2981
- 279,250 share options were exercised on 21 September and 38,900 share options were exercised on 12 December 2011 at an exercise price of $3.47. The volume weighted average price for 5 business days prior to the date the options were exercised was $6.2981 and $6.2397 respectively
- 60,600 share options were exercised on 21 September and 30,150 share options were exercised on 12 December 2011 at an exercise price of $4.20. The volume weighted average price for the 5 business days prior to the date the options were exercised were $6.2981 and $6.2397 respectively
- 16,524 Share options were exercised on 21 September 2011 at an exercise price of $4.22. The volume weighted average price for 5 business days prior to the date the options were exercised was $6.2981
- 40,566 Share options were exercised on 12 December 2011 at an exercise price of $NIL. The volume weighted average price for the 5 business days prior to the date the options were exercised was $6.2397
- 4,313 Share options that were granted on 29 September 2008, lapsed due to the resignation of a staff member. A further 8,946 options lapsed due to the company not meeting profit targets during the 4 years ended 30 June 2012
- 2,157 Zero priced options that were granted on 29 September 2008, lapsed due to the resignation of a staff member. A further 22,479 zero priced options lapsed due to the company not meeting profit targets during the 4 years ended 30 June 2012
- 10,287 Zero priced options that were granted on 3 November 2009, lapsed due to the resignation of a staff member
- 10,437 Zero priced options that were granted on 15 October 2010, lapsed due to the resignation of a staff member

During the previous year the following options were exercised or lapsed

- 80,118 Share options were granted on 15 October 2010, exercisable 3 years from 15 October 2010 at an exercise price of $NIL. During the period 1,910 zero priced options were lapsed due to the resignation of a staff member. The options were valued at $4.8089 using the volume weighted average share price for the five days prior to the grant date
- 45,000 Share options were exercised on 29 July 2010 at an option price of $2.00. The average market price on the date the options were exercised was $4.81
- 38,300 Share options were exercised on 29 July 2010 at an exercise price of $3.47. The average market price on the date the options were exercised was $4.81

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.

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, 2010 and 2011, 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 2012 is 2.50 years. (2011: 2.77 years).

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 2012 $'000	Consolidated 2011 $'000
19. Trade and other payables		
Current		
Trade payables	8,135	7,928
Amount payable on broking/underwriting agency operations	162,079	142,755
Other payables - non related	11,056	9,179
Other payables - related entities	150	155
TOTAL TRADE AND OTHER PAYABLES	*181,420*	*160,017*

Included in trade payables is an amount of $905,000 which represents instalment payments payable within the next year in relation to the funding of insurance contracts.

	Consolidated: Employee entitlements $'000	Consolidated: Make good provision $'000	Consolidated: Total $'000
20. Provisions			
Year ended 30 June 2012			
Balance at the beginning of the year	9,142	562	9,704
Arising during the year	407	178	585
BALANCE AT THE END OF THE YEAR	*9,549*	*740*	*10,289*
Current 2012	*8,309*	*109*	*8,418*
Non-current 2012	*1,240*	*631*	*1,871*
	9,549	*740*	*10,289*
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*

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.

Note to the Financial Statements

For the year ended 30 June 2012

	Consolidated	
	2012	2011
	$'000	$'000
21. Interest bearing loans and borrowings		
Current		
Obligations under finance leases and hire purchase contracts (note 23)	266	472
Unsecured loan from other related parties	182	150
Secured bank loan*	682	–
	1,130	**622**
Non-current		
Obligations under finance leases and hire purchase contracts (note 23)	482	481
Unsecured loan from other parties	68	67
Unsecured loan from other related parties	–	–
Secured bank loan*	32,834	33,731
	33,384	**34,279**

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

	2012	2011
Summary of secured bank loans		
• St George Bank	31,396	31,846
• Macquarie Bank	282	382
• Commonwealth Bank	1,428	1,503
• National Australia Bank	410	–
TOTAL SECURED BANK LOANS	***33,516***	***33,731***

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

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

St George Bank Facilities

St George Bank has provided finance facilities to Austbrokers Holdings Ltd amounting to $38,436,000 (30 June 2011: $44,091,000). In the previous year, the Austbrokers Holdings Ltd facility included commercial loan facilities advanced to Austbrokers Central Coast Pty Ltd and Austbrokers AEI Transport Pty Ltd totalling $5,655,000. These entities have negotiated separate facilities and have been removed from the Austbrokers Holdings Ltd Facility.

The term of the loan facility is five years covering the period 11 August 2008 to 26 August 2013.

At balance date the Austbrokers Holdings Ltd facilities have been utilised to the amount of $27,468,211 (30 June 2011 $32,965,620) in bill acceptance/discount facilities totalling $25,000,000 and bank guarantees/overdraft facilities totalling $2,468,211. The unutilised amount of the facility at 30 June 2012 was $10,967,789 (2011: $11,125,380)

- A controlled entity, Austbrokers Services Pty Ltd has utilised $2,468,211 (2011: $2,319,620) in respect of bank guarantees, credit card and overdraft facilities
- A controlled entity, Austbrokers Services Pty Ltd, has utilised $25,000,000 (2011: $25,000,000) in commercial bill facilities at year end. Interest rates have been fixed at an effective rate of 7.17% (2011: 7.18%) until 26 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 facility agreement
- The facilities are secured by registered fixed and floating charges over the assets and undertakings of the Group and cross guarantees and indemnities given by each of the wholly owned subsidiaries

21. Interest bearing loans and borrowings (continued)

A controlled entity, Austbrokers AEI Transport Pty Ltd entered into an agreement with St George Bank to provide finance facilities amounting to $4,650,000 (30 June 2011: $4,650,000 which was included in the Austbrokers Holdings facility of $44,091,000). A further facility of $249,523 was also negotiated in the previous period which was repaid during the current year. At balance date these facilities have been utilised to the amount of $4,650,000 (30 June 2011:$4,899,523 including separate facility of $249,523). This facility expires on 15 May 2015.

- A commercial bill for $650,000 has an interest rate of 5.79%. (2011: fixed for 1 year at 7.33%) and the rate is fixed until 15 May 2015
- A commercial bill for $4,000,000 has an interest rate of 5.75%. (2011: fixed for 1 year at 7.33%) and the rate is fixed until 15 May 2015
- The facility is secured by registered fixed and floating charges over the assets of Austbrokers AEI Transport Pty Ltd, a guarantee for 65% of the amount given by Austbrokers Holdings Ltd and guarantees and indemnities given by the shareholders with non controlling interests

A controlled entity, Austbrokers Central Coast Pty Ltd has negotiated a commercial bill facility from St George Bank for $1,005,000. In the previous year this facility was included in the Austbrokers Holdings facility of $44,091,000. This facility is fully drawn down at year end.

- The commercial bill for $1,005,000 has an interest rate of 7.33% (2011: fixed for 1 year at 7.33%) and the rate is fixed until November 2013 after which time it will revert to the variable rate prevailing at that time. The facility will expire on 13 October 2017.
- The facility is secured by registered fixed and floating charges over the assets of Austbrokers Central Coast Pty Ltd, a letter of comfort from Austbrokers Holdings Ltd and guarantees and indemnities given by the shareholders with non controlling interests.

A controlled entity, SPT Financial Services Pty Ltd, entered into an agreement with St George Bank to provide finance facilities amounting to $304,000 ($234,000 in loans and $70,000 for bank overdraft facilities) (2011: $420,000 including bank overdraft of $70,000). At balance date these facilities have been utilised to the amount of $234,000 (2011: $315,000). The undrawn amount of this facility is $70,000 (2011: $105,000).

- The facility is for 5 years until 13 December 2015. The variable interest rate is renegotiated quarterly and the rate applicable at 30 June 2012 was 6.56%. (2011: 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 (2011: $750,000). At balance date these facilities have been utilised to the amount of $507,000 (2011: $626,805). The undrawn amount of the facility at 30 June 2012 was $243,000 (2011: $123,195). This facility will expire on 10 June 2019.

- A loan of $260,000 (2011:$375,000) has been fixed until 1 September 2012 at a rate of 6.62% (2011: fixed at 8.6%).
- A loan of $247,000 (2011:$251,805) has a variable interest rate of 6.6% which is renegotiated quarterly (2011: variable at 6.99%)
- 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.

Macquarie Bank facilities

A controlled entity, Aprikeesh Pty Ltd and its controlled entities (Aprikeesh Group), negotiated with Macquarie Bank to provide finance facilities to the Aprikeesh Group amounting to $785,000 (2011: $550,000). At 30 June 2012 these facilities have been utilised to the amount of $282,000. (2011: $382,000) The undrawn amount of the facility at 30 June 2012 was $503,000 (2011: $168.000).

- The term of the loan facility is interest only for 5 years ending on 31 March 2014. Interest rates on the facility are negotiated quarterly and the interest rate at 30 June 2012 was 7.41%. (2011: 8.14%)
- 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

Commonwealth Bank facilities

A controlled entity, North Coast Insurance Brokers Pty Ltd has negotiated three loan facilities totalling $1,644,338 (2011: $1,502,660).The drawn down amount of these facilities at 30 June 2012 was $1,428,170 (2011: $1,502,660)

- A loan facility of $475,000 (2011:$475,000) has been fixed until 1 September 2012 at a rate of 8.6%. (2011: fixed at 8.6%) The facility was fully drawn down at 30 June 2012 and the facility expires in September 2012
- A loan facility of $300,000 (2011:$300,000) has been fixed until 11 September 2012 at a rate of 8.59% (2011: variable at 9.25%). The drawn amount of this facility is $83,832. (2011: $50,000). The facility expires in September 2012
- A loan facility of $869,338 (2011:$977,660) has a variable rate of 8.49%. 2011: variable rate of 9.15%) The facility is fully drawn down and expires on 21 June 2018. Principal repayments of $123,701 are due to be repaid during the next 12 months
- The facilities are secured by registered fixed and floating charges over the assets of North Coast Insurance Brokers Pty Ltd, its controlled entities and guarantees and indemnities given by the shareholders with non controlling interests

National Australia Bank facilities

A controlled entity, Austbrokers Terrace Insurance Brokers Pty Ltd, negotiated a $500,000 (30 June 2011: $NIL) loan facility that expires on 29 July 2016. The undrawn amount of this facility at 30 June 2012 was $90,000 (30 June 2011: NIL).

- The interest rate on the loan facility of $410,000 is renegotiated quarterly and the variable rate applicable at 30 June 2012 was 7.12%.
- The facilities are secured by registered fixed and floating charges over the assets of Terrace Insurance Brokers Pty Ltd, its controlled entities and guarantees and indemnities given by the shareholders with non controlling interests

Note to the Financial Statements

For the year ended 30 June 2012

	Consolidated 2012 $'000	2011 $'000
22. Issued capital and reserves		
Issued Capital opening balance	70,750	60,844
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
Net Proceeds from Dividend Reinvestment Plan	2,906	9,683
On 21 September 2011 allotted 420,850 shares at an issue price of $2.00	842	–
On 21 September 2011 allotted 279,250 shares at an issue price of $3.47	969	–
On 21 September 2011 allotted 60,600 shares at an issue price of $4.20	254	–
On 12 December 2011 allotted 40,566 shares at an issue price of $NIL	–	–
On 12 December 2011 allotted 38,900 shares at an issue price of $3.47	135	–
On 12 December 2011 allotted 30,150 shares at an issue price of $4.20	127	–
On 12 December 2011 allotted 16,524 shares at an issue price of $4.22	70	–
Share issue expenses	(17)	–
ISSUED CAPITAL	*76,036*	*70,750*

	Consolidated Shares No.	Shares No.
NUMBER OF SHARES ON ISSUE (ORDINARY SHARES FULLY PAID)	*55,999,095*	*54,658,736*
Movements in number of shares on issue		
Beginning of the financial year	54,658,736	52,653,687
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 27 April 2012, 453,519 shares were issued at $6.4075 as a result of a Dividend Reinvestment Plan.	453,519	–
On 21 September 2011 allotted 420,850 shares at an issue price of $2.00	420,850	–
On 21 September 2011 allotted 279,250 shares at an issue price of $3.47	279,250	–
On 21 September 2011 allotted 60,600 shares at an issue price of $4.20	60,600	–
On 12 December 2011 allotted 40,566 shares at an issue price of $NIL	40,566	–
On 12 December 2011 allotted 38,900 shares at an issue price of $3.47	38,900	–
On 12 December 2011 allotted 30,150 shares at an issue price of $4.20	30,150	
On 12 December 2011 allotted 16,524 shares at an issue price of $4.22	16,524	–
TOTAL SHARES ON ISSUE	*55,999,095*	*54,658,736*

22. Issued capital and reserves (continued)

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	
	2012	*2011*
	$'000	**$'000**
Non controlling Interests		
Interest in:		
Ordinary shares	–	–
Retained earnings	13,255	12,336
	13,255	***12,336***

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

	Consolidated 2012 $'000	Consolidated 2011 $'000
Payable		
• Not later than one year	309	553
• Later than one year and not later than five years	522	509
• Later than five years	–	–
MINIMUM LEASE AND HIRE PURCHASE PAYMENTS	***831***	***1,062***
Deduct: Future finance charges	83	109
PRESENT VALUE OF MINIMUM LEASE AND HIRE PURCHASE PAYMENTS (REFER NOTE 21)	***748***	***953***

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 in the financial statements

	Consolidated 2012 $'000	Consolidated 2011 $'000
Payable		
• Not later than one year	3,255	3,181
• Later than one year and not later than five years	8,099	8,953
• Later than five years	–	–
	11,354	***12,134***

Note to the Financial Statements

For the year ended 30 June 2012

	Consolidated	
	2012	*2011*
	$'000	**$'000**
23. Commitments and contingencies (continued)		
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	2,300	2,013
• Later than one year and not later than five years	5,172	5,041
• Later than five years	560	1,059
	8,032	***8,113***
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	2,050	1,200
Austbrokers Holdings Ltd has guaranteed lease facilities provided to an associate in proportion to its shareholding	205	260
	2,255	***1,460***

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).

	Consolidated	
	2012	2011
	$	$
24. Auditors' remuneration		
Amounts received or due to Ernst & Young (Australia) for:		
Audit of the financial statements	706,381	677,000
Other - including taxation services	163,958	111,100
Total	*870,339*	*788,100*
Amounts received or due to non Ernst & Young audit firms for:		
Audit of the financial statements	295,332	256,964
Other assurance related services	13,640	26,590
Other - taxation services	87,419	105,450
Total	*396,391*	*389,004*
TOTAL AUDITORS' REMUNERATION	*1,266,730*	*1,177,104*

25. 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.

26. Subsequent events

On 1 July 2012, the Group acquired two broking portfolios for $2,318,584 and the remaining 50% of the voting shares in Insurics Pty Ltd that it did not own for $2,064,107. The final purchase price includes a contingent consideration amount which is yet to be determined.

On 27 August 2012 the Directors of Austbrokers Holdings Ltd declared a final dividend on ordinary shares in respect of the 2012 financial year. The total amount of the dividend is $12,039,805 which represents a fully franked dividend of 21.5 cents per share. The dividend has not been provided for in the 30 June 2012 financial statements.

Note to the Financial Statements

For the year ended 30 June 2012

27. Related party disclosures

(a) The following related party transactions occurred during the year:

(i) Transactions with related parties in parent, subsidiaries and associates.

Entities within the wholly owned group charge associates $1,601,050 (2011: $1,343,124) management fees for expenses incurred and services rendered.

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 $586,607 (2011: $675,014) and note 19 for payables to related parties $149,613 (2011: $155,340).

Entities within the wholly owned group have advanced funds to other related entities.

	Consolidated	
	2012	2011
	$	$
Hallman & Associates Pty Ltd	150,215	126,615
Hallman Family Trust	13,068	–
Howard Insurance Brokers Pty Ltd	31,919	31,267
Austbrokers Aviation Pty Ltd	123,601	269,070
A & I Member Services Pty Ltd	7,425	7,344
Paul Hogan Family Trust	10,000	–
Patglide Pty Ltd	231,044	175,795
Geebeejay Pty Ltd	16,660	8,868
Mishjola Pty Ltd	2,675	17,573
Tapmaa Pty Ltd	–	38,482
	586,607	***675,014***
Other payables - related entities		
Fondalla Pty Ltd	8,276	8,276
SPFS Enterprises Pty Ltd ATF Salisbury Family Trust	141,337	147,064
	149,613	***155,340***

(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 $201,147 (2011: $134,679). The interest charged is on normal commercial terms and conditions.

Further loans have been advanced to members of the economic entity of $1,910,000 (2011: 246,000). Members of the economic entity have repaid loans issued by Austbrokers Services Pty Ltd totalling $1,300,122 (2011: $1,076,353) during the year. The balance outstanding at 30 June 2012 was $1,346,043 (2011: $736,165).

(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.

A unit trust controlled by William Lachlan McKeough has a 25% interest in a broking business where the remaining 75% ownership is held by an Associate.

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.

27. Related party disclosures (continued)

(b) Details of Key Management Personnel (KMP)

The directors of the company in office during the year and until the date of signing this report are:

David John Harricks	Director (non-executive)
Richard Anthony Longes	Chairman (non-executive)
Raymond John Carless	Director (non-executive)
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 - resigned 11 December 2011
F. Gualtieri	National Manager - Group Services and Support
J. Howells	General Manager - Austbrokers Sydney
F Pasquini	General Manager - Acquisition and Development
G.J. Arms	General Manager - Equity Operations

(c) Shareholdings of Key Management Personnel

Shares held in Austbrokers Holdings Limited at 30 June 2012	*Balance at 01-Jul-11*	*Shares acquired during year*	*Shares disposed during year*	*Balance at 30-Jun-12*
Directors				
R. A. Longes	107,573	1,595	–	109,168
P. R. Shirriff	100,000	–	–	100,000
D. J. Harricks	27,000	–	–	27,000
R. J. Carless	10,451	2,065		12,516
W.L. McKeough	85,000	541,260	540,000	86,260
Executives				
S.S. Rouvray	208,300	13,473	–	221,773
J. Howells	–	–	–	–
F. Gualtieri	50,000	–	–	50,000
F. Pasquini	30,006	223	–	30,229
G.J. Arms	31,983	60,266	–	92,249
TOTAL	***650,313***	***618,882***	***540,000***	***729,195***

540,000 options were exercised by L McKeough during the period. The shares acquired were sold on the same day as the options were exercised.

F Pasquini has not been included in the prior year as he was not a key management person in that year.

Note to the Financial Statements

For the year ended 30 June 2012

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***

All equity transactions with KMP's other than those arising from the exercise of options granted as part of their remuneration, have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arms length.

(d) Compensation of Key Management Personnel by Category

	Consolidated	
	2012	*2011*
	$	**$**
Short–Term	3,486,683	2,799,108
Post Employment	353,610	363,121
Other Long–Term	137,500	142,200
Termination Benefits	–	–
Share–based Payment	210,412	215,343
	4,188,205	***3,519,772***

27. Related party disclosures (continued)

(e) Options granted as part of remuneration

Year ended 30 June 2012	*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	12,582	31-Oct-11	6.28	0.00	31-Oct-18	31-Oct-14	31-Oct-18
F. Gualtieri	6,843	31-Oct-11	6.28	0.00	31-Oct-18	31-Oct-14	31-Oct-18
J. Howells	–	–	–	–	–	–	–
F. Pasquini	6,753	31-Oct-11	6.28	0.00	31-Oct-18	31-Oct-14	31-Oct-18
G.J. Arms	7,327	31-Oct-11	6.28	0.00	31-Oct-18	31-Oct-14	31-Oct-18
TOTAL	*33,505*						

For options granted in the 2012 and 2011 financial year, 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.

G. Lambert ceased employment during the year and all unvested options were forfeited on the date of resignation.

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*						

Note to the Financial Statements

For the year ended 30 June 2012

27. Related party disclosures (continued)

(f) Option holdings of Key Management Personnel

Options held at 30 June 2012	Balance at beginning of period 01-Jul-11	Granted as Remuneration	Options Exercised	Options lapsed/ forfeited	Balance at end of period 30-Jun-12	Total options at year end: Vested / Exercisable	Total options at year end: Not Vested / Not Exercisable
Director							
W.L. McKeough	1,010,100	–	540,000	–	470,100	470,100	–
Executives							
S.S. Rouvray	182,108	12,582	13,473	4,871	176,346	133,200	43,146
G. Lambert	114,143	–	86,949	27,194	–	–	–
F. Gualtieri	107,030	6,843	–	5,285	108,588	85,121	23,467
J. Howells	40,857	–	–	3,002	37,855	28,307	9,548
F. Pasquini	90,077	6,753	–	2,477	94,353	71,553	22,800
G.J. Arms	154,212	7,327	120,356	5,645	35,538	10,412	25,126
TOTAL	*1,698,527*	*33,505*	*760,778*	*48,474*	*922,780*	*798,693*	*124,087*

The outstanding options have an exercise price ranging from $3.47 for options issued in 2006 to $4.22 for options issued in 2009 financial year.

During the current year a total of 56,591 zero priced options were issued (33,505 to Key Management Personnel).

Options held at 30 June 2011	Balance at beginning of period 01-Jul-10	Granted as Remuneration	Options Exercised	Options lapsed	Balance at end of period 30-Jun-11	Total options at year end: Vested / Exercisable	Total options at year end: Not Vested / 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*

The outstanding 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 year a total of 78,208 zero priced options were issued (42,558 to Key Management Personnel).

(g) No loans have been advanced to Key Management Personnel during the current year. (2011: NIL)

28. Parent entity information

Information relation to Austbrokers Holdings Limited	*2012*	*2011*
	$'000	**$'000**
Assets		
Cash and cash equivalents	15,070	15,615
Current Assets	49,842	42,673
Non-current Assets	53,130	52,059
Total assets	118,042	110,347
Liabilities		
Current liabilities	2,888	3,132
Non-current liabilities	–	–
Total liabilities	2,888	3,132
NET ASSETS	*115,154*	*107,215*
Equity		
Issued capital	76,036	70,750
Share based payments	3,873	2,255
Retained earnings	35,245	34,210
TOTAL SHAREHOLDERS EQUITY	*115,154*	*107,215*
Profit for the year before income tax	15,463	15,173
Income tax (credit) / expense	(271)	366
Net profit after tax for the period	15,734	14,807
TOTAL COMPREHENSIVE INCOME AFTER TAX FOR THE PERIOD	*15,734*	*14,807*
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	2,050	1,200
Austbrokers Holdings Ltd has guaranteed lease facilities provided to an associate in proportion to its shareholding	205	260
	2,255	*1,460*

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).

Note to the Financial Statements

For the year ended 30 June 2012

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.

29. Financial instruments (continued)

(a) Credit Risk (continued)

	Consolidated 2012 $'000	2011 $'000
Assets and liabilities relating to Insurance Broking Account.		
Amounts due from customers on broking/ underwriting agency operations.	106,917	94,739
Cash held on trust	74,859	65,008
Amounts payable on broking/underwriting agency operations.	(162,079)	(142,755)
Undrawn income	(19,697)	(16,992)
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 2012, all financial assets were neither past due nor impaired.

Cash and cash equivalents	40,743	37,326
Trade and other receivables	9,791	6,716
Related party receivables	587	675
Mortgages - related entities	1,346	739
Mortgages - other	–	–
Other receivables	255	255
	52,722	***45,711***

The amount for trade and other receivables included in the table above excludes insurance broking account receivables.

Note to the Financial Statements

For the year ended 30 June 2012

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, although some controlled entities have arranged borrowing facilities with other banks. The terms of these arrangements have been disclosed in Note 21 "Interest bearing loans and borrowings". It is the Group's policy that Austbrokers Holdings Limited's own facilities become current no less than 13 months from balance date. Where facilities are within this timeframe, the Group will arrange to have new facilities in place in the year the borrowing repayments become current. At 30 June 2012 there were $682,000 of borrowings that are due to be repaid within 12 months (2011: NIL) which relate to a finance facility arranged by a controlled entity. This finance facility is in the process of being renegotiated to extend its term.

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 2012 with comparatives based on conditions existing at 30 June 2011.

The table summarises the maturity profile of the Groups financial assets and financial liabilities based on contractual undiscounted payments.

	Consolidated	
	2012	*2011*
	$'000	**$'000**
Financial Assets		
Due not later than 6 months	233,427	204,763
6 months to not later than one year	658	340
Later than one year and not later than five years	413	355
Later than five years	–	–
	234,498	***205,458***
Financial Liabilities		
Due not later than 12 months	(182,550)	(160,639)
Later than one year and not later than five years	(33,384)	(34,279)
Later than five years	–	–
	(215,934)	***(194,918)***

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. Should policyholders not pay, the insurance policy is cancelled by the insurer and a credit given against the amount due. The Group's liquidity risk in relation to these receivables is limited to commissions and fees charged.

29. Financial instruments (continued)

(b) Liquidity Risk (continued)

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.

(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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Financial assets				
Cash and cash equivalents	115,602	102,334	115,602	102,334
Trade and other receivables	116,841	101,588	116,841	101,588
Related party receivables	587	675	587	675
Mortgages - related entities	1,346	739	1,346	739
Mortgages - other	–	–	–	–
Loan with associated entities	122	122	122	122
TOTAL FINANCIAL ASSETS	*234,498*	*205,458*	*234,498*	*205,458*
Financial liabilities				
Loans and other borrowings	(34,514)	(34,901)	(34,948)	(35,025)
Trade and other payables and accruals	(181,420)	(160,017)	(181,420)	(160,017)
TOTAL FINANCIAL LIABILITIES	*(215,934)*	*(194,918)*	*(216,368)*	*(195,042)*

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 rate.

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.

Note to the Financial Statements

For the year ended 30 June 2012

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 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	
	2012	2011
	$'000	$'000
Financial assets		
Cash and cash equivalents (including trust account balance)	115,602	102,334
Mortgages - related entities	1,346	739
Mortgages - other	–	–
TOTAL FINANCIAL ASSETS	*116,948*	*103,073*
Financial liabilities		
Loans and other borrowings	(3,309)	(3,792)
NET EXPOSURE TO INTEREST RATE MOVEMENTS	*113,639*	*99,281*

Borrowings fixed for a period greater than 12 months have been excluded from the table above.

29. Financial instruments (continued)

(d) Market Risk (continued)

Interest rate risk (continued)

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 totalling $34.5 million (2011:$34.9 million), $30.7 million have been fixed for periods greater than 12 months at rates ranging from 5.75% to 7.33%. 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 2011 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)	
Judgements of reasonably possible movements.	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Consolidated				
+1.5% (150 basis points) (2011 +2% (200 basis points))	1,194	1,390	–	–
-0.75% (75 basis points) (2011 -1.5% (150 basis points))	(596)	(1,042)	–	–

The net increase in consolidated profits in respect of interest rate rises is due to the net positive impact of interest bearing assets being greater than borrowings.

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. (2011 : NIL)

Note to the Financial Statements

For the year ended 30 June 2012

29. Financial instruments (continued)

(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 2012, the Group's strategy was to maintain a gearing ratio of not greater than 30% which was unchanged from 2011. 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	
	2012	*2011*
	$'000	**$'000**
Debt to equity ratio		
Total borrowings	34,514	34,901
Total equity	172,290	153,316
TOTAL EQUITY AND BORROWINGS	***206,804***	***188,217***
Debt / Equity plus Borrowings Ratio	17%	19%

(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 2012

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 2012 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

(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 2012.

On behalf of the Board

W L McKeough
Director

Sydney, 27 August 2012

Independent Auditor's Report

To the members of Austbrokers Holdings Limited

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia

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 2012, 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 2012 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 47 to 53 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the Corporations Act 2001.

Ernst & Young.

Ernst & Young

Paul Harris

Paul Harris
Partner
Sydney, 27 August 2012

ASX Additional Information

For the year ended 30 June 2012

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 13th September 2012.

(a) Distribution of equity securities

Ordinary share capital

- 56,063,502 fully paid ordinary shares are held by 1,189 individual shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

Options

- 1,054,266 options are held by 11 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	281	–
1,001 – 5,000	561	–
5,001 – 10,000	186	1
10,001 – 100,000	137	7
100,001 and over	24	3
	1,189	***11***
HOLDING LESS THAN A MARKETABLE PARCEL	*49*	–

(b) Substantial shareholders

Ordinary shareholders	*Number*	*Fully paid Percentage*
QBE Insurance Group Limited (20/12/11)	7,469,201	13.45
Invesco Australia Limited (13/08/10)	3,826,948	7.26
Challenger Financial Services Group Limited (23/08/12)	4,455,965	7.96
Westpac Banking Corporation / BT Investment Management Limited (10/08/09)	3,103,463	6.18
National Australia Bank Limited (10/09/12)	4,581,122	8.18
Antares Capital Partners Limited (10/09/12) (also included in National Australia Bank Limited)	3,206,837	5.73
Celeste Funds Management Limited & Treasury Group Limited (22/03/12)	3,271,492	5.89
Allianz Australia Insurance Limited (27/08/07)	2,557,000	5.01

(c) Twenty largest holders of quoted equity securities

National Nominees Limited	12,058,967	21.51
J P Morgan Nominees Australia Limited	9,303,764	17.67
Citicorp Nominees Pty Limited	9,344,366	16.69
HSBC Custody Nominees (Australia) Ltd	5,908,951	10.54
Aust Executor Trustees SA Ltd (Tea Custodians Limited)	2,116,681	3.78
BNP Paribas Pty Ltd (Master Cust DRP)	1,531,347	2.73
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	1,150,252	2.05
Mirrabooka Investments Limited	1,120,847	2.00
Milton Corporation Limited	984,795	1.76
UBS Wealth Management Australia Nominees Pty Ltd	897,786	1.60
J P Morgan Nominees Australia Limited	865,551	1.54
Masfen Securities Limited	670,552	1.20
SIB Holdings Pty Ltd (SIB UNIT A/C)	494,882	0.88
Bond Street Custodians Limited (Ganes Value Growth A/C)	290,616	0.52
Equity Trustees Limited (SGH IC2E)	262,050	0.47
RBC Dexia Investor Services Australia Nominees (BKCUST A/C)	251, 932	0.45
Mrs Gaeleen Enid Rouvray	221,773	0.40
Markey Investments Pty Ltd (TA Markey & Co Staff RF A/C)	191,984	0.34
Suncorp Custodian Services Pty Limited (SGAEAT)	186,462	0.33
Marich Nominees Pty Ltd	141,464	0.25

Annual General Meeting

The Annual General Meeting of Austbrokers Holdings Limited will be held in the Heritage Room at the Intercontinental Hotel, 117 Macquarie Street Sydney NSW 2000 on Wednesday 28th November 2012 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 45.

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

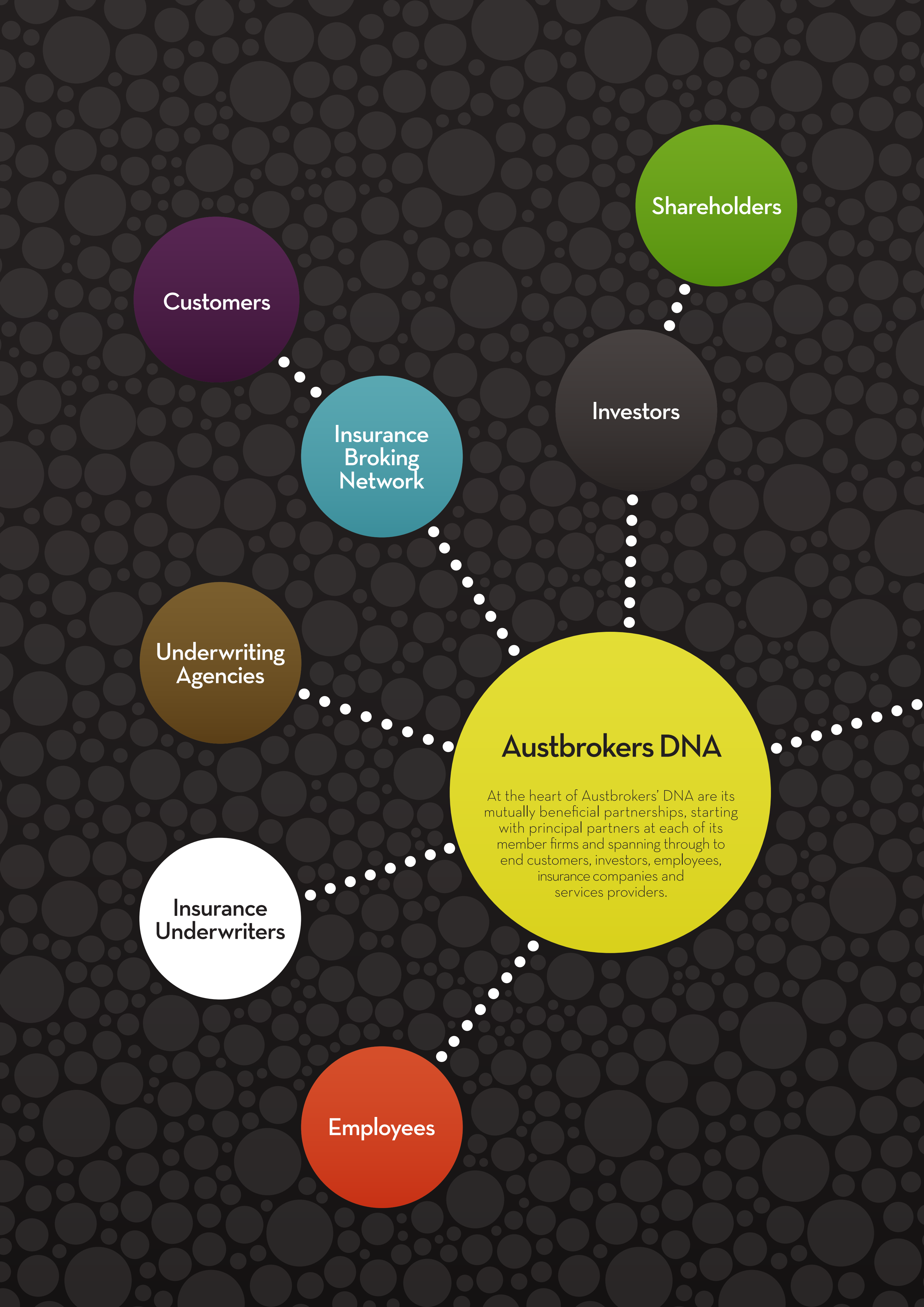
Clayton Utz
1 Bligh Street
Sydney, NSW 2000

Bankers

St George Bank Limited
Chifley Square
Sydney, NSW 2000

Auditors

Ernst & Young
680 George Street
Sydney, NSW 2000


Shareholders
Customers
Investors
Insurance Broking Network
Underwriting Agencies
Austbrokers DNA
At the heart of Austbrokers' DNA are its mutually beneficial partnerships, starting with principal partners at each of its member firms and spanning through to end customers, investors, employees, insurance companies and services providers.
Insurance Underwriters
Employees