30th September 2015

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

Austbrokers Annual Report 2015

Please find attached the Austbrokers Annual Report 2015 including the Financial Report for the year ended 30th June 2015.

Yours sincerely,

S.S. Rouvray
Company Secretary
Austbrokers Holdings Limited

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

2015 ANNUAL REPORT

austbrokers

OUR FOCUS DRIVES US FORWARD

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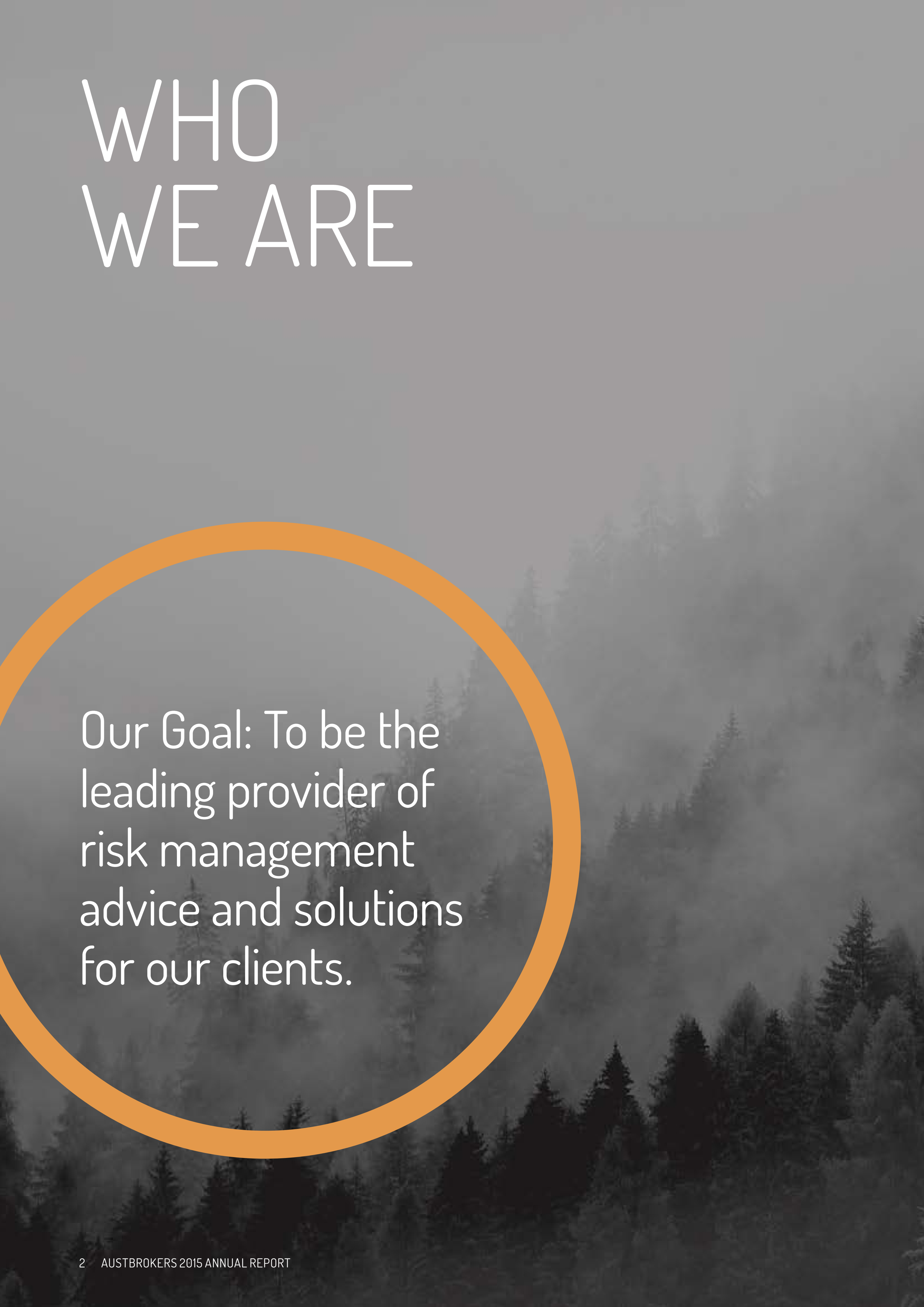
WHO WE ARE



Our Goal: To be the leading provider of risk management advice and solutions for our clients.

Whether the risks are physical, financial or people related, through partnerships we provide leading risk management assessment, advice and solutions for clients.

Since our inception in 1985 we've been keeping ahead of the curve, from the unveiling of our 'owner-driver' model, to providing a common broking platform and the expansion across geographies, markets and industry segments. Along the way, we have been defining what it means to be a comprehensive risk management and solutions organisation, building a reputation as a leader in the industry, and laying the groundwork for the successful future for our organisation, our partners and our clients.

Austbrokers' unique 'owner-driver' business model, where shareholder partners manage day-to-day operation of their business while benefiting from group-level support, facilitates genuine partnership and success across all our business areas:

Insurance Broking: Comprises equity investments in some 50 brokerages across Australia representing over 350,000 clients with over $2.3 billion of gross written premium (GWP) and approximately $1 billion in funds under management. Our joint venture with IBNA, under the AIMS banner, leverages in excess of $3.7 billion GWP providing leading products and remuneration to partner and member businesses.

Specialist Underwriting Agencies: Our Austagencies/SURA underwriting agencies comprise 23 specialist underwriting agency entities that provide insurance products to defined market segments with a combined GWP of over $300 million.

Risk Services: Our partner businesses specialise in the provision of specialist risk solutions primarily in the people/workplace risk arena and also in the provision of ancillary risk assessment and related solutions. This area provides comprehensive risk-related service and management solutions for clients, insurance brokers and insurance companies.

International: Operating under the brand NZbrokers, 54 broking businesses have formed the largest cluster group in New Zealand. Additionally, the 50% equity stake in New Zealand's leading independent broking business has enabled us to become New Zealand's third largest broking organisation with GWP in excess of $0.5 billion.

All our business areas are supported by proven, market leading, operational and technology support services to help improve the efficiency and effectiveness of the operating businesses.

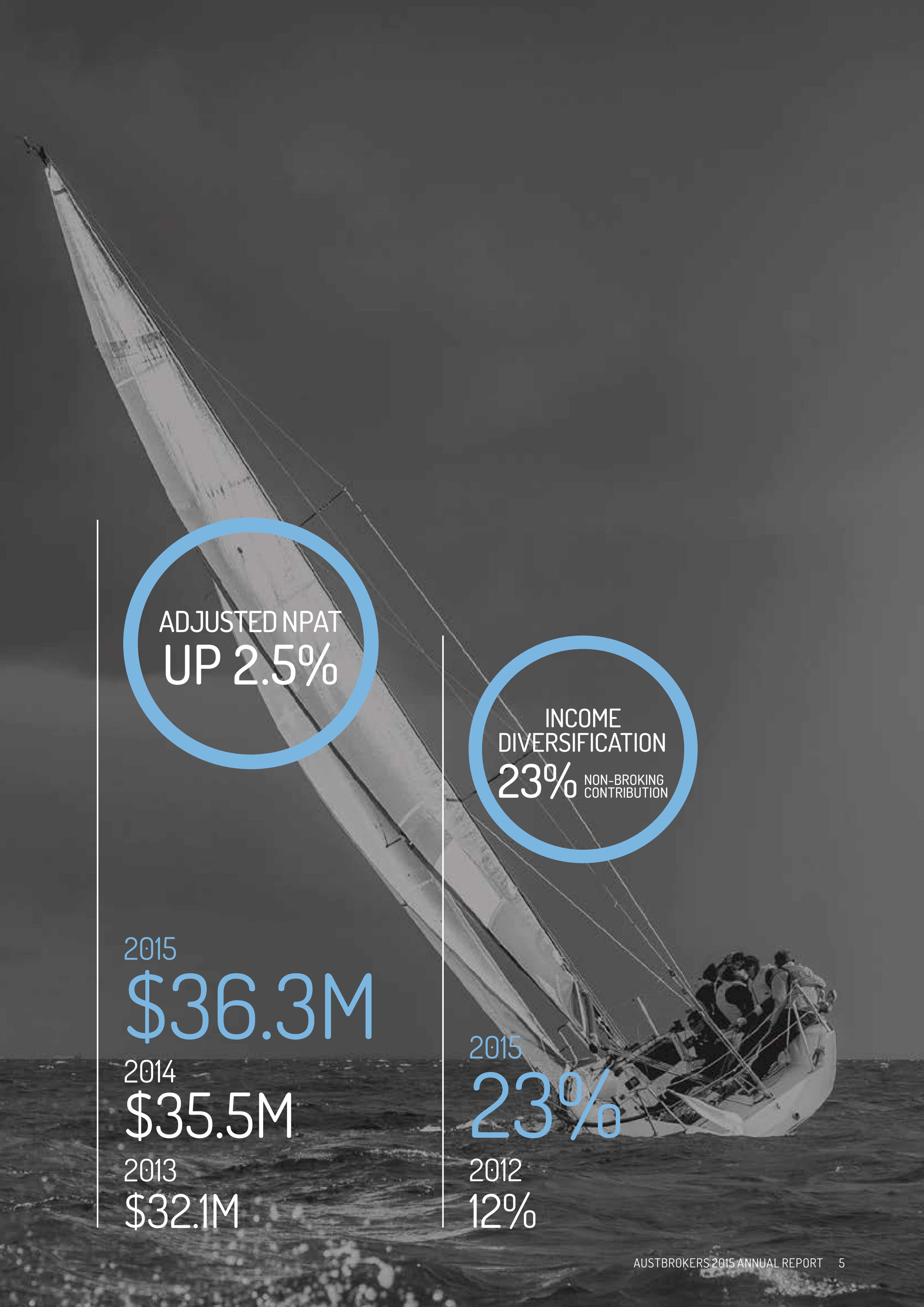
STRONG KEY FINANCIALS

HIGHLIGHTS

REVENUE
UP 9.4%

DIVIDEND
PER SHARE
UP 3.1%

REVENUE	DIVIDEND PER SHARE
2015 $217M	2015 39.7c
2014 $199M	2014 38.5c
2013 $168M	2013 35.5c



ADJUSTED NPAT
UP 2.5%

2015
$36.3M
2014
$35.5M
2013
$32.1M

INCOME DIVERSIFICATION
23% NON-BROKING CONTRIBUTION

2015
23%
2012
12%

DELIVERING AGAINST OUR STRATEGIC INTENT

SUSTAINABLE

DISCIPLINED FOCUS

OUTPERFORMING INDUSTRY DYNAMICS	
BROKING COMMISSION & FEES	↑3.1%
CLIENT NUMBERS	↑4.9%
PREMIUM FUNDING	↑0.8%
PROFIT COMMISSIONS IN UNDERWRITING WITH LONG TERM CONTRACTS SECURED	↑34%
EQUITY OWNER-DRIVER BUSINESSES NOW	75
SOLID COST CONTROL	BELOW 7 YEAR ROLLING AVERAGE

GROWTH

INCOME DIVERSIFICATION APPROACH

INCOME FROM NON-BROKING SOURCES	23%
RISK SERVICES CONTRIBUTION OUT PERFORMING PLAN	$1.5M VS FY14
INTERNATIONAL EXPANSION TO BECOME NZ'S LARGEST CLUSTER GROUP AND THIRD LARGEST BROKING ORGANISATION	>$500M GWP
SPECIALIST UNDERWRITING AGENCY START UPS CONTRIBUTING	25% TO NPBT
NEW EQUITY FIRMS NETWORK ADDITIONS SINCE 01/07/14	6 53

CHAIRMAN'S STATEMENT

RICHARD LONGES

The past year marks Austbrokers' tenth year as a public company, and the celebration of our 30 year anniversary – two significant milestones. Throughout this time, the company has maintained its reputation for integrity as a client focused organisation based on our unique 'owner-driver' model. I have always been proud to say I am associated with Austbrokers and its network.

Notwithstanding the market decline in premium rates, Austbrokers continued its record of growth in Adjusted NPAT – the measure we use to set our targets for the company and management. Whilst 2.5% growth is below what has been achieved in previous years, the Board believes this is satisfactory in the current circumstances and with our conservative gearing and acquisition policy. The investment made to strengthen the Group, its systems, and to diversify its income base will put it in good stead for future growth even if the constrained premium climate continues longer than expected.

Whilst we are always looking forward, it is worth noting what has been achieved over the ten years since listing. Gross Written Premium by the broking network has increased from $700M in 2005 to $2.5B this year, and the Total Shareholder Return for the almost ten years since listing to 30 June 2015 is 48% per annum compared to the ASX 300 of 7%. We now have broking, underwriting and risk services organisations with principals and employees across the network servicing 450,000 clients in Australia and New Zealand. With the addition of our partners through AIMS and NZbrokers, the aggregate GWP is $4.2B. The investment Austbrokers has made in developing systems to support its partner network and provide services to its clients and underwriters should ensure the continuation of this growth.

Profit from Underwriting Agencies has grown from $1.7M in 2006 to $13.1M and we have started to build a corresponding network in Risk Services providing risk management solutions to clients, insurers and brokers in the areas of claims management, rehabilitation services, training and others.

Our venture into the New Zealand market is progressing well via our 80% shareholding in NZ Broker Holdings which in turn owns NZ Brokers Management, manager of the largest broking cluster group in New Zealand and 50% of the country's largest independent broker.

None of this would have been possible without the dedication, expertise and innovation of the management, employees and our partners in Insurance Broking, Underwriting Agencies and Risk Services. I have always been impressed with the preparedness of Senior Management and Principals from our network to work with the many groups focused on developing benefits for the company and network at large not merely their own interests. In this regard we should acknowledge the support we continue to receive from our Underwriting partners to build a better outcome for our clients.

The year also finalised the transition of the management team under Mark Searles and the Board with my retirement at the forthcoming AGM. I would also like to thank the Directors who have made up the Board of Austbrokers past and present for their dedication and support. It has been a pleasure to work with you.

After ten years we have reviewed the terms governing the issue of share options to executives under the long term incentive scheme. The Board took advice from independent experts to ensure our arrangements are both competitive and in line with current market practices. The details of these changes will be included with the notice of meeting for the Annual General Meeting. Additionally, the Board proposes to renew Mark Searles' employment contract as CEO and Managing Director for a further three years in a way which we believe aligns his incentives with shareholder interests. We will seek shareholder support for these arrangements at the Annual General Meeting.

We have also undertaken a review of our branding strategy in light of the recent investments and developments across our different business areas. This has concluded that we need to ensure our brand names are relevant to the segments we serve. For example, Austbrokers is highly relevant to our Australian insurance broking business, NZbrokers is relevant to our New Zealand broking business, we have been investing in broadening our SURA underwriting agency brand and our Risk Services businesses have brand names relevant to their areas of operation. As a result, we believe the Group's name needs to be agnostic to the different business areas. To this end we will be seeking shareholder approval at the Annual General Meeting to change the existing Group company name from Austbrokers Holdings Ltd to AUB Group Ltd.

Finally I would like to thank you, the shareholders, for your support and confirm to you my belief that with the present Board under the chairmanship of its new Chairman and the management team lead by Mark, the Company is in good hands and poised for another successful ten years.

Richard Longes.

R A Longes
Chairman

CEO MESSAGE

MARK SEARLES

Despite the well reported headwinds of an extremely 'soft' insurance market, the Group again delivered another solid set of results and continued the tradition of growing NPAT, the 10th successive year of growth since listing. Importantly, the year saw us delivering on key elements of our strategy – **to be the leading provider of total risk solutions for our clients**. This in turn helped us in our objective of diversifying our profit generation. Three years ago, 12% of the Group's income was derived from non-broking sources, by the end of FY15 this had nearly doubled to 23% which helped protect us from the vagaries of the insurance cycle characterised by declining premium rates. Increasingly, we are seeing the benefits of collaboration between various Group partners across different segments delivering benefits for the end client; the partners and the Group. I am particularly pleased that, despite the challenging market environment, we adhered to our three key disciplines to ensure we stay focused and can deliver long term sustainable growth:

1. Stay true to our Business Model ('owner-driver' partnership model)
2. Execute on our Strategy – to be the leading provider of total risk solutions for our clients (physical; people; financial)
3. Stay focused on delivery of our Operating model – supporting our business partners with market leading services at cost to help improve their efficiency

Importantly, FY15 was the biggest year to date with respect to acquisitions. The Group invested in acquisition activity across our respective market segments where such acquisitions conformed to Group strategy and provided added value to shareholders. The Group committed over $70m of acquisition spend in FY2015 (FY2014 $24.4m). The acquisitions made contributed to earnings in the year and are expected to contribute further in FY2016 and beyond.

Our strategic move into the **New Zealand** market was executed well and we are now the third largest Broking organisation in that country and manager of the largest broking cluster group with total GWP in excess of $500m. This will provide a solid platform for future growth and helps leverage our strong insurer relationships across Australasia. Furthermore, our Risk Services strategy has been actioned throughout the year, utilizing our 'owner-driver' Business model. This is a key component of our overall Group strategy to ensure we can provide clients with total risk solutions and provides leading capabilities in the people risk area.

Insurance Broking demonstrated resilience given the decline in premium rates during the year with the level of broking income decline less than the market decline in premium rates. Our Broking Shareholder partners have ensured that the underlying organic growth drivers all showed positive trends despite pressure on commission income. While broking income reduced in FY2015, as a direct result of lower premium rates, client numbers and policy count (excluding stand-alone acquisitions) have increased as did contribution from premium funding and life insurance which positions the businesses well for the future. Acquisition activity continued on both a stand-alone and bolt-on basis and included the acquisition, through the 80% owned NZ Broker Holdings, of the manager of the largest broking cluster group in New Zealand and 50% of the country's largest independent broker. In Australia, acquisitions included a 50% shareholding in Nexus and a number of bolt on acquisitions within the network. A highlight of the year was the increased levels of collaboration between the broking entities and the recent Risk Services investments to provide enhanced risk propositions to clients. In Australia, the strength of our relationship with IBNA under the AIMS banner continued to build scale and opportunity for both broking entities and I look forward to continually strengthening the ties.

Underwriting Agencies continued its strong growth during the period with a 29% growth in revenue, and profit contribution before tax up 35% resulting in a profit contribution over double that of three years ago. This was achieved by following our strategic ambition of becoming a top three underwriter in our chosen market segments. The use of the 'owner-driver' model has seen increasing revenue contribution from agency start-ups over the last three years (these now contribute approximately 25% to Underwriting Agencies profit before tax). Examples of two start-ups: Longitude and New Surety, are good examples having reached a top three position in their relevant markets within three years and as this growth has been internally funded, it has been achieved at a much lower overall cost than acquisitions. Underwriting Agencies' result has benefited from securing long term contracts with key insurers. This has enabled the business to improve commissions, improve underwriting profit share commissions and earn additional fees for the current financial year and the longer term. These contracts reflect the value of the business model we have developed and our relationships with insurers. Furthermore, Profit commissions earned for the year increased over the prior year based on the continued quality of the underwriting performance and the finalisation of commissions on the sale of a portfolio. We invested heavily in the business during the year to ensure we continue to support future growth. Key initiatives implemented in the current year included the rebranding of the business to SURA, investment in management and resourcing to support the strong organic growth of recent start-ups. Systems investments were made in redesigning product offerings in Latitude with the launch of SURA 360, to enhance ease of doing business and deliver back office synergies. The business implemented an offshoring strategy targeted at controlling future growth in costs, initially around pre-underwriting analytics, and policy administration.

The **Risk Services** division was established in 2014 following the acquisition of 50% of the Procare Group. The group acquired two businesses to further expand the Group's capabilities; a 60% interest in Altius Group, a leading provider of rehabilitation and related services; and a 50% interest in Risk Strategies Pty Ltd which offers risk based consulting services to its clients. Since year end the Group has acquired a 60% interest in Allied Health Australia Pty Ltd, a leading rehabilitation services provider in the NSW market. Services offered by the division are highly complementary to those provided by our existing operating businesses and provide solutions to clients, insurers and brokers in the areas of claims management, rehabilitation services, investigations, staff training and risk surveys amongst others. We have seen good evidence in the take up of these services by our partners. Importantly, these businesses have been impacted less by the insurance cycle.

From an **Operating Model** perspective, we continued to ensure the delivery of market leading services to aid the effectiveness and efficiency of our partner businesses and we continued to invest in our people, technology, processes and systems. The internal development of the full policy administration system (incorporating iClose placements), designed to enable operational efficiencies across the network was completed and now requires our insurer partners to complete the final phase of work required at their end (programmed for FY2016). During the year, the iClose platform was deployed into selected Underwriting Agencies businesses to aid operational efficiency and is already delivering expected benefits. The roll out of the group Customer Relationship Management (CRM) system and sales platform to assist our partners with their business growth activities progressed well and is currently ahead of plan. The business technology systems underwent continuous upgrading to enhance our cyber security and privacy considerations. The vast majority of the operating businesses take advantage of the Group's centralised data Centre, common broking system and administrative back office services that are a key part of the operating model.

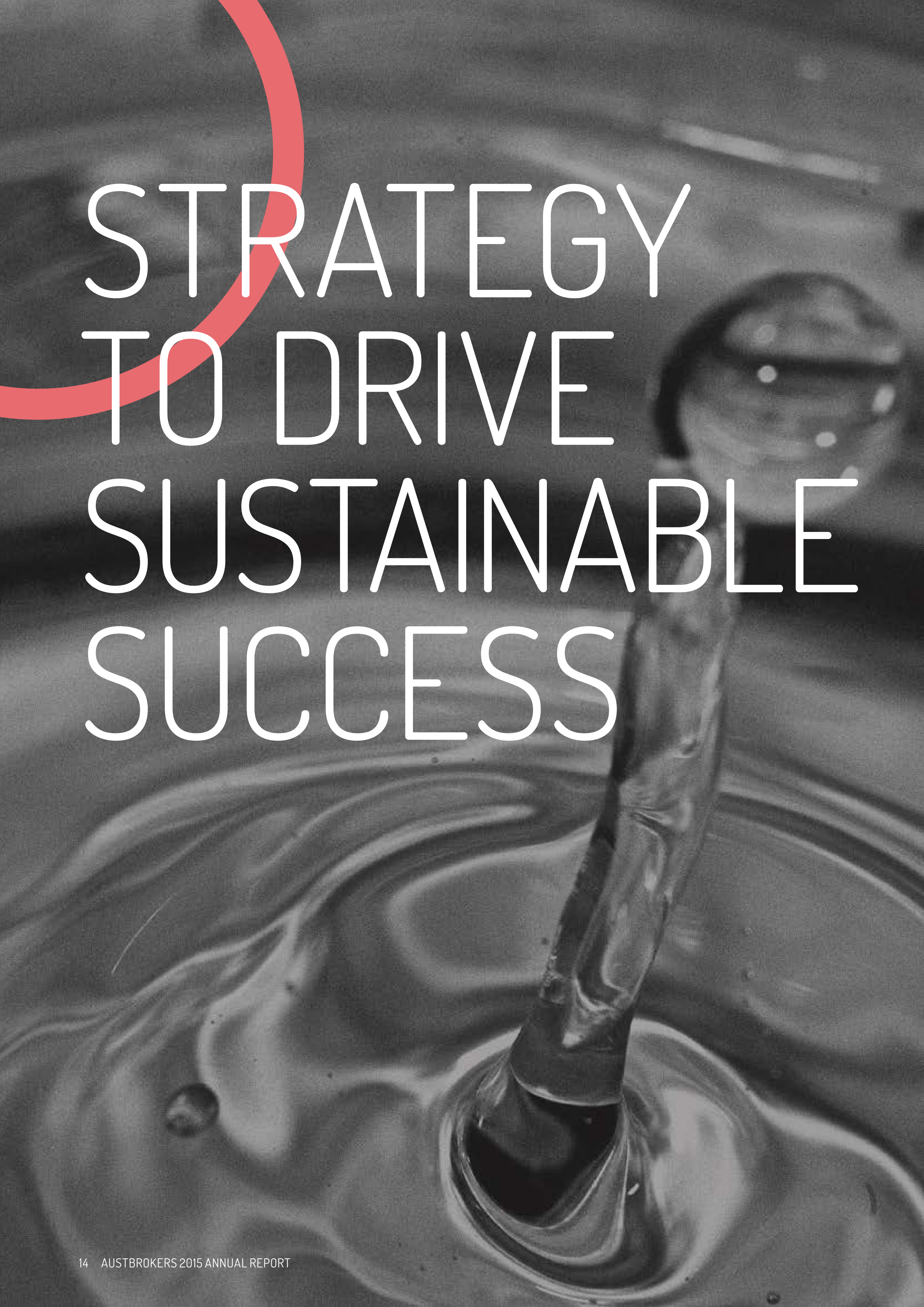
Looking forward, the commercial lines insurance market outlook remains challenging, and while premium rates are expected to stabilise, premium growth is unlikely before late FY2016. Drivers of revenue in Risk Services remain positive and are not impacted by the soft insurance cycle. We will continue to build on the strength of our business strategy, collaboration across the Group, our core 'owner-driver' business model and to optimise our Group operating model to be the leading Insurance Broking, Specialist Underwriting and Risk Services group. As our products and services mix continues to expand, this will enable growth across our business divisions building value for our partners and for our clients in Australia and New Zealand. We expect continued organic growth, supplemented by executing relevant acquisition and start-up investment opportunities. We will continue to invest appropriately to ensure the continued development of our value proposition ensuring, we are highly relevant and attractive to future partners, staff and clients. It is our objective to continue to contain costs below the rolling seven year average.

Finally, I would like to take this opportunity of thanking the management and staff at Austbrokers for their commitment and dedication especially given the challenging market environment; our shareholder partners and our commercial partners and to Richard and the Board for their ongoing support.

M P L Searles
Chief Executive Officer & Managing Director

Looking ahead, Austbrokers is approaching 2016 from a position of strength.

STRATEGY TO DRIVE SUSTAINABLE SUCCESS



We’ve always believed in helping our partners grow.

When we introduced our first Insurance Broking business partner in 1985, we committed to supporting them by providing the best possible insurance, risk and operational services – and we still stand by that commitment today. We are building our Group by listening to clients and partners, and developing services and programs that help them get the most for their business. The Group has now grown beyond Insurance Broking to encompass Underwriting Agencies and Risk Services entities which helps ensure we offer a range of risk solutions, underpinned by the ‘owner-driver’ model and backed by that same commitment to high-quality services and back-office support.

At Austbrokers, we know that doing the best for our partners and clients’ our business means investing in the future. We also know that we need to excel at providing great service and support to help our partners become more efficient, sustainable and profitable. We’ve worked hard to create a highly successful business model that looks after its partners and provides the best services in the market. But we can always do better. We are continually looking to the future, pursuing new ideas and projects that will transform Austbrokers into the best group it can possibly be. Our disciplined approach to our business model, our strategy and our operating model help ensure the Group is focused and well positioned for the future.

We’re excited by the future and the possibilities it presents. Achievement of our objectives by following our disciplined approach, will create a greater and stronger Austbrokers built on the back of innovation, efficiency and satisfied clients.

DISCIPLINE WITH SUCCESSFUL BUSINESS

Staying true to our partnership business model.

Our Group has been built on the unique 'owner-driver' partnership model which delivers real results for our partners, for Austbrokers and for clients. We will continue to stand shoulder to shoulder with our partner businesses to drive growth. Our disciplined focus on enabling strong partner businesses is imperative. This is evidenced by:

Stimulating client growth: In the last financial year, the Austbrokers broking network grew client and policy numbers by more than 4.9%. Despite a soft premium rate market environment, we continue to organically grow our existing businesses. The ability to cross-sell related risk services has helped improve the offering to clients whilst improving income generation.

Operating model effectiveness: Underpinning our business areas are our group support services – market leading and focused on improving the efficiency and effectiveness of our operating businesses. From technology, to administration, to marketing, we provide a unique set of business assets (delivered at cost) that continue to grow, becoming more efficient and delivering capability to our partner businesses.

A focus on cost control: Our cost discipline meant our overall Group cost: income ratio continued to improve, and remained below the seven year rolling average. Equally, the disciple evidenced in our partner businesses helped ensure costs were well controlled despite having to contend with growth in client and policy count.

Electronic enablement: In the age of continually evolving technology, many of our businesses (and their clients) are now dealing with us in ways far removed from the traditional paper based systems. During the year, we continued to invest in the expansion of our technology capabilities including the building of new products in Underwriting Agencies, expansion of our Data Centre capabilities and an upgrade to the technology environment.

CONSTANTLY EXPANDING HORIZONS

Success for Austbrokers is enabled by our ability to look across new horizons and expand our capabilities in the pursuit of our strategic goal – providing total risk solutions for our clients. Testament to this has been the growth of our Risk services capabilities; Underwriting Agencies and our expansion into the New Zealand market during FY15. There has also been a secondary benefit – helping to diversify our profit generation.

Diversification benefits are tangible: The year was a year of continued revenue diversification. Our Risk Services and Specialist Underwriting business arms have been a strong growth area for Austbrokers, now contributing 23% of the Groups income contribution. This diversification will continue into the future as we execute against our strategic objective and plan.

International expansion: With our focused expansion into New Zealand, we have demonstrated our capabilities in executing on an international platform. In just one year, we have become the third largest broking group in New Zealand, with a strong growth pipeline. We look to build upon this solid foundation to leverage further exciting and lucrative opportunities where appropriate.

Success from startups: Investing in new opportunities is imperative to our success but they also need to contribute to profit as quickly as possible. In FY15, we saw growth from investments made in 'start-ups' in Underwriting Agencies, instigated over the previous three years, to the extent that these contributed 25% of Underwriting Agencies NPBT. With such strong momentum, we will continue investing significantly in these areas – they are a key future element of revenue growth.


We continue to capture new opportunities.

SOCIAL AND COMMUNITY IMPACT

Committed to connecting, communicating and partnering with the community.

Austbrokers is committed to being a responsible and sustainable business. Above and beyond the good business sense of corporate social responsibility programs, doing the right thing by our people, our partners and the communities we operate in is part of the Austbrokers ethos.

In the past year, Austbrokers Holdings donated more than $20,000 to community and charitable organisations, including continued support for the Sunrise Children's Villages (through the Australian Cambodia Association); the Create Foundation, which supports and promotes the voices of over 40,000 children and young people in foster care; and the Royal Flying Doctors Services.

Austbrokers' partner businesses also support a number of community events and organisations as well as a wide range of local and global charitable organisations through fundraising, corporate donations and volunteering. Some highlights from across the group include:

- **Adroit Insurance Group** donates 2.5% of profit to local community foundations, including the Geelong Community Foundation, The Ballarat Foundation, the Community Foundation for Central Victoria and the Border Trust Community Foundation. Additionally, Adroit gave $100,000 in sponsorship to local clubs.
- **Austbrokers ABS** raised $42,000 for client Children's Cancer Institute Australia, and donated more than $22,000 to a number of worthy organisations including employee nominated charities, The Reach Foundation, and KIVA Microfunds.
- **Austbrokers Coast to Coast** covered the cost of rebuilding the local primary school playground, sponsoring Gold Coast-based community sporting groups and donating their time to Volunteering Gold Coast. Additionally they contributed to the Royal Brisbane Womens' Hospital, the RACQ Care Flight Helicopter Service and the Muscular Dystrophy Charity Ball.
- **Austbrokers Countrywide** donated nearly $9,000 to a number of community and charity organisations including Legs for Eggs, Blackwood 8 and The Good Foundation.
- **Austbrokers SPT** donated over $10,000 to support a number of local sports organisations and charities (especially supporting children's health). Additionally, Austbrokers SPT is involved in and supports the Tom Payne Memorial Grant which recognises contributions from North Cronulla Surf Life Saving Club member.
- **Austbrokers Terrace** donated $15,000 to the Smith Family to provide educational support tools for school children in less privileged circumstances.
- **Citycover** donated to support charities that their people and their clients are involved in, such as the Mater Hospital, the CEO Sleep Out and Australia's Biggest Morning Tea.
- **Comsure Commercial & Financial Risk Solutions** were joined by colleagues from insurer partner Allianz to complete the 100km Oxfam trek, raising over $21,000 to help Oxfam's fight against poverty.
- **Fergusons Insurance Brokers** was proud to donate $4,000 last year to a number of local community and national charities including the Reach Foundation, the Weekend to End Women's Cancer, Connecting Skills Australia and World Vision.
- **HQ Insurance Group** contributed more than $10,000 to the Summerhill Stud School of Equine Management Excellence in South Africa, Aquanita Racing's Gold Day in support of the Twentieth Man Youth Fund.
- **InterRISK** supports the Bairo Pite Clinic in East Timor, Odyssey House, the Humpty Dumpty Foundation, and Ability First and Challenge – donating approximately $29,000 this year.
- **Markey Group** raised over $32,000 for Hunter Life Education, and was a major sponsor of Divas on the Green – a charity golf day supporting Hunter Breast Cancer Foundation and Westpac Rescue Helicopter Service.
- **MGA Insurance Brokers** supported the AllKids Charity in Cambodia, providing education for more than 600 underprivileged children. MGA also support the Royal Flying Doctor Service and the Variety Children's Charity. In total, MGA has donated around $160,000 over the past financial year.
- **Strathearn Group** donated more than $23,000 to a number of worthy causes, including the Helping Hand Group, the Living Stone Foundation, YWCA, Spinal Muscular Atrophe Association, 'It's a Bloke Thing' Prostate Cancer Luncheon, Sammy D Foundation and Rotary Club.
- **Western United Financial Services** contributed $25,000 to local organisations and charities including the Variety Bash, Aged Care & Community Services, and cancer charities like Solariscare.

PARTNERING SHOULDER-TO-SHOULDER

Our 'owner-driver' model is intrinsic to our business strategy, Austbrokers partners with the following businesses to drive growth and success.

INSURANCE BROKING AUSTRALIA

Austbrokers ABS: commercial, SMEs, strata, workers compensation, bloodstock, professional liability, life insurance.

Austbrokers ABS Aviation: aviation.

Austbrokers BGA: workers compensation, business insurance, insurance solutions.

Austbrokers Canberra: construction, transport, motor vehicle dealerships, SMEs sector, registered clubs.

Austbrokers Central Coast: SMEs, sporting clubs, heavy transport, taxi fleets, not for profits, aged and child care.

Austbrokers CE McDonald: retail motor dealer, networks, market stall holders in conjunction with market organisers.

Austbrokers City State: engineering, transport, turf farming, construction.

Austbrokers Coast to Coast: SME businesses, enterprise, petroleum, transport, food processing.

Austbrokers Countrywide: insurance advice, risk management, financial solutions.

Austbrokers Dalby: agricultural, earthmoving, commercial.

Austbrokers Financial Solutions: business succession planning, personal and family protection strategies, life insurances, corporate superannuation.

Austbrokers HCI: small business, truck fleets, personal insurance, business insurance and financial planning.

Austbrokers NCFS: construction, manufacturing, mining, retail businesses.

Austbrokers NTIB: rural insurance, wool industry, agricultural services, professional risks, property owners.

Austbrokers Premier: timber, pet, construction, medical practices, business brokers, professional services, hospitality.

Austbrokers Professional Services: professional risk insurance, professional indemnity and D&O/management liability insurance.

Austbrokers Risk & Insurance Services: bus and coach industry, rural and workers compensation.

Austbrokers SPT: conveyancing, optometry, trades, jet ski, corporate & commercial insurance.

Austbrokers Terrace: rail, dental.

Austbrokers Trade Credit: trade credit insurance.

Adroit Insurance Group: supermarkets, hardware, trades, builders, manufacturers, engineers, hotels, accountants, workers compensation and financial services.

AB Phillips: insurance, risk solutions, financial services.

AEI Group: heavy transport, owner operators, warehousing and logistics, civil contractors and earthmoving, workers compensation.

Austral Risk Services: taxis, small charter vehicle, learner drivers, industrial/commercial enterprises.

Citycover: SMEs and mid market, transport, plant & equipment, trades, retail and personal insurance.

Comsure Insurance Brokers: industrial/commercial, SMEs, trades.

Country Wide Insurance Brokers: rural, farm machinery dealers, SMEs.

Fergusons Insurance Brokers: SME businesses.

Finsura: corporate and SME business insurance, financial planning, buy & sell risk and workers compensation management services.

HQ Insurance: premier bloodstock and livestock insurance.

Insurance Advisernet Australia: general insurance, life insurance.

Insurance Advisernet New Zealand: general insurance, life insurance.

Insurics: rail, transport and logistics, earthmoving, civil contractors.

InterRISK: SME, group & affinity, construction, mining & logistics, corporate & commercial, transactional liability and all professional insurance lines.

JMD Ross Insurance Brokers: professional indemnity, commercial, travel industry, affinity groups/associations and claims management.

KJ Risk Group: corporate insurance, risk advice, alternative risk financing.

Markey Group: SMEs, financial institutions, professional risks, heavy plant and machinery, crane, construction.

MGA Insurance Brokers: strata, commercial, transport, rural.

MGIB: tourism, hospitality.

Nexus Risk Services: general insurance, risk management, speciality services.

Oxley Insurance Brokers: business insurances, workers compensation, life risk insurance, financial planning.

Peter L Brown & Associates: SMEs, rural, professional services, construction.

SRG Corporate: commercial business, sport and recreation, construction, mobile plant, machinery.

Strathearn Insurance Brokers: construction, mining and resources, financial services, engineering, aviation, clinical trials and life science, heavy machinery.

Rivers Insurance Brokers & Far North Insurance Brokers: property development, construction, commercial property, manufacturer, plantations, professional services, commercial marine, tourism, agricultural.

WRI Insurance Brokers: motor dealers, motor trades, workers compensation.

Western United Financial Services: heavy transport, cranes, buses, hospitality industry, aged care and community services, corporate/commercial business insurance, earthmoving, accountants.

INSURANCE BROKING – NEW ZEALAND

BrokerWeb Risk Services: corporate, commercial, rural and domestic insurance.

NZbrokers Management: largest independent broking cluster operation in New Zealand.

RISK SERVICES

Allied Health Australia: occupational health & safety, rehabilitation services.

Altius Group: occupational health, psychological and medical assessment services.

Procare Group: injury management, training, investigations, claims and risk management.

Risk Strategies: workplace health and safety, workers compensation, self-insurance, environmental management.

SPECIALIST UNDERWRITING AGENCIES

Austagencies: professional indemnity, specialist services.

Australian Bus & Coach: motor insurance for bus and coach operators.

Aust Re Brokers: insurance wholesaling services.

Asia Mideast Insurance and Reinsurance (AMIR): offshore/offshore energy.

CEMAC: contractors, plant and equipment insurance.

Cinesure: liability cover for film and television.

Latitude Marine: marine and boat insurance cover.

Latitude Speciality Liability: speciality liability areas.

Lawsons: liability cover for speciality areas.

Longitude: strata insurance services.

Millenium: rural, strata, landlords.

NewSurety: surety bonds and financial services areas.

SURA Accident & Health: travel and personal accident cover.

SURA Commercial: property, casualty and professional indemnity cover.

SURA Construction: closed market construction building cover.

SURA Engineering: specialised service.

Sura Hospitality: hospitality, leisure and entertainment insurance.

SURA Labour Hire: white/blue collar labour hire.

SURA Professional Risks: professional indemnity, specialist services.

SURA Taxi: comprehensive motor & TPPD cover and general liability cover for individual taxis and taxi fleets.

Tasman Underwriting: professional indemnity cover.

5-Star Underwriting: insurance for motor dealers.

BOARD OF DIRECTORS

RICHARD LONGES

Chairman

Age 70

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 Chairman of Investec Bank Australia Limited and is currently a director of Boral Limited. Richard has been a director of a number of public companies and government bodies including Metcash Limited, 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.

MARK SEARLES

Chief Executive Officer
& Managing Director

Age 54

Mark joined Austbrokers on 1 January 2013 as CEO and Managing Director. In addition to this role, Mark is also a Director and the Chairman of a number of subsidiary Companies and partner businesses including NZ Broker Holdings; Austagencies and Australia's leading Broking Cluster Group – AIMS.

Prior to joining Austbrokers, he was General Manager, Broker & Agent and Chief Commercial Officer at insurer CGU. Mark has also held senior management roles in the UK/Europe at Zurich Financial Services where he was Managing Director of Zurich's Direct business, Sage Group PLC and Lloyds TSB Group where he was Chief Executive Officer of Goldfish/Goldfish Bank – UK's leading direct-to-customer financial services group. Mark holds a Diploma in Market Research, a Diploma in Advertising and Marketing and a Post Graduate Diploma in Marketing Studies. In addition, he has undertaken the Executive Development Program, IMD Lausanne; the AICD Advanced Board Ready Program and AICD Diploma. He is married with two teenage boys and lives in Melbourne.

RAY CARLESS

Non-Executive Director

Age 60

Appointed to the board of directors on 1 October 2010, Ray brings over 35 years' insurance industry experience based in Australia, including management responsibilities throughout the Pacific rim. Until 2000, Ray was Managing Director of reinsurance brokers Benfield Greig in Australia, a position he had held for over 14 years. He was also a director of their worldwide holding company located in London for 10 years. Ray has a Bachelor of Economics from The University of Sydney and is a member of the Australian Institute of Company Directors.

ROBIN LOW

Non-Executive Director

Age 54

Robin joined the board of directors on 3 February 2014. Prior to this, she was a partner at PricewaterhouseCoopers with over 29 years' experience in financial services, particularly insurance, and in assurance and risk management. Robin is a member of the Audit and Assurance Standards Board and is on the boards of a number of not-for-profit organisations including Sydney Medical School Foundation, Public Education Foundation and Primary Ethics. Robin is also a director of CSG Limited. Robin holds a Bachelor of Commerce from The University of New South Wales, is a Fellow of the Institute of Chartered Accountants in Australia, and is a Graduate Member of the Australian Institute of Company Directors.

DAVID CLARKE

Non-Executive Director

Age 59

Joining the board of directors on 3 February 2014, David has 35 years' experience in investment banking, funds management, property and retail banking. David was Chief Executive Officer of Investec Bank (Australia) Limited from June 2009 to July 2013. Prior to this he was the Chief Executive Officer of Allco Finance Group and a Director of AMP Limited, following 5 years at Westpac Banking Corporation where he held a number of senior roles including Chief Executive of the Wealth Management Business, BT Financial Group. David has also held roles at Lend Lease Corporation Limited where he was an Executive Director and Chief Executive of MLC Limited. David is Chairman of both The University of New South Wales Medicine Advisory Council and Deans Circle, is a member of the Australian Business Community Network Scholarship Foundation and the New Zealand Trade and Enterprise Beachheads Forum. He holds a Bachelor of Laws from Victoria University in Wellington, New Zealand.

FINANCIAL REPORT

Your Directors submit their report for the year ended 30 June 2015.

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 70

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 Chairman of Investec 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 served as a Director of Boral Limited and Metcash Limited. He is also a Director of Pain Management Research Institute.

M. P. L. Searles GAICD, DipM, Grad Dip Mktg (Director and Chief Executive Officer), Age 54

In addition to his role as Group CEO, Mark serves on the Boards of a number of Group companies including undertaking the role of Chairman of Austagencies, NZ Broker Holdings and AIMS amongst others. Prior to joining Austbrokers, he was previously General Manager, Broker & Agent and Chief Commercial Officer at CGU, a division of IAG. From 2005-09, Mr Searles was with Zurich Financial Services in the UK where he was Managing Director, Direct & Partnerships and Chief Marketing Officer. From 2001-05 he worked for Lloyds TSB Group holding the positions of Marketing and Group Brands Director and prior to that was Managing Director, CSL/Goldfish/Goldfish Bank, the UK's leading direct-to-customer financial services group. During the 1990s he held roles as Managing Director at MyBusiness Ltd, UK Managing Director/Marketing Director the Sage Group Plc, Head of Marketing at HSBC Plc. During the 1980s he held a number of senior roles in marketing led organisations, including five years at American Express Europe.

R. J. Carless BEc, MAICD, Age 60

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

D. C. Clarke LLB, Age 59

David Clarke was Chief Executive Officer of Investec Bank (Australia) Limited from 2009 to 2013. Prior to joining Investec Bank, David was the CEO of Allco Finance Group and a Director of AMP Limited, following five years at Westpac Banking Corporation where he held a number of senior roles, including Chief Executive of the Wealth Management Business, BT Financial Group. David has 35 years' experience in investment banking, funds management, property and retail banking. He was previously employed at Lend Lease Corporation Limited where he was an Executive Director and Chief Executive of MLC Limited. David is Chairman of The University of New South Wales Medicine Advisory Council, Deans Circle and Charter Hall Group. He is a member of the New Zealand Trade and Enterprise Beachheads Forum. Mr Clarke is a member of the Audit and Risk Management, Nomination and Remuneration and Succession Planning Committees.

R. J. Low B Com, FCA, GAICD, Age 54

Robin Low was a partner at PricewaterhouseCoopers with over 29 years' experience in financial services, particularly insurance, and in assurance and risk management. Robin is a member of the Audit and Assurance Standards Board and on the board of a number of not-for-profit organisations including Sydney Medical School Foundation, Public Education Foundation and Primary Ethics. Ms Low Chairs the Audit and Risk Management and is a member of the Nomination and Remuneration and Succession Planning Committees. During the past three years Ms. Low served and continues to serve as a Director of CSG Limited, Appen Limited and IPH Limited.

D. J. Harricks BA, BCom, FCA, Age 70

Mr Harricks retired at the Company's Annual General Meeting on 25 November 2014.

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. Prior to his retirement he was Chairman of the Audit and Risk Management Committee and a member of the 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 29 years. He was also Chief Financial Officer 2005 – 2015. A Chartered Accountant for over 40 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	122,473	–
M. P. L. Searles	–	233,000
R. J. Carless	19,973	–
D. C. Clarke	7,500	–
R. J. Low	8,320	–

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were the provision of:

- insurance broking services and the distribution of ancillary products;
- insurance products through insurance underwriting agency businesses; and
- Risk services to insurers, brokers and corporate clients.

There has been no significant change in the nature of these activities during the year other than the expansion of insurance broking services in New Zealand and further acquisitions in risk services building on existing capability.

OPERATING AND FINANCIAL REVIEW

Group and market overview

The Group operates a highly successful 'owner-driver' model, whereby the Group holds an equity stake of typically 50% in partner businesses and provides a range of services to support ongoing growth. These services include technology support via a centralised data centre capability, common platforms to enable efficiency and effectiveness, and back office services. The Group has businesses partnerships across Australia and New Zealand employing in excess of 2,900 people and operating in over 275 locations.

The Group's insurance broking and underwriting revenue is largely derived from commissions and fees earned on arranging insurance policies and for other services. The amount of commissions earned is determined by the volume of premiums placed which in turn is affected by premium rates, sums insured and the general level of economic activity.

Other revenue sources relate to interest earned on funds held to pay insurers which will be affected by the prevailing interest rate environment, income on insurance premium funding, which is affected by premium and interest rates and revenue derived from underwriters reflecting the profitability and/or growth in the business placed, which will fluctuate depending on results.

The Risk Services businesses earn fees for services such as back to work, rehabilitation, investigation, training, risk advice and claims management to insurers and clients.

The insurance market has experienced significant reductions in premiums during this financial year, which has impacted on insurance broker and underwriting revenues. The Group has benefited from the acquisition of four standalone businesses under its 'owner-driver' model in Australia, the acquisition of the largest broking cluster group and 50% of the largest independent broker in New Zealand (through an 80% owned holding company) and several acquisitions of businesses and/or portfolios by its partners businesses.

Operating results for the year

Net profit after tax (Reported NPAT) attributable to equity holders of the parent increased by 0.7% to $34.887 million (2014: $34.655 million).

This profit includes fair value adjustments to the carrying value of associates, after tax profits on sale and deconsolidation of controlled entities, contingent consideration adjustments and impairment charges. If these items, together with the amortisation of intangibles are excluded (as shown in the table below), the net profit after tax (Adjusted NPAT) was $36.345 million in 2015 up 2.5% on prior year (2014: $35.450 million).

Reconciliation of Adjusted NPAT to Reported NPAT[1]	FY2015 $'000	2014 $'000	Increase %
Net Profit after tax attributable to equity holders of the parent	34,887	34,655	0.7
Reconciling items net of tax and non-controlling interest adjustments for:			
Reduction in contingent consideration for acquisitions of controlled entities and associates[2]	(4,441)	512	N/A
Add back offsetting impairment charge to the carrying value of associates & goodwill, related to above	4,104	254	N/A
Net adjustment	(337)	766	N/A
Add back adjustments to the carrying value of associate (impairment), not subject to contingent consideration[3]	1,500	–	N/A
Less profit on sale or deconsolidation of controlled entities	(817)	–	N/A
Adjustment to carrying value of associates (to fair value) on date they became controlled[3]	(3,224)	(3,659)	N/A
Net Profit from operations	32,009	31,762	0.8
Add back amortisation of intangibles net of tax[4]	4,336	3,688	17.6
Adjusted NPAT	36,345	35,450	2.5

The 2.5% increase in adjusted NPAT continues the trend of year on year growth since listing. This result demonstrates the strength of the Group's income diversification approach and the resilience of the core 'owner-driver' business model, with strong and growing contributions from Underwriting Agencies, Risk Services and New Zealand, in the context of a challenging insurance market, where renewal insurance premium rates at a client level have declined by approximately 9% on average year on year.

Underwriting Agencies continued its strong growth during the year with a 29% growth in revenue and a profit contribution before tax up 35% which added 6.7% to the Group's overall adjusted NPAT growth.

The Underwriting Agencies result benefited from securing long term contracts with key insurers.

Organic and inorganic growth in Risk Services contributed 2% to the Group's Adjusted NPAT growth.

Non-broking businesses contributed 23% to profit before corporate expenses in FY2015, up from 12% in FY2012.

Group costs increased 4.3% in the current year, reflecting the continued investment in services and corporate capability, partially offset by a reduction in variable incentive costs which reduced in line with performance compared to prior years. Costs are carefully managed to be maintained below the rolling seven year expense to income ratio, which ensures overall margins are improved over time.

In relation to one of our investments in an associate we have recorded an impairment of $1.5m. This is due to specific competitive circumstances in a niche segment of the market. This impairment represents approximately 0.4% of the Group's investment in associates and controlled entities.

Shareholder returns

On a Reported NPAT basis, earnings per share decreased by 2.7% over the prior year, and by 0.9% based on adjusted NPAT. Compound average growth rate in earnings per share over the five years to 30 June 2015 on this adjusted basis was 8.7%. Dividends per share declared for FY2015 are 39.7 cents, an increase of 3.1% on prior year.

The Company's total shareholder return (comprising share price growth and dividends paid) reflects the performance with a return of 15.1% for the three years and 22.9% for the five years to 30 June 2015 on an annualised basis. These longer term returns are above the returns for the ASX All Ordinaries and ASX Small Ordinaries Indices.

1. This financial information has been derived from the audited consolidated financial statements. The adjusted NPAT is non-IFRS financial information and as such has not been audited in accordance with Australian Accounting Standards.
2. Contingent consideration adjustments occur when there is a variation in the estimated or actual contingent consideration payments made to acquire a controlled entity or associate due to a variation in the expected results on which the payment is based. If the payment is under estimated the adjustment is taken as a loss and if it is overestimated it is taken as a profit. Where an estimate is reduced, an off setting adjustment (impairment) is made to the carrying value.
3. Adjustment to the carrying value of an associate due to specific market circumstances is charged as a cost against the Reported NPAT.
4. The adjustment to carrying values of associates arise where the Group increases its equity in associates whereupon they become controlled entities. As required by accounting standards the carrying values for the existing investments have been adjusted to fair value and the increase included in Net profit.
5. Amortisation of intangibles expense increased over last year due to acquisition activity. The expense is a non-cash item.

Financial condition

Total equity increased to $311.326 million from $269.579 million. The main reason for the increase was the profit for the year. The reduction in equity through dividends paid was partially offset by the increase in issued capital arising from 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. Equity was also increased through an increase in Non-controlling interests which is explained below.

Trade and other payables remained relatively stable, while Trade and other receivables decreased. Cash and cash equivalents – Trust decreased slightly, impacted by deconsolidation of a controlled entity. These balance sheet items largely represent premiums payable to underwriters and corresponding receivables to be collected and cash held to pay these.

The Group continues to generate positive cash flow from operating activities of $41.520 million (2014: $36.455 million) excluding insurance trust account funds. After investing and financing activities cash held increased from $43.970 million to $50.511 million. Borrowings increased by $12.190 milion to $66.065 million as a result of acquisitions by the Group and from the deconsolidation of a controlled entity. Borrowings of associates of $43.873 million (2014: $41.818 million) are not included in Group balance sheet as these entities are not consolidated. The borrowings of associates relate largely to funding of acquisitions, premium funding and other financing activities.

The term of the Company's banking facilities of $50.000 million has been extended to 31 July 2016 and at year end there is $8 million available to be drawn down for acquisition purposes.

Gearing, which is 17.5% at year end, remains below the acceptable limit of 30% set by the Directors. The Group's policy is to maintain sufficient cash and/or facilities to be able to respond to acquisition opportunities as they arise.

Business strategies and prospects for future years

Austbrokers will continue its strategies to grow focussing on three key pillars and group services:

- Grow its existing insurance broking business organically and through acquisition in Australia and New Zealand.
- Grow its underwriting agency business by expanding the products underwritten, seeding start-ups and by acquisition.
- Continuing its diversification strategy in growing the risk services sector, organically and through acquisitions.
- Developing group services to enable efficiencies or enhanced business outcomes for partner businesses.

Acquisitions made during the current financial year (60% of Altius Group, 50% of Risk Strategies and through the 80% owned NZ Broker Holdings) will contribute a full year profit in FY2016. Acquisitions announced since 30 June 2015 and any future acquisitions will also underpin future growth.

Changes in interest rates will impact interest earnings and expense.

Profit commissions paid by underwriters, which depend on the growth and profitability of business written, were a significant contributor to the results in 2015 but cannot be reliably predicted for future years.

The Group has invested in additional resources to add to management strength to assist the broker network and agency businesses to expand their businesses and operate more efficiently, some additional costs of which will flow through to the next financial year.

The outlook for insurance premium market in Australia and New Zealand remains challenging and this will continue to impact insurance broking and underwriting agency businesses. Risk Services businesses are not impacted by the insurance premium market, and prospects for these businesses remain strong.

Organic growth, bolstered by acquisitions, should again provide moderate growth in the 2015. The extent of that growth will be impacted by the level of future acquisitions and the amount of profit commissions that will be earned.

Dividends	Cents	$'000
Final dividend recommended:		
• *on ordinary shares*	27.7	17,245
Dividends paid in the year:		
• *on ordinary shares – interim*	12.0	7,408
• *on ordinary shares – final*	26.5	15,923
		23,331

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, other than acquisitions disclosed above.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 27 August 2015 the Directors of Austbrokers Holdings Limited declared a final fully franked dividend on ordinary shares of 27.7 cents per share in respect of the 2015 financial year. Based on the current number of ordinary shares on issue, the total amount of the dividend is $17.245 million.

On 5 August 2015 the consolidated entity acquired a 60% interest in Allied Health Australia Pty Ltd. The effective date of the transaction is 1 July 2015. See note 26 of the Financial Statements for further details.

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.

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.

The Company has identified a series of operational risks which the Company believes to be inherent in the industry in which the Company operates and these are set out in the Operating and Financial Review. These risk areas are provided 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. These include:

- technological failures and cyber threats
- fee income reduction due to competition or regulatory change
- change in insurer remuneration practices for brokers
- pace of business technological change
- commoditisation of business insurance products
- significant change in method of distributing insurance products by underwriters
- significant consolidation of underwriters
- significant increase in premium rates reducing demand
- acquisition risks
  - availability
  - performance
- loss of key broking employees and/or lack of skilled replacements
- fraud and embezzlement of company funds
- licensing and regulatory compliance breaches
- highly competitive market environment

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 378,687 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 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 132,800 options were exercised leaving none unexercised at reporting date.

The fourth tranche options vested on 29 September 2011 and no further options vested on the retest date of 29 September 2012. All options must be exercised no later than 29 September 2015. During the year no options were exercised leaving 11,099 unexercised at reporting date. The exercise price for each option remaining was zero.

Of the sixth tranche of 67,771 options, 52,861 vested on 15 October 2013 and were exercised with a further 1,941 lapsed last year. During the year the remaining 12,969 options lapsed leaving none unexercised at reporting date.

The earliest vesting date for the seventh tranche of 56,591 options was 31 October 2014 of which 7,327 options lapsed last year. During the year 27,834 options were exercised, leaving 21,430 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 5 October 2018. The exercise price for each option was zero for all of the options.

The earliest vesting date for the eighth tranche of 38,320 options is 31 October 2015. Last year 6,117 options lapsed leaving 32,203 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 5 October 2019. The exercise price for each option was zero for all of the options.

A further grant of 233,000 options was made on 15 January 2013 with an earliest vesting date of 1 January 2016. 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 1 January 2020. The exercise price for each option was zero for all of the options.

SHARE OPTIONS (CONTINUED)

The earliest vesting date for the ninth tranche of 41,855 options is 30 October 2016. Last year 4,356 options lapsed, leaving 37,499 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 5 October 2020. The exercise price for each option was zero for all of the options.

The earliest vesting date for the tenth tranche of 43,456 options is 31 October 2017 which remain 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 31 October 2021. 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 132,800 fully paid shares in Austbrokers Holdings Limited at $4.20 and 27,834 for no consideration. Consequently 160,634 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.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

REMUNERATION REPORT

This remuneration report ending on page 43, 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 ended 30 June 2014 received shareholder support at the 2014 AGM with a strong vote 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 calibre executives;
- Link executive rewards to shareholder value;
- Have a significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks; and
- Establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration and Succession Planning Committee

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

Remuneration structure

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

Non-Executive Director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, 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 approved by shareholders at the 2013 Annual General Meeting to increase the aggregate remuneration to $750,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is paid to Directors is generally reviewed every second year. 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 in 2013 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 2013.

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. The Chairman of the Audit and Risk Management Committee receives an additional fee recognising the additional workload that this position entails. Directors do not receive retirement benefits, nor do they participate in any incentive programs.

From 1 April 2013 each director has received an annual fee of $100,000 with the Chairman of the Audit and Risk Management Committee receiving an additional $20,000. The Chairman of the Board receives an annual fee of $170,000.

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

The remuneration of Non-Executive Directors for the year ended 30 June 2015 is detailed in Table 2 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; and
- 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 36.

Remuneration consists of the following key elements:

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

The CEO's target remuneration mix comprises 46% fixed remuneration, 16% target STI opportunity and 38% LTI. Senior executives target remuneration mix ranges from 60-70% 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. This process is carried out every second year. A formal appointment process was undertaken in 2014 and PricewaterhouseCoopers (PwC) 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 PwC by the Committee was based on an agreed set of protocols that would be followed by the Committee, PwC and members of the KMP. PwC 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 2014 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 7 key management personnel of the Group is detailed in Table 2.

REMUNERATION REPORT (CONTINUED)

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 for growth in Adjusted NPAT (net of all STI costs) over the prior year to a maximum of two times. The financial targets for growth are reviewed annually to ensure they align with current expectations. 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 three 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 2014 financial year, all of the STI cash bonus provided in the financial statements was paid in the 2015 financial year. The Remuneration Committee will consider the STI payments for the 2015 financial year in September 2015. The maximum amount available for the 2015 financial year is $200,000. This amount has been provided for in the 2015 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.

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 to recognise that as some personnel approach retirement, participation in the LTI scheme would not have met the objectives and in these cases the MTI is substituted for the LTI. The MTI only applies to only one KMP.

Structure

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

Earnings Per Share Growth (EPSG) was selected as the measure for the LTI and MTI plans in 2005 and has been maintained for FY2015. It is believed EPSG provides alignment between comparative shareholder return and reward for executives. The Board has reviewed the LTI approach with the advice of an external adviser and will be recommending changes at the Annual General Meeting.

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 three 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 one 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**");

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);

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

(d) Options granted in the 2010–2015 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.

(e) Option exercise conditions for options granted in the 2014 and 2015 financial years were modified so that between 8.5% and 10% EPSG the Options that are exercisable will be determined on a pro rata basis so that the number of Options that are exercisable will increase from 20% by two percentage points for every 0.1% additional Compound Growth over 8.5%

The exercise conditions for 200,000 of the options granted to the CEO are the same as set out above except that 20% vest below 8.5% and between 8.5% and 10% EPSG the Options that are exercisable will be determined on a pro rata basis so that the number of Options that are exercisable will increase from 20% by two percentage points for every 0.1% additional Compound Growth over 8.5%. The further 33,000 options granted to the CEO have no performance hurdles but are subject to the CEO still being in the employment of the Group at 1 January 2016.

The exercise conditions for the MTI are the same as for the CEO options. The period for testing the earnings per share growth for the MTI is modified to reflect the anticipated period of future service. The amount anticipated to be paid for the period to 30 June 2015 will be paid in the 2016 financial year subject to meeting vesting conditions. An amount of $67,586 has been provided at balance date.

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 10 years and the increases achieved.

Year to 30 June	Basic earnings per share – cents	Increase %
2015	56.9**	(2.7)
2014	58.5**	(19.0)
2013	72.2**	56.0
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.

** Includes profit arising from adjustment to fair value on former associates becoming controlled entities of $2.878 million in 2015, $2.893 million in 2014 and $12.630 million in 2013.

Earnings per share based on Net Profit after Tax before amortisation of intangibles, adjustments to fair value on former associates becoming controlled entities, adjustments to contingent acquisition payments and related impairment provisions and profits on sale of portfolios of controlled entities decreased by 0.9% over 2014. Compound average growth rate in earnings per share over the five years to 30 June 2015 on this basis was 8.6%.

Total annualised shareholder return over the one year to 30 June 2015 was a negative 13.0%, however the three year and five year periods to 30 June 2015 were 15.1% and 22.9% respectively, confirming the alignment of executive remuneration to shareholder returns. The share price reduced over the financial year from $10.79 to $9.00 at 30 June 2015.

Dividends per share for the financial year totalled 39.7 cents (2014: 38.5 cents).

Based on the performance achieved, the option grants in 2005, 2006 and 2007 fully vested, 73% of the grants made in 2008, 69% of the grants made in 2009, 78% of the grants made in 2010 and 56.5% of the grants made in 2011 vested. It is expected that none of the grants made in 2012 will vest based on the performance to 30 June 2015 with any vesting subject to retesting based on performance over the four years to 30 June 2016.

REMUNERATION REPORT (CONTINUED)

Employment contracts

The CEO, Mr. Searles is employed under contract which terminates on 1 January 2016.

- From 1 July 2014, Mr. Searles received fixed remuneration of $615,322 per annum.
- Mr. Searles was granted 200,000 options on 1 January 2013 to subscribe for ordinary shares under the Senior Executive Option Plan which are subject to performance conditions and vest on 1 January 2016.
- A further 33,000 options were granted to vest on 1 January 2016 and are not subject to any performance hurdles provided Mr. Searles is an employee of a group company on that date.
- Mr. Searles may resign from his position and thus terminate this contract by giving six months written notice. If Mr. Searles resigns prior to 1 January 2016, any options held 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 or employment contracts with no fixed term, and varying periods up to three months for either party to terminate. Details of remuneration are contained in Table 2.

Details of Key Management Personnel (KMP)

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.

M. P. L. Searles
Director and Chief Executive Officer

S. S. Rouvray
Chief Financial Officer and Company Secretary

F. Gualtieri
National Manager – Group Services and Support
(ceased 1 July 2015)

F. Pasquini
Chief Distribution Officer

S. Vohra
Chief Operating Officer

K. McIvor
MD New Zealand and Head of Group Development

T. Stevens
Chief Information Officer

N. Thomas
General Manager – Broker Network Development
(appointed 16 March 2015)

The consolidated entity has adopted ASIC Class Order 14/632, relating to 'Key management personnel equity instruments disclosures', and hence the following disclosures relate only to equity instruments in the consolidated entity or its subsidiaries.

Table 1: Shareholdings of Key Management Personnel

Shares held in Austbrokers Holdings Limited at 30 June 2015	Balance at 01-Jul-14	Shares acquired during year	Shares disposed during year	Balance at 30-Jun-15
Directors				
R. A. Longes	117,540	4,933	–	122,473
D. J. Harricks (retired 25 November 2014)	27,000	–	–	27,000
R. J. Carless	17,973	2,000	–	19,973
D. C. Clarke	2,500	5,000	–	7,500
R. J . Low	–	8,320	–	8,320
M. P. L. Searles	–	–	–	–
Executives				
S. S . Rouvray	320,169	64,359	–	384,528
F. Gualtieri	37,210	3,866	30,000	11,076
F. Pasquini	43,147	33,039	6,000	70,186
K. McIvor	–	–	–	–
S. Vohra	–	–	–	–
T. Stevens	–	–	–	–
N. Thomas	–	989	–	989
Total	565,539	122,506	36,000	652,045

Shares held in Austbrokers Holdings Limited at 30 June 2014	Balance at 01-Jul-13	Shares acquired during year	Shares disposed during year	Balance at 30-Jun-14
Directors				
R. A. Longes	113,615	3,925	–	117,540
P. R. Shirriff (retired 20 November 2013)	100,000	–	–	100,000
D. J. Harricks	27,000	–	–	27,000
R. J. Carless	16,473	1,500	–	17,973
D. C. Clarke	–	2,500	–	2,500
R. J . Low		–	–	–
M. P. L. Searles	–	–	–	
Executives				
S. S . Rouvray	281,530	38,639	–	320,169
F. Gualtieri	55,294	6,916	25,000	37,210
F. Pasquini	35,871	7,276	–	43,147
K. McIvor	–	–	–	–
S. Vohra	–	–	–	–
T. Stevens	–	–	–	–
G. J. Arms (ceased 16 April 2014)	90,816	1,898	–	92,714
Total	720,599	62,654	25,000	758,253

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 arm's length.

REMUNERATION REPORT (CONTINUED)

Table 2: Compensation of Directors and other Key Management Personnel for the year-ended 30 June 2014 (Consolidated)

	Short-term			Post employment	Share-based payment		
30 June 2015	Salary & fees $	Cash short term incentive $	Non monetary benefits $	Super-annuation $	Equity options $	Total $	Total perform-ance related $
Directors							
R. A. Longes Chairman	155,251	–	–	14,749	–	170,000	–
M. P. L. Searles Chief Executive	546,338	155,908	35,750	34,961	–	772,957	20.17%
R. J. Carless Non-Executive Director	65,000	–	–	35,000	–	100,000	–
D. J. Harricks Non-Executive Director (retired 25 November 2014)	13,261	–	–	35,000	–	48,261	–
R. J. Low Non-Executive Director	102,293	–	–	9,718	–	112,011	–
D. C. Clarke Non-Executive Director	83,493	–	–	16,507	–	100,000	–
Executives							
S. S. Rouvray Chief Financial Officer/ Company Secretary	274,284	90,087	36,267	34,709	–	435,347	20.69%
F. Gualtieri National Manager – Group Services and Support	190,516	61,365	58,802	26,444	41,429	378,556	27.15%
F. Pasquini Chief Distribution Officer	264,707	65,093	33,956	34,799	50,809	449,364	25.79%
K. McIvor MD New Zealand and Head of Group Development	333,601	67,273	13,678	25,782	52,599	492,933	24.32%
S. Vohra Chief Operating Officer	302,956	72,753	1,583	25,179	50,854	453,325	27.27%
T. Stevens Chief Information Officer	230,844	60,149	65,067	27,536	47,718	431,314	25.01%
N. Thomas General Manager – Broker Network Development	66,437	–	10,905	6,312	–	83,654	0.00%
	2,628,981	572,628	256,008	326,696	243,409	4,027,722	

Compensation payments for N. Thomas only relate to the period from when he was appointed KMP on 16 March 2015.

Table 3: Compensation of Directors and other Key Management Personnel for the year-ended 30 June 2014 (Consolidated)

	Short-term			Post employment	Share-based payment		
30 June 2014	Salary & fees $	Cash short term incentive $	Non monetary benefits $	Super-annuation $	Equity options $	Total $	Total perform-ance related $
Directors							
R. A. Longes Chairman	155,606	–	1,295	14,394	–	171,295	–
M. P. L. Searles Chief Executive	537,032	136,000	42,494	25,000	–	740,526	18.37%
R. J. Carless Non-Executive Director	91,533	–	1,124	8,467	–	101,124	–
D. J. Harricks Non-Executive Director	85,000	–	1,113	35,000	–	121,113	–
R. J. Low Non-Executive Director (appointed 3 February 2014)	38,139	–	–	3,528	–	41,667	–
D. C. Clarke Non-Executive Director (appointed 3 February 2014)	22,667	–	–	19,000	–	41,667	–
P. R. Shirriff Non-Executive Director (retired 20 November 2013)	35,569	–	–	3,290	–	38,859	–
Executives							
S. S. Rouvray Chief Financial Officer/ Company Secretary	264,759	195,822	46,835	34,383	–	541,799	36.14%
F. Gualtieri National Manager – Group Services and Support	219,919	139,939	25,572	25,509	40,934	451,873	40.03%
F. Pasquini Chief Distribution Officer	234,964	149,588	31,299	25,000	43,922	484,773	39.92%
K. McIvor Chief Broking Officer (appointed 29 July 2013)	279,971	–	6,455	23,023	51,970	361,419	14.38%
S. Vohra Chief Operating Officer (appointed 2 September 2013)	240,187	–	2,558	22,182	50,240	315,167	15.94%
T. Stevens Chief Information Officer (appointed 1 July 2014)	228,661	129,279	47,770	23,423	40,421	469,554	36.14%
G. J. Arms General Manager – Equity Operations (ceased 16 April 2014)	744,755	174,923	73,977	20,424	43,821	1,057,900	20.68%
	3,178,762	925,551	280,492	282,623	271,308	4,938,736	

* For G. J. Arms, who ceased being a key management personnel on 16 April 2014, salary includes accrued annual leave, long services leave and termination entitlements totalling $589,024 and paid out on termination.

REMUNERATION REPORT (CONTINUED)

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

					Shares issued on exercise of options		
30 June 2015	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 No.	Paid per share $	Options fully vested during the year No.
Directors							
M. P. L. Searles	–	–	–	0.00%	–	–	–
Executives							
S. S. Rouvray	–	103,610	16,784	0.00%	64,359	3.74	7,109
F. Gualtieri	41,429	24,277	9,154	10.94%	3,866	0.00	3,866
F. Pasquini	50,809	53,415	8,966	11.31%	32,415	3.71	3,815
S. Vohra	50,854	–	–	11.22%	–	–	–
K. McIvor	52,599	–	–	10.67%	–	–	–
T. Stevens	47,718	–	–	11.06%	–	–	–
N. Thomas	–	–	–	0.00%	–	–	–
Total	243,409	181,302	34,904		100,640		14,790

					Shares issued on exercise of options		
30 June 2014	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 No.	Paid per share $	Options fully vested during the year No.
Directors							
M. P. L. Searles	–	–		0.00%	–	–	–
Executives							
S. S. Rouvray	–	82,657	746	0.00%	38,639	2.33	12,689
F. Gualtieri	40,934	34,869	404	9.06%	6,916	0.00	6,916
F. Pasquini	43,922	34,095	380	9.06%	6,762	0.00	6,762
S. Vohra	50,240	–	–	15.94%	–	–	–
K. McIvor	51,970	–	–	14.38%	–	–	–
T. Stevens	40,421	–	–	8.61%	–	–	–
G. J. Arms	43,821	37,415	147,246	4.14%	7,421	0.00	7,421
Total	271,308	189,036	148,776		59,738		33,788

The amount unpaid per share for shares issued on exercise of options during 2015 and 2014 was $NIL.

Table 5: Number of options granted as part of remuneration

Year ended 30 June 2015	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							
M. P. L. Searles	–	–	–	–	–	–	–
S. S. Rouvray	–	–	–	–	–	–	–
F. Gualtieri	4,558	31-Oct-14	9.09	0.00	31-Oct-21	31-Oct-17	31-Oct-21
F. Pasquini	5,590	31-Oct-14	9.09	0.00	31-Oct-21	31-Oct-17	31-Oct-21
S. Vohra	5,595	31-Oct-14	9.09	0.00	31-Oct-21	31-Oct-17	31-Oct-21
K. McIvor	5,787	31-Oct-14	9.09	0.00	31-Oct-21	31-Oct-17	31-Oct-21
T. Stevens	5,250	31-Oct-14	9.09	0.00	31-Oct-21	31-Oct-17	31-Oct-21
N. Thomas*	4,396	31-Oct-14	9.09	0.00	31-Oct-21	31-Oct-17	31-Oct-21
Total	31,176						

For options granted in the 2014, 2013 and 2012 financial years, 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.

* Options allocated to N. Thomas were issued before he was appointed as a KMP on 16 March 2015.

Year ended 30 June 2014	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							
M. P. L. Searles	–	–	–	–	–	–	–
S. S. Rouvray	–	–	–	–	–	–	–
F. Gualtieri	4,069	30-Oct-13	10.06	0.00	30-Oct-20	30-Oct-16	30-Oct-20
F. Pasquini	4,366	30-Oct-13	10.06	0.00	30-Oct-20	30-Oct-16	30-Oct-20
S. Vohra	4,994	30-Oct-13	10.06	0.00	30-Oct-20	30-Oct-16	30-Oct-20
K. McIvor	5,166	30-Oct-13	10.06	0.00	30-Oct-20	30-Oct-16	30-Oct-20
T. Stevens	4,018	30-Oct-13	10.06	0.00	30-Oct-20	30-Oct-16	30-Oct-20
G. J. Arms*	4,356	30-Oct-13	10.06	0.00	30-Oct-20	30-Oct-16	30-Oct-20
Total	26,969						

For options granted in the 2013, 2012 and 2011 financial years, 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.J. Arms ceased to be a KMP on 16 April 2014.

REMUNERATION REPORT (CONTINUED)

Table 6: Option holdings of Key Management Personnel

Options held at 30 June 2015	Balance at beginning of period 01-Jul-14	Granted as remuneration	Options exercised	Options lapsed/ forfeited	Balance at end of period 30-Jun-15	Total options at year end Vested/ exercisable	Total options at year end Not vested/ not exercisable
Director							
M. P. L. Searles	233,000	–	–	–	233,000	–	233,000
Executives							
S. S. Rouvray	73,149	–	64,359	3,317	5,473	–	5,473
F. Gualtieri*	18,434	4,558	3,866	1,809	17,317	–	17,317
F. Pasquini	54,474	5,590	32,415	1,772	25,877	6,853	19,024
S. Vohra	4,994	5,595	–	–	10,589	–	10,589
K. McIvor	5,166	5,787	–	–	10,953	–	10,953
T. Stevens	9,660	5,250	–	–	14,910	–	14,910
N. Thomas	3,923	4,396	–	–	8,319	–	8,319
Total	402,800	31,176	100,640	6,898	326,438	6,853	319,585

The outstanding options have an exercise price of $NIL.

During the current year a total of 43,456 zero priced options were issued (31,176 to KMP).

N. Thomas became a KMP on 16 March 2015 and options issued before that date are shown above.

* F. Gualtieri ceased to be a KMP on 1 July 2015. All unvested options lapsed on that date.

The following options were granted, vested or lapsed during the year.

	Grant year	Granted during current year	Award date	vesting date	Fair value of options at grant date	Number lapsed during year	Number vested during year
S. S. Rouvray	2011	–	31-Oct-11	31-Oct-14	$6.28	–	7109
	2010	–	15-Oct-10	15-Oct-13	$5.06	3,317	–
F. Gualtieri	2014	4,558	31-Oct-14	31-Oct-17	$9.09	–	–
	2011	–	31-Oct-11	31-Oct-14	$6.28	–	3866
	2010	–	15-Oct-10	15-Oct-13	$5.06	1,809	–
F. Pasquini	2014	5,590	31-Oct-14	31-Oct-17	$9.09	–	–
	2011	–	31-Oct-11	31-Oct-14	$6.28	–	3815
	2010	–	15-Oct-10	15-Oct-13	$5.06	1,772	–
S. Vohra	2014	5,595	31-Oct-14	31-Oct-17	$9.09	–	–
K. McIvor	2014	5,787	31-Oct-14	31-Oct-17	$9.09	–	–
T. Stevens	2014	5,250	31-Oct-14	31-Oct-17	$9.09	–	–
N. Thomas	2014	4,396	31-Oct-14	31-Oct-17	$9.09	–	–
		31,176				6,898	14,790

All options were issued with an exercise price of $NIL and the expiry date of the options is 4 years after the vesting date.

Options held at 30 June 2014	Balance at beginning of period 01-Jul-13	Granted as remuneration	Options exercised	Options lapsed/ forfeited	Balance at end of period 30-Jun-14	Total options at year end	
						Vested/ exercisable	Not vested/ Not exercisable
Director							
M. P. L. Searles	233,000	–	–	–	233,000	–	233,000
Executives							
S. S. Rouvray	111,943	–	38,639	155	73,149	60,567	12,582
F. Gualtieri	21,365	4,069	6,916	84	18,434	1,809	16,625
F. Pasquini	56,949	4,366	6,762	79	54,474	37,225	17,249
G. J. Arms	22,895	4,356	7,421	19,830	–	–	–
S. Vohra	–	4,994	–	–	4,994	–	4,994
K. McIvor	–	5,166	–	–	5,166	–	5,166
T. Stevens	5,642	4,018	–	–	9,660	–	9,660
Total	451,794	26,969	59,738	20,148	398,877	99,601	299,276

The outstanding options have an exercise price ranging from $3.47 for options issued in 2006 to $4.20 for options issued in 2007 financial year. All options outstanding for later years have an exercise price of zero.

During the year ended 30 June 2014, a total of 41,855 zero priced options were issued (26,969 to KMP).

Unvested options granted to G. Arms lapsed on the day he ceased being an employee.

There are no loans outstanding owing by Key Management Personnel at 30 June 2015 (2014: NIL).

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:

	Directors' Meetings	Meetings of Committees		
		Audit & Risk Management	Nomination	Remuneration & Succession Planning
No. of meetings held:	10	7	3	5
No. of meetings attended:				
R. A. Longes	9	6	3	5
M. P. L. Searles	10	N/A	N/A	N/A
R J Carless	10	7	3	5
D. C. Clarke	10	7	3	5
R. J. Low	10	7	3	5
D. J. Harricks	5	3	1	3

Mr. Searles was not a member of any Committee. All other Directors were eligible to attend all meetings held except Mr. Harricks who retired on 25 November 2014 and attended all meetings held during the year in the period in which he was a Director.

DIRECTORS' MEETINGS (CONTINUED)

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
R. J. Low (Chairman)	R. A. Longes (Chairman)	R. A. Longes (Chairman)
R. J. Carless	R. J. Carless	R. J. Carless
R. A. Longes	D. C. Clarke	D. C. Clarke
D. C. Clarke	R. J. Low	R. J. Low
D. J. Harricks (ret 25/11/2014)	D. J. Harricks (ret 25/11/2014)	D. J. Harricks (ret 25/11/2014)

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 45 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 2015. 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.

R.A. Longes
Chairman

M.P.L. Searles
Managing Director and Chief Executive Officer

Sydney, 27 August 2015

AUDITOR'S INDEPENDENCE DECLARATION

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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 2015 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

D. J. Jewell
Partner

27 August 2015

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 2015 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 and the Company Secretary 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:

- Appointment of Directors
- Diversity Policy
- Board Charter
- Dividend Reinvestment Rules
- Board/Director's Performance Evaluation
- External Auditor Selection
- Code of Conduct
- Risk Management Policy Summary
- Communications Policy
- Securities Trading Policy
- Continuous Disclosure Policy
- Whistleblower 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 under the News and Investor 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 of 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. C. Clarke	Non-Executive Director
R. J. Low	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	10 years
M. P. L. Searles	2 years
R. J. Carless	5 years
D. C. Clarke	18 months
R. J. Low	18 months

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 six 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 all Non-Executives Directors. The Nomination Committee comprised of the following:

R. A. Longes (Committee Chairman)
R. J. Carless
D. J. Harricks (retired 25 November 2014)
D. C. Clarke
R. J. Low

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

CORPORATE GOVERNANCE STATEMENT

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 fulfill 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 until retirement 25 November 2014)
R. J. Low (Chairman from 25 November 2014)
R. J. Carless
R. A. Longes
D. C. Clarke

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.

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 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

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.

Remuneration and Succession Planning Committee

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

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

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

There is no scheme to provide retirement benefits, other than 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 all 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 (retired 25 November 2014)
D. C. Clarke
R. J. Low

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.

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 ISO 31000 Risk Management Principles and Guidelines) and the Committee of Sponsoring Organisations of the Treadway Commission (COSO) risk framework.

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.

Austbrokers does not currently have an internal audit function.

The Austbrokers' intermediary and services business model is to purchase and hold shareholdings (generally between 50–100%) in underlying insurance and related businesses, whereby the shareholder partners manage day to day operations, including risk and compliance at the business level ('Owner-Driver model'). Austbrokers has in place oversight functions that review the business processes undertaken in the businesses and their financial performance.

The Company currently reviews, evaluates and improves the effectiveness of its risk management and internal controls through, management processes, the tools and assistance provided to partner businesses through the risk and compliance oversight function and external audit input, all overseen by the Board Audit and Risk Committee.

In the context of this environment, the role of internal audit is potentially limited to its corporate functions and the Austbrokers Business Centre.

It is acknowledged that the Company is growing and diversifying and given these changes the Group's risk management framework is currently being reviewed, including a reassessment of the need for internal audit.

Economic, Environmental and Social Sustainability Risks

The operations of the Group are not subject to any particular or significant Commonwealth, State or Territory environmental regulations.

Insurance services, which require associated expert advice typically provided insurance intermediaries, are regarded as a significant part of an entity's risk management solution and therefore it is unlikely that there would be a material risk in relation to economic sustainability. Risks that may arise include rapidity in changes in technology, increasing commoditisation of the market and the need for lower cost digital distribution. The risks in relation to economic sustainability are considered as part of determining strategy and management regularly monitor market developments.

Australia's financial regulatory framework generates consumer confidence that insurance companies will remain viable and solvent to meet future claims obligations, that insurance broking intermediaries act in their clients interest are viewed as serving the social need to protect assets. The insurance and broking industries serve the community by supporting community causes, sponsorships, creating consumer awareness of natural disasters and ways to mitigate risk, lobbying governments for disaster mitigation schemes.

Risks that may arise in relation to remuneration practices largely in the life insurance and financial planning sectors and developments are regularly monitored.

Part of Austbrokers commitment to managing these risks is ensuring that it has governance systems, structures, values, principles, frameworks and policies to define its decision making context for managing its business sustainably.

CORPORATE GOVERNANCE STATEMENT

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.

Shareholders have the option to receive communications electronically from, and send communications to our registry service provider Link Market Services. 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 including gender equality and
- 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; and
- 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 includes 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; and
- 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.

Objectives were set in 2011 as follows:

- A female board member to be appointed by 2015 – achieved in 2014.
- Increase number of women in the leadership group by 10% by 2014 – not achieved, although a female has been appointed as the Group's Chief Financial Officer effective 1 July 2015.
- Increase the number of women in management roles by 10% by 2013 – achieved.

Continuing focus will be given to increasing female representation in leadership roles. A further survey will be undertaken in 2016 to monitor progress in achieving the objective of 10% increase. New objectives are to be determined for the next period.

Workplace Gender Equality

Austbrokers Holdings Limited is a relevant employer under the Workplace Gender Equality Act and lodged its 2014-2015 report. This report covers 29 insurance businesses within the Austbrokers Network where the equity holding was greater than 50% and outlines the most recent Gender Equality Indicators. A copy of the public version of the report may be accessed on the Austbrokers website www.austbrokers.com.au.

INCOME STATEMENT
YEAR ENDED 30 JUNE 2015

		Consolidated	
	Notes	2015 $'000	2014 $'000
Revenue	4 (i)	191,339	172,966
Other income	4 (ii)	5,313	5,973
Share of profit of associates	4 (iii)	20,695	19,806
Expenses	4 (iv)	(163,240)	(144,754)
Finance costs	4 (v)	(4,310)	(3,333)
		49,797	50,658
Income arising from adjustments to carrying values of associates, sale of controlled entities and broking portfolios			
– Adjustments to carrying value of associates and estimates for contingent consideration	4(vi)	1,881	3,355
– Profit from sale of interests in controlled entities and broking portfolios	4(vii)	2,088	–
Profit before income tax		53,766	54,013
Income tax expense	5	10,909	11,611
Net Profit after tax for the period		42,857	42,402
Net Profit after tax for the period attributable to:			
Equity holders of the parent		34,887	34,655
Non-controlling interests		7,970	7,747
		42,857	42,402
Basic earnings per share (cents per share)	8	56.9	58.5
Diluted earnings per share (cents per share)	8	56.7	58.0

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 30 JUNE 2015

	Consolidated	
	2015 $'000	2014 $'000
Net Profit after tax for the period	42,857	42,402
Other comprehensive income		
Net movement in foreign currency translation reserve	(192)	–
Income tax benefit relating to currency translation	13	–
Other comprehensive income after income tax for the period	(179)	–
Total comprehensive income after tax for the period	42,678	42,402
Total comprehensive income after tax for the period attributable to:		
Equity holders of the parent	34,708	34,655
Non-controlling interests	7,970	7,747
	42,678	42,402

STATEMENT OF FINANCIAL POSITION
YEAR ENDED 30 JUNE 2015

		Consolidated	
	Notes	2015 $'000	2014 $'000
Assets			
Current Assets			
Cash and cash equivalents	6	50,511	43,970
Cash and cash equivalents – Trust	6	105,498	108,187
Trade and other receivables	9	165,053	182,736
Other financial assets	11	150	71
Total Current Assets		321,212	334,964
Non-current Assets			
Trade and other receivables	10	143	44
Other financial assets	12	72	620
Investment in associates	13	141,661	103,301
Property, plant and equipment	15	6,507	8,157
Intangible assets and goodwill	16	199,836	174,220
Deferred income tax asset	5	5,574	5,175
Total Non-current Assets		353,793	291,517
Total Assets		675,005	626,481
Liabilities			
Current Liabilities			
Trade and other payables	19	252,380	263,540
Income tax payable	5	5,975	5,617
Provisions	20	10,055	10,182
Interest bearing loans and borrowings	21	8,624	11,562
Total Current Liabilities		277,034	290,901
Non-current Liabilities			
Trade and other payables	19	19,280	12,264
Provisions	20	2,735	2,520
Deferred tax liabilities	5	7,189	8,904
Interest bearing loans and borrowings	21	57,441	42,313
Total Non-current Liabilities		86,645	66,001
Total Liabilities		363,679	356,902
Net Assets		311,326	269,579
Equity			
Issued capital	22	128,890	108,339
Retained earnings		128,165	114,836
Share based payments reserve	22	5,707	5,296
Foreign currency translation reserve	22	(179)	–
Asset revaluation reserve	22	540	1,000
Equity attributable to equity holders of the parent		263,123	229,471
Non-controlling interests	22	48,203	40,108
Total Equity		311,326	269,579

STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2015

		Consolidated	
	Notes	2015 $'000	2014 $ 000
Cash flows from operating activities			
Receipts from customers		182,458	167,420
Dividends received from others		15	46
Dividends/trust distributions received from associates		18,464	17,116
Interest received		3,623	4,210
Management fees received from associates/related entities		10,136	6,673
Payments to suppliers and employees		(155,941)	(143,443)
Income tax (paid)		(13,366)	(12,251)
Interest paid		(3,869)	(3,316)
Net cash from operating activities before customer trust account movements		41,520	36,455
Net increase/(decrease) in cash held in customer trust accounts		2,815	(4,423)
Net cash flows from operating activities	6	**44,335**	**32,032**
Cash flows from investing activities			
Proceeds from reduction in interests in controlled entities	7(a),(b)	2,714	5,330
Payment for increase in interests in controlled entities	7(a)	(990)	–
(Payments) for/proceeds from new consolidated entities, net of cash acquired	7(c),(d)	(16,817)	295
Cash outflow from sale/deconsolidation of controlled entities	7(e)	(7,008)	–
Payment for new associates	13	(16,423)	(12,435)
Payment for new broking portfolios purchased by members of the economic entity		(1,631)	(1,337)
Proceeds from sale of broking portfolios by member of the economic entity		124	330
Proceeds from sale of associates		–	318
(Payment for)/proceeds from purchases/sale of other financial assets		(34)	58
Proceeds from sale of plant and equipment		556	145
Payment for plant and equipment and capitalised projects		(2,695)	(2,500)
Advances of mortgages to associates/related entities		(84)	(4,350)
Proceeds from mortgage repayments from associates/related entities		213	5,763
Net cash flows (used in) investing activities		(42,075)	(8,383)
Cash flows from financing activities			
Dividends paid to shareholders		(9,972)	(10,621)
Dividends paid to shareholders of non-controlling interests		(6,500)	(6,745)
Proceeds from issue of share capital		7,192	6,940
Payment for contingent consideration on prior year acquisitions		(4,967)	(7,938)
Increase in/(repayment) of borrowings and lease liabilities		16,797	(2,010)
Advances to related entities		(958)	(1,811)
Net cash flows from/(used in) financing activities		1,592	(22,185)
Net increase in cash and cash equivalents		3,852	1,464
Cash and cash equivalents at beginning of the period		152,157	150,693
Cash and cash equivalents at end of period	6	156,009	152,157

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2015

	Attributable to equity holders of the parent							
Consolidated	Issued capital $'000	Retained earnings $'000	Asset revaluation reserve $'000	Foreign currency translation reserve $'000	Share based payment reserve $'000	Total $'000	Non–controlling interest $'000	Total equity $'000
At 1 July 2014	108,339	114,836	1,000	–	5,296	229,471	40,108	269,579
Profit for the year	–	34,887	–	–	–	34,887	7,970	42,857
Other comprehensive income	–	–	–	(179)	–	(179)	–	(179)
Total comprehensive income for the year	–	34,887	–	(179)	–	34,708	7,970	42,678
Adjustment resulting from the consolidated entity disposing of interests in controlled entities (see note 7 (e))	–	108	–	–	–	108	(12,520)	(12,412)
Adjustment relating to changes in voting shares in controlled entities. These adjustments were treated as transactions between owners and adjusted directly to retained earnings (see notes 7 (a))	–	1,205	–	–	–	1,205	89	1,294
Non controlling interests relating to new acquisitions (see notes 7 (c)	–	–	–	–	–	–	19,056	19,056
Transfer from asset revaluation reserve	–	460	(460)	–	–	–	–	–
Cost of share-based payment	–	–	–	–	451	451	–	451
Tax benefit arising from current payments and expected future payment made to an employee share trust to acquire shares to satisfy exercise of share options	–	–	–	–	(40)	(40)	–	(40)

Consolidated	Attributable to equity holders of the parent							
	Issued capital $'000	Retained earnings $'000	Asset revaluation reserve $'000	Foreign currency translation reserve $'000	Share based payment reserve $'000	Total $'000	Non–controlling interest $'000	Total equity $'000
On 11 September 2014 and 16 December 2014, allotted 132,800 and 27,834 respectively, as a result of employees exercising options (see note 22)	558	–	–	–	–	558	–	558
On 15 October and 24 October 2014 and 30 April 2015, 696,147, 928,220 and 516,092 shares were issued respectively as a result of a Dividend Reinvestment Plan (see note 22)	20,183	–	–	–	–	20,183	–	20,183
Share issue expenses	(190)	–	–	–	–	(190)	–	(190)
Equity dividends	–	(23,331)	–	–	–	(23,331)	(6,500)	(29,831)
At 30 June 2015	128,890	128,165	540	(179)	5,707	263,123	48,203	311,326

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2015

	Attributable to equity holders of the parent							
Consolidated	Issued capital $'000	Retained earnings $'000	Asset revaluation reserve $'000	Foreign currency translation reserve $'000	Share based payment reserve $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
At 1 July 2013	90,586	100,390	1,500	–	5,173	197,649	32,749	230,398
Profit for the year	–	34,655	–	–	–	34,655	7,747	42,402
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	34,655	–	–	–	34,655	7,747	42,402
Adjustment relating to reduction of voting shares in controlled entities. This adjustment was treated as transaction between owners and adjusted directly to retained earnings (see note 7 (b))	–	725	–	–	–	725	4,458	5,183
Non controlling interests relating to new acquisitions (see note 7 (d))	–	–	–	–	–	–	1,677	1,677
Non controlling interests relating to disposals of broking portfolios and investment in associates.	–	–	–	–	–	–	222	222
Transfer from asset revaluation reserve	–	500	(500)	–	–	–	–	–
Cost of share-based payment	–	–	–	–	124	124	–	124
Tax benefit arising from current payments and expected future payment made to an employee share trust to acquire shares to satisfy exercise of share options	–	–	–	–	(1)	(1)	–	(1)
On 12 September 2013 allotted 119,450 shares as a result of employees exercising options (see note 22)	466	–	–	–	–	466	–	466
On 16 October, 24 October 2013 and 30 April, 612,902, 699,903 and 313,425 shares were issued respectively as a result of a dividend reinvestment plan (see note 22)	17,476	–	–	–	–	17,476	–	17,476
Share issue expenses	(189)	–	–	–	–	(189)	–	(189)
Equity dividends	–	(21,434)	–	–	–	(21,434)	(6,745)	(28,179)
At 30 June 2014	108,339	114,836	1,000	–	5,296	229,471	40,108	269,579

1. CORPORATE INFORMATION

The financial report of Austbrokers Holdings Limited for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the directors on 27 August 2015.

Austbrokers Holdings Limited is a for profit 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, risk services 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 disclosed below.

AASB 2012-3 Amendments to Australian Accounting Standards Disclosures – Offsetting financial assets and financial liabilities

- The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically the amendments clarify the meaning of "currently has a legal enforceable right of set-off" and simultaneous realisation and settlement.

AASB 2013-3 Amendments to AAASB 136 – Recoverable amount disclosures for non financial assets

- AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Asset. The amendments include the requirement to disclose additional information about fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

AASB 2014-1 Amendments to Australian Accounting standards

- The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of ASSB 9 or ASSB 139 or a non financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in the profit and loss. The amendments to ASSB 3 are effective for business combinations for which the acquisition date is after 1 July 2014.

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 $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.

(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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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/intangibles and investments in associates

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. The fair value of the zero priced options issued before 1 January 2013 was based on the volume weighted average share price for the five day period prior to the options being granted. From 1 January 2013, the fair value of the zero priced options has been based on the dividend yield method taking into account the vesting period, expected dividend payout and the share price at the date the options were granted.

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) 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.

(g) 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.

Management fees

Revenue is recognised when the service has been performed and the right to receive the payment is established.

(h) Leases

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

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

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

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

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

(i) Trade and other receivables

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

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

(j) Investment in associates

The Group's investments in its associates are accounted for under the equity method of accounting in the consolidated financial statements. These are entities in which the Group has significant influence and which are not 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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 in the Income Statement. Where there is a change in ownership and the Group loses control, the gain or loss will be recognised in the Income Statement and the carrying value of non-controlling interests is reset to fair value.

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 recognised as income in the year the amount is reversed and any under accruals are charged as an expense against profits. 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 reduction in deferred tax which was raised at the time the net present value adjustment was recognised.

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.

(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.

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.

Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. 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 for broking portfolios/client relationships and 15 years for financial services businesses (life risk), 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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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).

Other than for goodwill and insurance broking register, 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 the corporate bond rates attaching as at the reporting date, 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) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currencies at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates on the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve, in equity. If the foreign operation is not a wholly owned controlled entity then the relevant proportion of the translation difference is allocated to non controlling interests.

(t) 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.

(u) 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').

An Employee Share Options Plan (ESOP) is in place 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. Further details of the method for valuing zero priced options is given at 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 8).

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) 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.

(w) 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.

(x) 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. No deferred tax liability has been recognised in respect of any potential profit on the disposal of an associate or controlled entity by the Group as there is no intention of disposing of these assets in the foreseeable future. Any tax liability will be recognised when the asset is disposed.

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.

(y) 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.

(z) 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 members of the senior executive management team who are the entity's chief operating decision makers (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 or providers of insurance services, exhibit similar economic characteristics and have therefore been aggregated into a single reporting segment, being the 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 risk related services businesses do not currently meet the quantitative criteria for separate reporting and the Company does not believe that separate reporting of this segment would be useful at this time.

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.

3. NEW ACCOUNTING STANDARDS AND UIG 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 2015. 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
IFRS 15/ AASB 15	Revenue from Contracts with Customers	In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers, which replaces* IAS 11 *Construction Contracts,* IAS 18 *Revenue and related Interpretations* (IFRIC 13 *Customer Loyalty Programmes,* IFRIC 15 *Agreements for the Construction of Real Estate,* IFRIC 18 *Transfers of Assets from Customers and* SIC-31 *Revenue—Barter Transactions Involving Advertising Services).* The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle.	1 Jan 2017	The Group is still assessing the impact of the changes required under AASB 15 but it is not expected that it will have a material impact on the financial report.	1 July 2017*
AASB 9	Financial Instruments	AASB 9 (December 2014) is a new standard that replaces AASB 139. This new standard supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward looking "expected loss" impairment model and a substantially reformed approach to hedge accounting.	1 January 2018	It is not expected that the amendments to classifications and measurement of financial assets will have any material impact on the classification of financial instruments in the financial statements.	1 July 2018

* The AASB have proposed a one year deferral to AASB 15, which if approved, would move the effective date to annual reporting periods commencing on or after 1 July 2018

4. REVENUE AND EXPENSES

	Consolidated	
	2015 $'000	2014 $'000
(i) Revenue		
Commission, brokerage and fee income	181,203	166,293
Management fees from related entities	10,136	6,673
Total revenue	191,339	172,966
(ii) Other income		
Dividends from other persons/corporations	15	46
Interest from related persons/corporations	18	126
Interest from other persons/corporations	3,605	4,084
Other income	1,675	1,717
Total other income	5,313	5,973
(iii) Share of profit of associates		
Share of net profits of associates accounted for using the equity method before amortisation (net of income tax expense)	23,568	21,612
Amortisation of intangibles – associates	(2,873)	(1,806)
Total share of profit of associates	20,695	19,806
(iv) Expenses		
Amortisation of intangibles – controlled entities	4,043	4,034
Salaries and wages	101,865	92,305
Share-based payments	451	124
Audit fees	1,585	1,499
Travel/telephone/motor/stationery	7,889	6,395
Depreciation of property plant and equipment	2,119	1,929
Rent (operating leases)	9,790	8,265
Commission expense	11,650	10,377
Business technology and software costs	4,438	2,711
Insurance	4,647	3,495
Other expenses	14,763	13,620
Total other expenses	163,240	144,754
(v) Finance costs		
Borrowing costs	4,310	3,333
Total finance costs	4,310	3,333
(vi) Adjustments to carrying value of associates and contingent consideration payments		
Fair value adjustment to carrying value of associates on the date they became controlled entities (see notes 7(c),(d)	3,029	4,121
Adjustment to contingent consideration on acquisition of controlled entities and associates (see notes 7(d), 13 ,17)	4,456	(512)
Impairment charge relating to the carrying value of associates and goodwill (see notes 7(d),13,17)	(5,604)	(254)
Total adjustments to carrying value of associates	1,881	3,355
(vii) Profit from sale of interests in controlled entities and broking portfolios		
Profit from sale of interests in controlled entities and broking portfolios (see note 7(e)	2,088	–
Total profit from sale of interests in controlled entities and broking portfolios	2,088	–

5. INCOME TAX

	Consolidated	
	2015 $'000	2014 $'000
Major components of income tax expense		
Income statement		
Current income tax		
Current income tax charge	10,382	9,376
Adjustment for prior years	(188)	(99)
Deferred tax expense		
Origination and reversal of temporary differences	715	2,334
Total income tax expense in income statement	10,909	11,611
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	53,766	54,013
At the Company's statutory income tax rate of 30% (2014: 30%)	16,130	16,204
Rebateable dividends	(5)	(13)
Equity accounted income from associates	(4,537)	(4,207)
Non-taxable gains/losses on sale	(52)	–
(Over)/under provision prior year	(188)	(99)
Tax on distributions from associates operating as trusts	(95)	(94)
Adjustments to contingent consideration on acquisition of controlled entities and associates	(1,337)	153
Fair value adjustment to the carrying value of an associate on the date it became a controlled entity	(1,104)	(774)
Impairment charge relating to the carrying value of associates and controlled entities	1,681	76
Non deductible expenses/other	416	365
Income tax expense reported in the consolidated income statement	10,909	11,611

Income tax payable	5,975	5,617

	Consolidated		Consolidated	
	Statement of financial position		Income statement	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liability				
Income accrued not assessable	1,917	2,016	99	(293)
Unamortised value of broker register	6,485	8,098	–	–
Tax credit on insurance broking register amortisation expense	(1,213)	(1,210)	(1,213)	(1,210)
Deferred income tax liabilities	7,189	8,904		
Deferred tax asset				
Provisions and accruals not claimed for tax purposes	5,574	5,175	399	(831)
Deferred income tax assets	5,574	5,175		
Deferred tax income/(expense)			(715)	(2,334)

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. CASH AND CASH EQUIVALENTS

	Consolidated	
(a) Reconciliation of profit after tax to net cash flows from operations	2015 $'000	2014 $'000
Profit after tax for the period	42,857	42,402
Equity accounted (profits) after income tax	(20,695)	(19,806)
Dividends/trust distributions received from associates	18,464	17,116
Amortisation of intangibles	4,043	4,034
Profit from sale of interests in controlled entities and broking portfolios	(2,088)	–
Adjustment to contingent consideration on acquisition of controlled entities and associates	(4,456)	512
Fair value adjustment to carrying value of associates on the date they became controlled entities	(3,029)	(4,121)
Impairment charge relating to the carrying value of associates and goodwill	5,604	254
Depreciation of fixed assets	2,119	1,929
Share options expensed	451	124
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(4,935)	742
Increase/(decrease) in trade and other payables	1,441	(4,875)
Decrease/(increase) in trust receivables	20,251	(24,313)
(Decrease)/increase in trust payables	(12,917)	18,559
(Decrease)/increase in provisions	(318)	52
Decrease in deferred tax asset	1,178	454
(Decrease) in deferred tax liability	(2,090)	(916)
(Decrease) in provision for tax	(1,545)	(115)
Net cash flows from operating activities	44,335	32,032
Cash and cash equivalents	50,511	43,970
Cash and cash equivalents – trust	105,498	108,187
Total cash and cash equivalents	156,009	152,157

Due to acquisition/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 (other than drawn income) cannot be used to meet business obligations/operatingexpenses other than payments to underwriters and/or refunds to policyholders.

7. BUSINESS COMBINATIONS

All the business combinations referred to in note 7(a) – 7(e) relate to insurance broking and underwriting agency businesses except for 7 (c), Forean Group Holdings Ltd, which relates to risk related services.

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 Group's benchmarks or return on investment.

Where acquisitions include an element of purchase price contingent on business performance, management has estimated the fair value of this contingent consideration based on a probability weighted best estimate 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.

Any increase or decrease in the weighted best estimate of future outcomes will result in an increase or decrease in contingent liabilities respectively.

For business combinations referred to in notes 7(c) and 7(d) 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.

(a) Equity transactions between owners – current year

Effective 1 August 2014, the consolidated entity acquired an additional 10% of the voting shares in Austbrokers Premier Pty Ltd (Premier) for $625,000 increasing its equity ownership to 90%.

Effective 1 July 2014, the consolidated entity acquired an additional 9.1% of the voting shares in Sura Hospitality Pty Ltd as trustee for G.U.S. Trust (Sura) for $364,368 increasing its equity ownership to 100%.

Effective 1 January 2015, the consolidated entity disposed of 20% of the voting shares in Austbrokers City State Pty Ltd (Citystate) for $1,308,603, decreasing its equity from 90% to 70%.

Effective 1 February 2015, the consolidated entity disposed of 8% of the voting shares in Aprikeesh Pty Ltd (Aprikeesh) for $1,406,741, decreasing its equity from 66% to 58%.

	Carrying value of assets disposed in Citystate and Aprikeesh $'000	Carrying value of assets acquired in Premier and Sura $'000
Cash	9,004	1,183
Receivables	5,467	7,180
Property plant and equipment	306	111
Intangibles	3,065	5,591
Total assets	17,842	14,065
Payables and provisions	12,460	8,401
Tax liabilities	458	88
Total liabilities	12,918	8,489
Net assets	4,924	5,576
Cash received/(paid)	2,714	(990)
Adjustment to non controlling interest	(588)	499
Tax expense on disposal of shares	(430)	–
Transfer to retained earnings on acquisition additional voting shares/disposal of voting shares in controlled entities	1,696	(491)

7. BUSINESS COMBINATIONS (CONTINUED)

(b) Equity transactions between owners – previous year

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

Effective 31 July 2013, a controlled entity, Adroit Holdings Pty Limited (Adroit) sold 1.89% of the units in Austbrokers Employee Equity Trust (AEET) decreasing the equity ownership to 74.59%.

Effective 1 January 2014, the Consolidated entity disposed of 8.5% of the voting shares in Adroit for $2,024,378 reducing the equity ownership to 60%.

Effective 2 January 2014, a controlled entity, Adroit sold 11% of the voting shares in Adroit Eureka Pty Ltd (Eureka) decreasing the equity ownership to 63.6%.

Effective 2 January 2014, a controlled entity, Adroit sold 20% of the voting shares in Adroit Financial Group (AFG) and Adroit FS decreasing the equity ownership to 80% for both entities.

The carrying value of the identifiable assets and liabilities of AB AEIT, AEET, Adroit, Eureka, AFG and Adroit FS as at the date of the reduction in equity were:

	Carrying value $'000
Cash	21,473
Receivables	22,474
Property plant and equipment	2,068
Deferred tax assets	904
Other assets	2,202
Intangibles	40,572
Total assets	89,693
Payables and provisions	40,024
Borrowings	8,891
Tax liabilities	3,631
Total liabilities	52,546
Net assets	37,147
Non controlling interests	(963)
Net assets attributable to parent	36,184
Cash received on share issue/sale proceeds	5,330
Costs associated with disposal	(147)
Adjustment to non controlling interests	(4,458)
Profit transferred to retained earnings on dilution of shareholding in controlled entity	725

(c) Acquisition of new controlled entities – current year

On 1 July 2014, a controlled entity acquired an additional 75% of the voting shares in Asia Mideast Insurance and Reinsurance Pty Ltd (AMIR) for $2,301,750 which included a deferred consideration payment of $337,500, payable 12 months after the date of acquisition.

Effective 1 November 2014, the Company incorporated a new controlled entity in New Zealand, NZ Brokers Holdings Ltd (NZBH) with a share capital of $3,953,063 in which it has 80% interest in the voting shares. The carrying value of the investment in this company is $3,164,851. The amount received from non controlling interests amounted to $788,212.

Effective 1 November 2014, NZ Brokers Holdings Ltd acquired 100% of the voting shares of Brokerweb Management Ltd (BWM) for $7,675,596 including a contingent consideration payment of $1,567,116. The maximum amount of the contingent consideration is unlimited.

On 31 December 2014, the Company owned 50% of the voting shares of Citycover (Aust) Pty Ltd (Citycover). On that date it acquired a further 22.5% interest for $2,300,000. A further 2.5% was acquired on 1 January 2015 for $255,556. On 31 December 2014 Citycover ceased to be an associate and became a controlled entity.

Effective 1 February 2015, the Company acquired 60% of the voting shares of Forean Group Holdings Ltd (Forean) for $22,476,732 including a contingent consideration payment of $8,550,580. The range of possible contingent consideration payments fall within $nil and $9,900,000.

7. BUSINESS COMBINATIONS (CONTINUED)

(c) Acquisition of new controlled entities – current year (continued)

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

	Fair value recognised on acquisition			
	AMIR $'000	BWM $'000	Citycover $'000	Forean $'000
Cash	3,020	866	2,143	921
Receivables	3,511	733	1,574	2,088
Plant and equipment	27	233	190	1,094
Deferred tax asset	–	–	122	320
Intangibles	–	–	3,299	–
Total assets	6,558	1,832	7,328	4,423
Payables and borrowings	5,733	814	4,401	2,666
Deferred tax liability	133	–	989	–
Provision for taxation	37	450	266	–
Provisions	347	–	138	258
Total liabilities	6,250	1,264	5,794	2,924
Net assets	308	568	1,534	1,499
Net assets acquired	231	568	1,151	899
Purchase price – cash paid	1,964	6,109	2,556	13,926
Purchase price – deferred payment/contingent consideration	338	1,567	–	8,550
Fair value adjustment on existing holding at the date of acquisition (see note 4(vi))	–	–	3,680	–
Carrying value of existing share in associate before acquisition	–	–	1,431	–
Total carrying value after acquisition	2,302	7,676	7,667	22,476
Goodwill arising on acquisition relating to the Group	2,071	7,108	6,517	21,577
Goodwill arising on acquisition relating to the non controlling interests	690	–	2,172	14,385
Total goodwill arising on acquisition	2,761	7,108	8,689	35,962
Cash inflow on acquisition is as follows;				
Net cash acquired with the controlled entity	3,020	866	2,143	921
Cash paid	1,964	6,109	2,556	13,926
Net cash (outflow)/inflow	1,056	(5,243)	(413)	(13,005)

The acquisition of AMIR contributed a profit $16,314 to net profit after tax and $1,136,974 to revenue.

The acquisition of NZBH contributed a loss (after expensing acquisition costs), of $728,804 to net profit after tax and $30,859 to revenue.

BWM contributed a profit of $276,972 to net profit after tax and $1,807,914 to revenue.

The acquisition of Citycover contributed a profit of $327,505 to net profit after tax and $2,471,121 to revenue.

The acquisition of Forean contributed a profit of $824,866 to net profit after tax and $7,661,962 to revenue.

If the acquisitions of BWM, Citycover and Forean occurred on 1 July 2014, the contribution to revenue and the net profit after tax attributable to the owners of the Group would have been $24,913,914 and $2,419,872 respectively.

The fair value of the identifiable net assets acquired of the entities above (excluding Citycover) were approximately equivalent to the carrying values of assets acquired at the date of acquisition. The fair value of the assets acquired for Citycover were approximately equivalent to the carrying values of assets except for the identifiable intangibles and associated deferred tax.

(d) Acquisition of new controlled entities – previous year

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

On 1 January 2014, the Company entity acquired an additional 25% of the voting shares in Power Insurance Brokers Pty Ltd for $1,250,000 bringing the total equity to 75%.

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

	Fair value recognised on acquisition $'000
Cash	2,985
Receivables	2,456
Right to future income	180
Plant and equipment	274
Other assets	41
Deferred tax asset	86
Intangibles	1,603
Total assets	7,625
Payables	4,837
Provisions	176
Borrowings	1,987
Deferred tax liabilities	481
Total liabilities	7,481
Net assets	144
Carrying value of existing 50% equity at the date of acquisition	571
Dividend received on date of acquisition relating to pre 31 december 2013	(200)
Fair value adjustment on existing holding at the date of acquisition (see note 4(vi))	2,580
Adjusted carrying value of existing 50% equity at the date of acquisition	2,951
Purchase price – cash paid for additional voting shares (including payment for right to future income)	1,550
Carrying value of controlled entity	4,501
Fair value of 100% of acquired entity	5,751
Less net assets of acquired entity	144
Total goodwill arising on acquisition	5,607
Non controlling interests measured at fair value	1,250
Cash inflow on acquisition is as follows;	
Net cash acquired with the controlled entity	2,985
Cash paid (net of dividend received)	(1,350)
Net cash inflow	1,635

The acquisition of an additional 50% of Sura Pty Ltd was effective on 4 October 2013. The acquisition contributed $390,477 to net profit after tax and $850,432 to revenue.

The acquisition of an additional 25% of the voting shares in Power Insurance Brokers Pty Ltd was effective on 1 January 2014. The acquisition contributed $429,802 to previous year net profit after tax and $1,855,041 to previous year revenue. Had the acquisition taken place at the beginning of the period, the profit after tax contribution would have been $1,059,593 and $3,848,401 to revenue.

7. BUSINESS COMBINATIONS (CONTINUED)

(d) Acquisition of new controlled entities – previous year (continued)

Effective 1 March 2014, a controlled entity InterRISK Queensland Pty Ltd acquired 80% of the voting shares in a newly incorporated entity, Atlas Insurance Brokers Pty Ltd (Atlas) for $1,710,000.

On 1 April 2014, Austagencies Pty Ltd acquired 100% of the voting shares in All-Trans Underwriting Pty Ltd (All-Trans) for $1,961,474 including contingent consideration of $1,475,571.

On 1 April 2014, Austagencies Pty Ltd acquired 100% of the voting shares in Trinity Pacific Underwriting Agency Pty Ltd (Trinity) for $4,019,671 including contingent consideration of $3,662,156.

Fair values of the identifiable assets and liabilities of All-Trans, Trinity and Atlas as at the date of acquisition were:

	Fair value recognised on acquisition $'000
Cash	1,214
Receivables	245
Intangibles	1,183
Plant and equipment	3
Total assets	2,645
Payables	4,604
Deferred tax liabilities	355
Total liabilities	4,959
Net assets	(2,314)
Purchase price – cash paid for voting shares	2,554
Purchase price – deferred consideration	5,137
Total carrying value of controlled entity	7,691
Less/(Plus) fair value of net assets acquired	(1,961)
Goodwill arising on acquisition relating to the Group	9,652
Goodwill relating to non controlling interests	781
Total Goodwill arising on acquisition	10,433
Cash outflow on acquisition is as follows;	
Net cash acquired with the controlled entity	1,214
Cash paid	(2,554)
Net cash (outflow)	(1,340)

The acquisition of 80% of Atlas was effective on 1 March 2014. The acquisition contributed a loss of $38,172 to net profit and $424,421 to revenue. As the acquisition was in respect of a newly incorporated entity, the full year impact to the profit after tax would have been a loss of $38,172 and revenue would have been $424,421.

The acquisition of 100% of All-Trans was effective on 1 April 2014. The acquisition contributed $164,378 to previous year net profit after tax and $186,067 to previous year revenue. Had the acquisition taken place at the beginning of the period, the profit after tax contribution would have been $86,289 and revenue would have been $828,307.

The acquisition of 100% of Trinity was effective on 1 April 2014. The acquisition contributed $3,014 to previous year net profit and $139,477 to previous year revenue. Had the acquisition taken place at the beginning of the period, the profit after tax contribution would have been $87,773 and revenue would have been $1,599,076.

On 1 April 2014, All-Trans and Trinity were acquired from an associate which was owned 50% by the Consolidated Group. On acquisition of 100% of the voting shares of the entities, an adjustment of $1,541,000 was recognised by the Consolidated Group to bring the initial investment in these associates to fair value. This was adjusted against the carrying value of the associate. (see note 4(vi). A deferred tax liability of $462,300 had been recognised in the accounts.

(e) Sale of controlled entity and deconsolidation of controlled entity on loss of control – current year

On 1 April 2015, the Group disposed of 10% of the voting shares in Adroit Holdings Pty Ltd (Adroit) for $2,477,675 reducing its equity from 60% to 50% and therefore no longer consolidated from that date.

On 27 April 2015, the Group disposed of all of its units in Ballina Insurance Brokers Unit Trust (Ballina) for $1,324,197, a trust 80% owned by North Coast Insurance Brokers Pty Ltd, a 70% owned controlled entity.

Carrying values of the assets and liabilities of Adroit and Ballina on the date the Group lost control were:

	Carrying value of assets and liabilities $'000
Assets	
Cash	10,810
Receivables	9,848
Plant and equipment	2,203
Other assets	40
Intangibles	28,158
Total assets	51,059
Liabilities	
Payables	19,087
Borrowings	3,840
Tax liabilities	1,626
Total liabilities	24,553
Net assets	26,506
Carrying value of controlled entity transferred to shares in associates	11,492
Fair value adjustment on the date the controlled entity became an associate	896
Fair value of associate on the date the Group lost controlling interest	12,388
Sale proceeds	3,802
Less : carrying value of controlled entities	(2,626)
Fair value adjustment on the date the controlled entity became an associate	896
Reversal of previous year loss transferred to retained earnings on sale of voting shares in controlled entity	(108)
Profit on sale of controlled entities before tax and non controlling interests	1,964
Tax expense	(641)
Profit on sale of controlled entities after tax	1,323
Non controlling interests	(571)
Profit after tax and non controlling interests	752
Cash outflow on disposal is as follows;	
Net cash reduction on deconsolidation of controlled entity acquired with the controlled entity	(10,810)
Cash received on sale	3,802
Net cash (outflow)	(7,008)

Adroit contributed $975,725 to profit after tax and non controlling interests up to the date it became an associate on 1 April 2015. Ballina contributed $110,241 to profit after tax and non controlling interests up to date of disposal.

8. EARNINGS PER SHARE (EPS)/DIVIDENDS PAID AND PROPOSED

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:

	2015 $'000	2014 $'000
Net profit attributable to ordinary equity holders of the parent	34,887	34,655

	2015 Thousands shares	2014 Thousands shares
Weighted average number of ordinary shares for basic earnings per share	61,295	59,247
Effect of dilution:		
Weighted average number of shares under option adjusted for shares that would have been issued at average market price	202	457
Weighted average number of ordinary shares adjusted for the effect of dilution	61,497	59,704
Basic earnings per share (cents per share)	56.9	58.5
Diluted earnings per share (cents per share)	56.7	58.0

Dividends paid and proposed

(d) Equity dividends on ordinary shares:

Dividends paid during the year

	Consolidated	
	2015 $'000	2014 $'000
Final franked dividend for financial year ended 30 June 2013: 24.5 cents	–	14,277
Interim franked dividend for financial year ended 30 June 2014: 12.0 cents	–	7,157
Final franked dividend for financial year ended 30 June 2014: 26.5 cents	15,923	–
Interim franked dividend for financial year ended 30 June 2015: 12.0 cents	7,408	–
Total dividends paid in current year	23,331	21,434
In addition to the above, dividends paid to non controlling interests totalled $6,500,000 (2014: $6,745,000)		
Dividends proposed and not recognised as a liability		
Final franked dividend for financial year ended 30 June 2014: 26.5 Cents	–	15,888
Final franked dividend for financial year ended 30 June 2015: 27.7 Cents	17,245	–
	17,245	15,888
Dividends paid per share (cents per share)	38.5	36.5
Dividends proposed per share (cents per share) not recognised at balance date	27.7	26.5

Franking credit balance

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

	2015	2014
– franking account balance as at the end of the financial year at 30% (2014: 30%)	31,481	30,498
– franking credits that will arise from the payment of income tax payable as at the end of the financial year	2,635	(267)
The amount of franking credits available for future reporting periods	34,116	30,231
– 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	(7,391)	(6,809)
The amount of franking credits available for future reporting periods after payment of dividend	26,725	23,422

The tax rate at which paid dividends have been franked is 30% (2014: 30%)

Dividends proposed will be franked at the rate of 30% (2014: 30%)

9. TRADE AND OTHER RECEIVABLES (CURRENT)

	Consolidated 2015 $'000	Consolidated 2014 $'000
Trade receivables	22,031	18,448
Amount due from customers on broking/underwriting agency operations	139,946	161,977
Other receivables – related entities	3,076	2,311
Total receivables (current)	165,053	182,736

10. TRADE AND OTHER RECEIVABLES (NON CURRENT)

Trade receivables	143	44
Total receivables (non current)	143	44

11. OTHER FINANCIAL ASSETS (CURRENT)

Mortgages – related entities (amortised cost)	128	44
Other	22	27
Total other financial assets (current)	150	71

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.

12. OTHER FINANCIAL ASSETS (NON CURRENT)

Mortgages – related entities (amortised cost)	–	213
Other	72	407
Total other financial assets (non current)	72	620

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.

13. INVESTMENT IN ASSOCIATES

	Consolidated 2015 $'000	Consolidated 2014 $'000
Investment in associates		
Investments at equity accounted amount:		
Associated entities – unlisted shares	141,661	103,301

Associated entities (and their controlled entities) – unlisted shares – equity percentage owned and equity accounted carrying value

	Equity percentage owned 2015 %	Equity percentage owned 2014 %	Equity accounted amount 2015 $'000	Equity accounted amount 2014 $'000
Austral Insurance Brokers Pty Ltd	50.0	50.0	2,916	3,036
A & I Member Services Pty Ltd	50.0	50.0	–	–
Adroit Holdings Pty Ltd	50.0	60.0	13,375	–
Austbrokers RIS Pty Ltd	49.9	49.9	2,610	2,586
Austbrokers ABS Aviation Pty Ltd	50.0	50.0	179	122
Bruce Park Pty Ltd	49.9	49.9	1,425	1,421
Brett Grant and Associates Pty Ltd	50.0	50.0	1,677	1,659
Brokerweb Risk Services Ltd*	40.0	0.0	15,743	–
Citycover (Aust) Pty Ltd	0.0	49.9	–	1,740
Austbrokers Dalby Insurance Brokers Pty Ltd	50.0	50.0	2,879	2,868
Insurance Advisernet Australia Pty Ltd/Insurance Advisernet Australia Unit Trust	49.9	49.9	15,870	17,283
Insurance Advisernet Holdings Pty Ltd/Insurance Advisernet Holdings Unit Trust	49.9	49.9	803	774
JMD Ross Insurance Brokers Pty Ltd	49.9	49.9	880	912
Markey Group Pty Ltd	49.9	49.9	3,855	4,084
Global Assured Finance Pty Ltd	49.9	49.9	–	–
MGA Management Services Pty Ltd	49.9	49.9	10,485	8,749
Northern Tablelands Insurance Brokers Pty Ltd	49.9	49.9	94	102
Northlake Holdings Pty Ltd	50.0	50.0	5,506	5,232
Peter L Brown & Associates Pty Ltd	49.9	49.9	490	623
The Procare Group Pty Ltd	50.0	50.0	10,528	11,435
Rivers Insurance Brokers Pty Ltd	49.9	49.9	2,917	3,044
Strathearn Insurance Group Pty Ltd	49.9	49.9	21,215	21,732
Supabrook Pty Ltd	49.9	49.9	939	986
SRG Group Pty Ltd	50.0	50.0	2,097	1,924
Western United Financial Services Pty Ltd	49.9	49.9	1,895	1,758
WRI Insurance Brokers Pty Ltd	50.0	50.0	2,898	4,398
NRIG Pty Ltd	0.0	20.0	–	40
Countrywide Tolstrup Financial Services Group Pty Ltd/Countrywide Tolstrup Group Unit Trust	49.9	49.9	2,064	2,227
Oxley Insurance Brokers Pty Ltd/Port Macquarie Insurance Brokers Unit Trust	49.9	49.9	317	589
Coffs Harbour Insurance Brokers Unit Trust	37.5	37.5	187	99
Aust Re Brokers Pty Ltd	50.0	50.0	647	291
Tasman Underwriting Pty Ltd	50.0	50.0	520	473
Millennium Underwriting Agency Pty Ltd**	50.0	50.0	481	222
Cinesura Entertainment Pty Ltd (Formerly One Liability Underwriting Pty Ltd)	50.0	50.0	–	–
Sura Travel Pty Ltd (Formerly Sura Accident And Health Pty Ltd)	50.0	50.0	–	–
Longitude Insurance Pty Ltd***	56.1	56.1	898	530
Newsurety Pty Ltd	50.0	50.0	224	206
Sura Professional Risks Pty Ltd (Formerly Mint Plus Pty Ltd)	50.0	50.0	469	772
Risk Strategies Pty Ltd	50.0	0.0	1,054	–
Nexus (Aust) Pty Ltd	50.0	0.0	11,887	–
Blumberg Pty Ltd	50.0	0.0	102	–
Bluestone Insurance Pty Ltd	50.0	0.0	–	–
HQ Insurance Pty Ltd	40.4	40.4	1,535	1,384
			141,661	103,301

* The Group has an 80% interest in the controlled entity which has a 50% interest in Brokerweb Risk Services Ltd.

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

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

13. INVESTMENT IN ASSOCIATES (CONTINUED)

During the current year, the following transactions occurred;

- On 1 July 2014, the consolidated entity acquired 50% of the voting shares of Nexus (Aust) Pty Ltd for $12,253,179 which includes an amount of $6,653,179 that represents the contingent consideration amount payable in the next 2 years.
- On 1 September 2014, the consolidated entity acquired 50% of the voting shares of Risk Strategies Pty Ltd for $1,083,386 which includes an amount of $383,386 which represents the contingent consideration payable in 12 months.
- On 1 July 2014, a controlled entity acquired 50% of the voting shares of Bluestone Insurance Pty Ltd and Blumberg Pty Ltd for $50 and $103,000 respectively.
- On 1 November 2014, a controlled entity in New Zealand acquired 50% of the voting shares of Brokerweb Risk Services Ltd for $16,801,889 which includes an amount of $6,780,164 which represents the contingent consideration payable in the next 2 years.
- On 31 December 2014, the Company owned 50% of the voting shares of Citycover (Aust) Pty Ltd (Citycover). On that date it acquired a further 22.5% interest for $2,300,000. Citycover ceased to be an associate and became a controlled entity.
- On 1 April 2015, the Company reduced its interest in the voting shares of Adroit Holdings Pty Ltd from 60% to 50%. On that date Adroit Holdings Pty Ltd ceased to be a controlled entity and became an associate. NRIG Pty Ltd an associate owned by Adroit Holdings Limited also ceased to be a direct associate of the consolidated group on that date.

During the previous year, the following transactions occurred;

- On 1 July 2013, the Company acquired 50% of the voting shares of WRI Insurance Brokers Pty Ltd for $4,876,264 which includes an amount of $876,264 that represents the value of identifiable net assets acquired at the time of acquisition of the business.
- On 1 September 2013, a controlled entity, Adroit Holdings Pty Ltd, sold all of the voting shares in Interprac General Insurance Pty Limited for $300,000 ($219,600 net of disposal costs).
- On 1 September 2013, a controlled entity, Adroit Holdings Pty Ltd, acquired 20% of the voting shares of NRIG Pty Limited for $40,000.
- Effective 1 December 2013, a controlled entity, Austbrokers Sydney Pty Ltd, had its voting shares in HQ Insurance Pty Ltd reduced from 47.5% to 40.4% through an issue of shares to a new shareholder.
- On 1 January 2014, the Company acquired 50% of the voting shares in the Procare Group Pty Ltd for $11,139,163 including an amount of $3,839,163 which represents the fair value of the contingent consideration expected to be paid in the future.
- On 1 April 2014, a controlled entity, Austagencies Pty Ltd, acquired 50% of the voting shares in Sura Professional Risks Pty Ltd (formerly Mint Plus Pty Ltd) for $1,026,746 including an amount of $807,987 which represents the fair value of the contingent consideration expected to be paid in the future.
- On 4 October 2013, a controlled entity, Austagencies Pty Ltd, acquired an additional 50% of the voting shares in Sura Pty Ltd (formerly Celestial Underwriting Agency Pty Ltd) for $300,000 bringing the total equity to 100%. On that date Sura Pty Ltd ceased to be an associate.
- On 1 January 2014, the Company acquired an additional 25% of the voting shares in Power Insurance Brokers Pty Ltd for $1,250,000 bringing the total equity to 75%. On that date power Insurance Brokers Pty Ltd ceased to be an associate.

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

(a) The principal activity of each associate is insurance broking, except for associates owned by Austagencies Pty Ltd, which are underwriting agents and the Procare Group Pty Ltd, Forean Group Holdings Pty Ltd and Risk Strategies Pty Ltd which offer risk related services.

(b) The proportion of voting power held by the controlling entity in respect of each associate is 50% except for Coffs Harbour Unit Trust and Longitude Insurance Pty Ltd where voting power is 37.5%, Millennium Underwriting where the voting power is 18.4%, HQ Insurance Brokers Pty Ltd where the voting power is 40.4%.

(c) The reporting date of each associate is 30 June 2015 (prior year reporting date 30 June 2014).

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

(e) Other than disclosed in note 17, there were no other impairments of investment in associates for the year.

(f) All associates, including unit trusts, were incorporated or established in Australia except for Brokerweb Risk Services Ltd which is incorporated in New Zealand.

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

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

	Consolidated	
	2015 $'000	2014 $'000
Revenue	97,710	86,502
Operating profits before income tax	29,240	26,784
Amortisation of intangibles	(2,873)	(1,806)
Net profit before income tax	26,367	24,978
Income tax expense attributable to operating profits	(5,672)	(5,172)
Share of associates' net profits	20,695	19,806

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

Current assets	206,047	185,860
Non-current assets	47,928	44,254
Current liabilities	(199,556)	(178,809)
Non-current liabilities	(8,387)	(10,917)
Net assets	46,032	40,388

14. SHARES IN CONTROLLED ENTITIES

* All controlled entities are incorporated in Australia except for NZ Broker Holdings Ltd and its controlled entity which are incorporated in New Zealand, and comprise:

	Equity Interest Held	
	2015 %	2014 %
Name and Interests in controlled entities:		
Austbrokers Pty Ltd and its controlled entities	100	100
– Austbrokers Investments Pty Ltd	100	100
– Austbrokers Trade Credit Pty Ltd	75	75
– Austbrokers SPT Pty Limited as trustee for Austbrokers SPT Unit Trust	70	70
– 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 Services Pty Ltd	100	100
Austbrokers Business Centre Pty Ltd	100	100
Kyros Cook & Associates Pty Ltd	100	100
Adept Insurance Brokers Pty Ltd and its controlled entity	100	100
– Geary Smith Pty Limited	100	100

14. SHARES IN CONTROLLED ENTITIES (CONTINUED)

	Equity Interest Held	
	2015 %	2014 %
Adroit Holdings Pty Ltd and its controlled entities**	50.0	60.0
– Adroit Financial Group Pty Ltd	40.0	48.0
– Stateplan Facilities Pty Ltd	50.0	60.0
– Adroit Hume Pty Ltd	40.3	48.3
– Adroit Melbourne Pty Ltd	50.0	60.0
– Adroit Workers Compensation Solutions Pty Ltd	45.0	54.0
– Adroit Insurance Group Pty Ltd	50.0	60.0
– Adroit FS Pty Ltd	40.0	48.0
– Adroit Bellarine Pty Ltd	47.5	57.0
– Adroit Sandhurst Pty Ltd	34.3	41.2
– Adroit Eureka Pty Ltd	31.8	38.2
– Adroit Latrobe Pty Ltd	50.0	60.0
– Tealrose Pty Ltd	50.0	60.0
– Adroit Albury FG Pty Ltd	25.5	30.6
– Adroit Epping Financial Planning Pty Ltd	47.7	57.2
– We Can Bcoz Pty Ltd	50.0	60.0
– Bcoz Underwriting Agencies Unit Trust	45.2	54.2
– Adroit Workcom Investments Pty Ltd	44.6	53.5
– Adroit Management Services Pty Ltd	50.0	60.0
– Austbrokers Employee Equity Trust	37.3	44.8
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	52	52
AEI Holdings Pty Ltd/AEI Insurance (Brokers) Pty Ltd	100	100
Austbrokers Financial Solutions (Syd) Pty Ltd and its controlled entities	75	75
– SPT Financial Services Pty Ltd	52	52
– Austbrokers Financial Solutions (ACT) Pty Ltd	75	75
Austbrokers C.E. McDonald Pty Ltd and its controlled entity	100	100
– Traders Voice Services Pty Ltd	100	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	70	90
Austbrokers Premier Pty Ltd	90	80
Austbrokers Southern Pty Ltd	80	80
Austbrokers Canberra Pty Ltd	85	85
Australian Bus And Coach Underwriting Agency Pty Ltd	100	100
Austbrokers AEI Transport Pty Ltd and controlled entities	55	55
– Carriers Insurance Brokers Pty Ltd	44	44
– Austbrokers AEI Pty Ltd	35.6	35.6
– Chegwyn Insurance Brokers Pty Ltd	35.6	35.6
Austbrokers Sydney Pty Ltd and its controlled entities	100	100
– Austbrokers FWR Pty Ltd	100	100
– Austbrokers Professional Services Pty Ltd	80	80
Austbrokers RWA Pty Ltd and its controlled entities	60	60
– Austbrokers RWA Financial Services Pty Ltd	30	30
– CTRL Pty Ltd	60	60

	Equity Interest Held	
	2015 %	2014 %
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
– Cinesure 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
– Film Insurance Underwriting Agencies Pty Ltd	100	100
– Sura Construction Pty Ltd (Formerly Construction Underwriting Pty Ltd)	51	51
– Sura Engineering Pty Ltd (Formerly Breakdown Underwriting Pty Ltd)	51	51
– Lawsons Underwriting Agency Pty Ltd	90	90
– Sura Labour Hire Pty Ltd	90	0
– Sura Hospitality Pty Ltd (Previously Guardian Underwriting Services Pty Ltd) as trustee for G.U.S. Trust	100	90.9
– All-Trans Underwriting Pty Ltd	100	100
– Celestial Underwriting Agency Pty Ltd	100	100
– Trinity Pacific Underwriting Agency Pty Ltd	100	100
Citycover (Aust) Pty Ltd	75	50
Comsure Insurance Brokers Pty Ltd and controlled entity	80	80
– Comsure Financial Solutions Pty Ltd	60	60
Forean Group Holdings Pty Ltd and its controlled entities	60	0
– Altius Group Pty Ltd	60	0
– Rehabilitation Services Pty Ltd	60	0
– Occheath Network Pty Ltd	60	0
– Psych Health Intervention Pty Ltd	60	0
– Altius Group Services Pty Ltd	60	0
NZ Broker Holdings Ltd	80	0
– NZ Brokers Management Ltd	80	0
Power Insurance Brokers Pty Ltd	75	75
Insurics Pty Ltd	100	100
Interrisk Australia Pty Ltd And Its Controlled Entities	77.1	77.1
– Interrisk Queensland Pty Ltd	37	37
– Atlas Insurance Brokers Pty Ltd	27	27
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	0	56
Austbrokers Terrace Insurance Brokers Pty Ltd and controlled entity	70.8	70.8
– Austbrokers Financial Solutions (SA) Pty Limited	47	47
Austbrokers employee share acquisition schemes trust	100	100

** Effective 1 April 2015, the Group reduced its voting shares in a controlled entity, Adroit Holdings Pty Ltd from 60% to 50% and on that date the controlled entity became an associate.

During the current year a controlled entity incorporated a new controlled entity Sura Labour Hire Pty Ltd for $100.

See note 7 – business combinations, for details of increases and decreases in voting shares in controlled entities and acquisition of new controlled entities during the current and previous year.

15. PROPERTY, PLANT AND EQUIPMENT

	Consolidated			
Property, plant and equipment	Property $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Year ended 30 June 2015				
Balance at the beginning of the year	730	18,946	1,706	21,382
Acquisition of controlled entities	–	2,284	279	2,563
Disposal of controlled entities	–	(4,654)	(418)	(5,072)
Additions during the year	–	1,216	468	1,684
Disposals during the year	–	(1,102)	(634)	(1,736)
Property, plant and equipment at cost	730	16,690	1,401	18,821
Depreciation				
Balance at the beginning of the year	104	12,465	656	13,225
Acquisition of controlled entities	–	963	56	1,019
Disposal of controlled entities	–	(2,649)	(220)	(2,869)
Disposals during the year	–	(898)	(282)	(1,180)
Depreciation during year	10	1,712	397	2,119
Accumulated depreciation	114	11,593	607	12,314
Summary				
Net carrying amount at beginning of year	626	6,481	1,050	8,157
Net carrying amount at end of year	616	5,097	794	6,507

Year ended 30 June 2014				
Balance at the beginning of the year	730	16,721	1,448	18,899
Acquisition of controlled entities	–	386	204	590
Additions during the year	–	2,127	352	2,479
Disposals during the year	–	(288)	(298)	(586)
Property, plant and equipment at cost	730	18,946	1,706	21,382
Depreciation				
Balance at the beginning of the year	94	10,809	541	11,444
Acquisition of controlled entities	–	248	65	313
Disposals during the year	–	(270)	(191)	(461)
Depreciation during year	10	1,678	241	1,929
Accumulated depreciation	104	12,465	656	13,225
Summary				
Net carrying amount at beginning of year	636	5,912	907	7,455
Net carrying amount at end of year	626	6,481	1,050	8,157

16. INTANGIBLE ASSETS AND GOODWILL

	Consolidated			
	Capitalised project costs $'000	Goodwill $'000	Insurance broking registers $'000	Total $'000
Year ended 30 June 2015				
Balance at the beginning of the year	–	151,259	46,911	198,170
Additional businesses and portfolios acquired	–	55,972	3,553	59,525
Capitalised project costs	1,011	–	–	1,011
Impairment charge	–	(2,273)	–	(2,273)
Translation of foreign exchange rate movements	–	(448)	–	(448)
Disposal of controlled entities	–	(23,259)	(6,739)	(29,998)
Total intangibles	1,011	181,251	43,725	225,987
Amortisation				
Balance at the beginning of the year	–	–	23,950	23,950
Disposal of controlled entities	–		(1,842)	(1,842)
Amortisation current year	–	–	4,043	4,043
Accumulated amortisation	–	–	26,151	26,151
Summary				
Net carrying amount at beginning of year	–	151,259	22,961	174,220
Net carrying amount at end of year	1,011	181,251	17,574	199,836
Year ended 30 June 2014				
Balance at the beginning of the year	–	134,772	43,783	178,555
Additional businesses and portfolios acquired	–	17,138	3,128	20,266
Impairment charge	–	(254)	–	(254)
Disposals of broking portfolios	–	(397)	–	(397)
Total intangibles	–	151,259	46,911	198,170
Amortisation				
Balance at the beginning of the year	–	–	19,916	19,916
Amortisation current year	–	–	4,034	4,034
Accumulated amortisation	–	–	23,950	23,950
Summary				
Net carrying amount at beginning of year	–	134,772	23,867	158,639
Net carrying amount at end of year	–	151,259	22,961	174,220

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 (15 years for financial services business) depending on original acquisition date.

16. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

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

	Consolidated	
(i) Goodwill	2015 $'000	2014 $'000
Adroit Holdings Pty Ltd	–	21,862
Interrisk Australia Pty Ltd and its controlled entity	20,352	20,352
Austbrokers Sydney Pty Ltd and its controlled entities	23,882	23,882
Forean Holdings and its controlled entities	35,962	–
Austagencies and its controlled entities	34,521	34,033

	Remaining amortisation period (years)			
(ii) Insurance Broking Registers	2015	2014		
Adroit Holdings Pty Ltd	0.0	8.0	–	5,404
Interrisk Australia Pty Ltd and its controlled entity	8.0	9.0	4,981	5,598
Austbrokers Sydney Pty Ltd and its controlled entities	2.0	3.0	1,076	2,158

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 controlled entity or associate is considered a separate cash generating unit or grouped into the one cash generating unit where operations are linked. The fair value measurement was categorised as level 3 fair value based on the inputs in the valuation technique used (see note 29 (c)). The value in use calculation takes into account net present value of future cash flows for the next 5 years plus a terminating value. The value in use method was not used in the current year.

The measure used in assessing the directors' fair value is based on the directors' estimates of the sustainable profits, which have been tested against the current and prior year's profits as well as the following year's financial budgets approved by senior management. After determining the appropriate after tax profit for each associate/controlled entity, the after tax profit is multiplied by a profit multiple from within the range of 9.84 to 11.52 times (2014: 9.92 to 11.53 times). These profit multiples have been determined based on the cost of capital for each cash generating unit factoring in an assumed sustainable profit growth of 2.0% per annum (2014: 2.0%). The profit multiples used are reviewed against externally accessible factors and are considered by directors to be reflective of generally accepted market values.

External expert advice has been sought in relation to the determination of the appropriate weighted average cost of capital (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. The 10 year bond rate prevailing at year end was used for the current year after factoring in a risk margin. The risk free rate (before risk margin) used in the current year is 2.5% (2014: 3.7%).

When considered appropriate, a secondary measure is applied to determine directors' estimates of fair value. This measure applies a multiple of 1.8 times to broking revenue (2014: 1.8 times) for general insurance broking businesses and 2.5 times to life insurance renewal commissions (2014: 2.5 times). These valuation bases are commonly used in the market to determine value for acquisitions of similar businesses.

The resulting fair values derived from the appropriate measure 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 Group's acquisition policy is to pay a deposit and defer a component of the purchase price to be determined based on future financial results. Estimates of the final acquisition cost are made and recognised in the financial statements. An estimate of the contingent consideration is made at the time of acquisition and is reviewed and varied at balance date if estimates change or actual payments are made. This adjustment can be a loss (if increased) or a profit (if reduced). Where an estimate is reduced an offsetting adjustment (impairment) is made to the carrying value.

17. IMPAIRMENT TESTING OF INTANGIBLE ASSETS, GOODWILL AND INVESTMENT IN ASSOCIATES (CONTINUED)

- During the current year, due to current market conditions, further adjustments to contingent considerations in respect of current and prior year acquisitions resulted in a reduction to the estimates previously recognised by the consolidated group. As the revised contingent consideration payments were below the original estimated contingent consideration payments, a corresponding and offsetting impairment charge of $4,104,000 was recognised against the carrying value of those investments (see note (4vi)).

The resulting fair value of an associate using the valuation methodology above resulted in an impairment of $1,500,000. This is due to specific competitive circumstances in a niche segment of the market impacting income. This impairment represents 0.4% of the Group's investment in associates and controlled entities. The impairment loss was charged to the income statement (see note 4(vi)).

	Contingent consideration adjustments		Impairment charges	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Adjustments relating to controlled entities	2,473	254	2,273	254
Adjustments relating to associates	1,983	(766)	1,831	–
Impairment charge relating to an associate	–	–	1,500	–
Total	4,456	(512)	5,604	254

No reasonable possible change in key assumptions would result in the recoverable amount of a cash generating unit that is material to the Group's total investment in intangible assets, goodwill and investment in associates, being significantly less than the carrying value included in the accounts.

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.

Share options	2015 No.	2014 No.	2015 WAEP ($)	2014 WAEP ($)
Outstanding at the beginning of the year	508,834	667,853	1.10	1.54
Granted during the period – zero priced options	43,456	41,855	0.00	0.00
Exercised during the period: options issued during 2006	–	(49,350)	0.00	3.47
Exercised during the period: options issued during 2007	(132,800)	(70,100)	4.20	4.20
Exercised during the period: options issued during 2008	–	(3,305)	0.00	0.00
Exercised during the period: options issued during 2009	–	(4,730)	0.00	0.00
Exercised during the period: options issued during 2010	–	(52,861)	0.00	0.00
Exercised during the period: options issued during 2011	(27,834)	–	0.00	0.00
Lapsed/forfeited during the period: options issued during 2009	–	(787)	0.00	0.00
Lapsed/forfeited during the period: options issued during 2010	(12,969)	(1,941)	0.00	0.00
Lapsed/forfeited during the period: options issued during 2011	–	(7,327)	0.00	0.00
Lapsed/forfeited during the period: options issued during 2012	–	(6,117)	0.00	0.00
Lapsed/forfeited during the period: options issued during 2013	–	(4,356)	0.00	0.00
Outstanding at the end of the year	378,687	508,834	0.12	1.10

18. SHARE-BASED PAYMENT PLANS (CONTINUED)

The outstanding balance as at 30 June 2015 is represented by:

- Nil (2014: 132,800) options granted on 14 September 2007, exercisable 3 years from the issue date at an exercise price of $4.20.
- 11,099 (2014: 11,099) 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.
- Nil (2014: 12,969) 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.
- 21,430 (2014: 49,264) 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.
- 32,203 (2014: 32,203) Share options were granted on 31 October 2012, exercisable 3 years from 31 October 2012 at an exercise price of $nil. The volume weighted average share price for the 5 business days prior to the date the options were issued was $7.71.
- 233,000 (2014: 233,000) Share options were granted on 15 January 2014, exercisable 3 years from 1 January 2013 at an exercise price of $nil. The options were valued using the dividend yield method resulting in an option price of $7.38.
- 37,499 (2014 $37,499) Share options were granted on 30 October 2013, exercisable 3 years from 30 October 2013 at an exercise price of $nil. The volume weighted average share price for the 5 business days prior to the date the options were issued was $11.15. The options were valued using the dividend yield method resulting in an option price of $10.0575.
- 43,456 Share options were granted on 31 October 2014, exercisable 3 years from 31 october 2014 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 $10.2784. The options were valued using the dividend yield method resulting in an option price of $9.0892.

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

During the year the following options were granted, exercised or lapsed:

- 43,456 Share options were granted on 31 October 2014, exercisable 3 years from 31 October 2014 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 $10.2784. The options were valued using the dividend yield method resulting in an option price of $9.0892.
- 132,800 Share options were exercised on 12 September 2014 at an exercise price of $4.20. The volume weighted average price for the 5 business days prior to the date the options were exercised was $10.87.
- 12,969 options lapsed due to vesting conditions over the 4 years ended 30 June 2014, not being met.
- 27,834 Share options were exercised on 16 December 2014 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 $10.08.

During the previous year the following options were granted, exercised or lapsed:

- 41,855 Share options were granted on 30 October 2013, exercisable 3 years from 30 October 2013 at an exercise price of $nil. The volume weighted average share price for the 5 business days prior to the date the options were issued was $11.15. The options were valued using the dividend yield method resulting in an option price of $10.0575.
- 49,350 Share options were exercised on 12 September 2013 at an exercise price of $3.47. The volume weighted average price for the 5 business days prior to the date the options were exercised was $10.89.
- 70,100 Share options were exercised on 12 September 2013 at an exercise price of $4.20. The volume weighted average price for the 5 business days prior to the date the options were exercised was $10.89.
- 3,305 Share options were exercised on 12 September 2013 at an exercise price of $nil. The volume weighted average price for 5 business days prior to the date the options were exercised was $10.89.
- 4,730 Share options were exercised on 30 October 2013 at an exercise price of $nil. The volume weighted average price for 5 business days prior to the date the options were exercised was $11.68.
- 52,861 Share Options were exercised on 30 October 2013 at an exercise price of $nil. The volume weighted average price for 5 business days prior to the date the options were exercised was $11.68.
- 787 options lapsed due to vesting conditions over the 4 years ended 30 June 2013, not being met.
- 19,741 zero priced options, lapsed on 2014 April 14 due to a staff member leaving.

Share options were granted during the period on similar terms and conditions as options outstanding at 30 June 2014, as noted in the annual report.

The fair value of the zero priced options issued before 1 January 2013 was based on the volume weighted average share price for the 5 day period prior to the options being granted. From 1 January 2013, the fair value of the zero priced options has been based on the dividend yield method taking into account the vesting period, expected dividend payout and the share price at the date the options were granted.

The weighted average remaining contractual life for the share options outstanding at 30 June 2015 is 4.59 years. (2014: 3.91 years).

Option exercise conditions

These option exercise conditions apply to all options except 233,000 options issued to the chief executive officer (CEO) on 15 January 2013 and those granted after 30 October 2013.

(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) Option exercise conditions for options granted in the 2014 financial year were modified so that between 8.5% and 10% EPSG the options that are exercisable will be determined on a pro rata basis so that the number of options that are exercisable will increase from 20% by 2 percentage points for every 0.1% additional compound growth over 8.5%.

The exercise conditions for 200,000 of the options granted to the ceo are the same as set out above except that between 8.5% and 10% compound growth the options that are exercisable will be determined on a pro rata basis so that the number of options that are exercisable will increase from 20% by 2 percentage points for every 0.1% additional compound growth over 8.5%. The further 33,000 options granted to the ceo have no performance hurdles but are subject to the ceo still being in the employment of the Group at 1 January 2016.

19. TRADE AND OTHER PAYABLES

	Consolidated	
	2015 $'000	2014 $'000
Current		
Trade payables	11,542	12,543
Amount payable on broking/underwriting agency operations	217,647	238,674
Contingent consideration and other payables	22,596	11,776
Other payables – related entities	595	547
Total trade and other payables	252,380	263,540
Non-current		
Contingent consideration and other payables	19,280	12,264
	19,280	12,264
Included in trade and other payable are the following contingent consideration payables;		
Balance at the beginning of the year	13,747	8,635
Contingent consideration on current year acquisitions	24,271	12,497
Payments made in respect of previously recognised contingent consideration	(4,967)	(7,938)
Reversal of contingent consideration payments previously recognised	(4,456)	512
Foreign currency translation movements	(638)	–
Interest recognised in original contingent consideration at net present value	302	41
Balance at the end of the year	28,259	13,747

20. PROVISIONS

	Consolidated		
	Employee entitle-ments $'000	make good provision $'000	total $'000
Year ended 30 June 2015			
Balance at the beginning of the year	11,938	764	12,702
Acquisition/disposal of controlled entity	(1,259)	97	(1,162)
Arising during the year	1,239	11	1,250
Balance at the end of the year	11,918	872	12,790
Current 2015	9,793	262	10,055
Non-current 2015	2,125	610	2,735
	11,918	872	12,790
Year ended 30 June 2014			
Balance at the beginning of the year	11,692	740	12,432
Acquisition of controlled entity	426	–	426
Arising during the year	(180)	24	(156)
Balance at the end of the year	11,938	764	12,702
Current 2014	10,008	174	10,182
Non-current 2014	1,930	590	2,520
	11,938	764	12,702

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.

21. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated	
	2015 $'000	2014 $'000
Current		
Obligations under finance leases and hire purchase contracts (note 23)	772	1,022
Unsecured loan from other related parties	459	177
Secured bank loan *	7,393	10,363
	8,624	11,562
Non-current		
Obligations under finance leases and hire purchase contracts (note 23)	534	1,222
Unsecured loan from other parties	16	35
Secured bank loan *	56,891	41,056
	57,441	42,313

* The Group has negotiated facilities through various banks as shown below. Details of those facilities are as follows;

Summary of secured bank loans		
St George Bank	*47,826*	*43,071*
Macquarie Bank	*440*	*370*
Commonwealth Bank	*1,136*	*1,167*
National Australia Bank	*2,898*	*2,343*
Hunter Premium Funding	*524*	*685*
Westpac NZ Bank	*11,460*	*–*
Bendigo Bank	*–*	*3,783*
Total secured bank loans	*64,284*	*51,419*

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 $50,000,000 plus a further $1,000,000 in credit card facilities (2014: $50,800,000). The facility which was due to expire on 30 May 2016 has been extended to 30 July 2016.

Austbrokers Holdings Ltd facilities have been utilised to the amount of $42,511,294 (2014: $32,912,695) in bill acceptance/discount facilities totalling $37,064,599 and bank guarantees/credit cards/overdraft facilities totalling $5,446,695. The unutilised amount of the bill facility at 30 June 2015 was $7,935,401 with a further $553,305 in unused credit cards, bank guarantees and overdraft facilities totalling to $8,488,706 (2014: $17,877,305).

- Austbrokers Holdings Ltd has utilised $3,445,695 (2014: $2,912,695) in respect of bank guarantees, credit card and overdraft facilities.
- Austbrokers Holdings Ltd, has utilised $25,000,000 (2014: $25,000,000) in commercial bill facilities at period end. Interest rates have been fixed at an effective rate of 5.35% (2014: 5.35%) until 31 August 2015. Bills are rolled over on quarterly intervals. Rollover of the bills is guaranteed for the duration of the facility as long as there are no breaches of the facility agreement.
- Austbrokers Holdings Ltd, has utilised $5,000,000 (2014: $5,000,000) in commercial bill facilities at 30 June 2015. The commercial bill has a variable rate of 3.82% (2014: 4.41%). Bills are rolled over on monthly intervals. Rollover of the bills is guaranteed for the duration of the facility as long as there are no breaches of the facility agreement.
- Austbrokers Holdings Ltd, has utilised $7,064,599 (2014:Nil) in commercial bill facilities at 30 June 2015. The commercial bill has a variable rate of 3.68% (2014: Nil). Bills are rolled over on monthly intervals. Rollover of the bills is guaranteed for the duration of the facility as long as there are no breaches of the facility agreement.

- The facilities are secured by registered fixed and floating charges over the assets and undertakings of the Group and cross guarantees and indemnities given by each of the wholly owned subsidiaries.

A controlled entity, Austbrokers AEI Transport Pty Ltd has renegotiated a loan facility amounting to $2,000,000 (2014: $4,650,000). These facilities have been utilised to the amount of $2,000,000 (2014:$4,000,000) This facility expires on 2 July 2015.

- A commercial bill for $4,000,000 has been repaid in this financial year.
- A commercial bill for $2,000,000 has an interest rate of 4.20%. (2014:NIL) and the rate is fixed until 2 July 2015.
- The facility is secured by registered fixed and floating charges over the assets of Austbrokers AEI Transport Pty Ltd, a guarantee for 55% (2014: 55%) 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 renegotiated a commercial bill facility from St George Bank for $550,000. The facility is drawn down at year end to $458,330 (2014: $550,000). The facility expires on 1 April 2020. A mandatory repayment of $116,938 is due by 30 June 2016.

- The commercial bill for $458,330 (2014: $550,000) has an interest rate of 6.2% (2014: 6.2%) and the rate is fixed until the facility expires. Interest rate on the previous commercial bill was based on the variable rate prevailing at that time.
- The facility is secured by registered fixed and floating charges over the assets of Austbrokers Central Coast Pty Ltd, a letter of comfort from Austbrokers Holdings Ltd and guarantees and indemnities given by the shareholders with non controlling interests.

A controlled entity, Austbrokers Financial Solutions (Syd) Pty Ltd has negotiated a commercial bill facility from St George Bank for $2,700,000. (2014: $2,700,000). The undrawn amount of this facility is $823,993 (2014: $591,994). The facility expires on 31 May 2016.

- There is a commercial bill for $1,876,007 (2014: $2,108,006 which comprises three commercial bills) has an interest rate of 4.70% (2014: 5.44%) and the rate is fixed until 2 October 2015 after which time it will revert to the variable rate prevailing at that time.
- The facility is secured by registered fixed and floating charges over the assets of Austbrokers Financial Solutions (Syd) Pty Ltd, a letter of comfort from Austbrokers Holdings Ltd and guarantees and indemnities given by the shareholders with non controlling interests.

A controlled entity, SPT Financial Services Pty Ltd, entered into an agreement with St George Bank to provide finance facilities amounting to $348,174 ($278,174 in loans and $70,000 for bank overdraft facilities) (2014: $449,574 including loans of $379,574 and $70,000 for bank overdraft facilities). At balance date these facilities have been utilised to the amount of $278,174 (2014: $379,574). The undrawn amount of this facility is $70,000 (2014: $70,000).

- The facility expires on 13 March 2018. The variable interest rate is negotiated quarterly and the rate applicable at 30 June 2015 was 5.49% (2014: 6.04%).
- The facilities are secured by registered fixed and floating charges over the assets of SPT Financial Services Pty Ltd , a letter of comfort given by Austbrokers Holdings Ltd, and guarantees and indemnities given by the shareholders with non controlling interests.

A controlled entity, Finsura Holdings Pty Ltd, has negotiated a loan facility amounting to $750,000 (2014: $750,000). At balance date these facilities have been utilised to the amount of $346,805 (2014: $386,805). The undrawn amount of the facility at 30 June 2015 was $403,195 (2014: $363,195). This facility will expire on 10 June 2019.

- A loan of $346,805 (2014:$386,805) has a variable interest rate of 4.74% (2014: 5.14%).
- The facilities are secured by registered fixed and floating charges over the assets of Finsura Holdings Pty Ltd, a letter of comfort given by Austbrokers Holdings Ltd, and guarantees and indemnities given by the shareholders with non controlling interests.

A controlled entity, InterRISK Australia Pty Ltd, has negotiated loan facilities amounting to $8,315,000 (2014: $8,225,000) including bank guarantees totalling $375,000 (2014: $785,000). The drawn down amount of these facilities at 30 June 2015 was $5,314,275 (2014: $5,599,275) in loan facilities and 375,000 (2014: $604,921) in bank guarantees . The undrawn amount of the bank guarantees at 30 June 2015 was $25,000 (2014: $145,079).

- A loan of $2,500,000 (2014:$3,640,000) has a variable interest rate of 3.72% (2014: 4.23%) and is repayable on 1 November 2015.
- A loan of $2,814,275 (2014:$1,959,275) has a variable interest rate of 3.68% (2014: 4.26%) and is repayable on 1 April 2019.
- The facilities are secured by registered fixed and floating charges over the assets of InterRISK Australia Pty Ltd and its controlled entities.

A controlled entity, Power Insurance Brokers Pty Ltd, has fully repaid their loan facility during the year. (2014: $47,738). The facility expired on 22 September 2014.

21. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

St George Bank facilities (continued)

A new controlled entity, Citycover Pty Ltd, has negotiated a loan facility amounting to $889,000 (2014: $NIL). At balance date these facilities have been utilised to the amount of $487,500 (2014: NIL). The undrawn amount of the facility at 30 June 2015 was $401,500 (2014: $NIL). This facility will expire on 1 January 2019.

- A loan of $487,500 (2014:$NIL) has a variable interest rate of 4.82% (2014: NIL%).
- The facilities are secured by registered fixed and floating charges over the assets of Citycover Pty Ltd, and cross guarantees and indemnities given by each of the wholly own controlled entity.

Macquarie Bank facilities

A controlled entity, Aprikeesh Pty Ltd, has negotiated a loan facility amounting to $557,000 (2014: $557,000). At 30 June 2015 these facilities have been utilised to the amount of $440,157. (2014: $370,157) The undrawn amount of the facility at 30 June 2015 was $116,842 (2014: $186,843). The loan facility expires on 31 May 2018 (2014: 31 May 2018).

- The loan facility of $440,157 (2014 :$370,157) has a variable interest rate of 5.43% (2014: 5.93%) and is negotiated quarterly.
- 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 $1,135,537 (2014: $1,167,094).The facilities were fully drawn down at 30 June 2015 (2014: fully drawn down).

- A loan facility of $475,000 (2014: $475,00) has been renegotiated to expire on 31 October 2017 at a fixed rate of 6.1% (2014 6.6%.) The facility expires in 31 October 2017.
- A loan facility of $78,000 (2014: $77,165) has been renegotiated to expire on 31 October 2019 at a fixed rate of 6.1%. (2014: 6.50%). The facility has been drawn down to $77,500 (2014: $77,165). The Facility expires on 31 October 2019.
- A loan facility of $750,000 (2014: $614,929) has been renegotiated to a fixed rate of 6.01%. (2014: 6.48%). The utilised amount on this facility is $583,037 (2014: $614,929). The facility expires on 29 May 2019. Principal repayments of $207,526 (2014: $175,618) 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 RWA Pty Ltd, renegotiated a loan facility for $2,967,824. (2014: $2,343,032) The undrawn amount of this facility is $70,000 (2014: $NIL). The Company has renegotiated to remove the $250,000 in credit card and overdraft facility in this financial year. The loan facility expires in 31 March 2018.

- A loan facility of $2,897,824 (2014: $2,343,032) has a variable rate of 4.55%. (2014: 6.43%) The unutilised amount of the facility is $70,000. (2014: NIL)
- The facilities are secured by registered fixed and floating charges over the assets of Austbrokers RWA Pty Ltd, its controlled entities and guarantees and indemnities given by the shareholders with non-controlling interests.

Hunter Premium Funding

A controlled entity, Austbrokers Southern Pty Ltd, negotiated a $523,819 (2014: $684,910) loan facility that expires on 28 May 2018. The undrawn amount of this facility at 30 June 2015 was $NIL (2014: NIL). A mandatory repayment of $170,000 (2014:$161,000) is due in the next 12 months.

- The interest rate on the loan of $523,819 (2014: $684,910) is renegotiated six monthly and the rate applicable at 30 June 2015 was 4.99% (2014: 5.47%).
- The facilities are secured by registered fixed and floating charges over the assets of Austbrokers Southern Pty Ltd, its controlled entities and guarantees and indemnities given by the shareholders with non-controlling interests.

Bendigo Bank facilities

On 1 April 2015 Adroit Holdings Pty Ltd, ceased to be a controlled entity. As at 30 June 2014 the controlled entity had total loans utilised of $3,782,675 and had an average interest rate of 6.40%.

Westpac Bank facilities (New Zealand)

In this financial year, a controlled entity, NZ Brokers Holdings Ltd negotiated a loan facility for $11,459,500. The facility is fully drawn down at 30 June 2015. The expire date of the facility is 31 January 2018.

- The interest rate on the loan of $11,459,500 is 5.46%. The interest rate is reviewed on a monthly basis.

The facility is secured by a guarantee from NZ Brokers Holdings Ltd and Austbrokers Holdings Ltd.

22. ISSUED CAPITAL AND RESERVES

(a) Issued Capital

	Consolidated	
	2015 $'000	2014 $'000
Issued capital opening balance	108,339	90,586
Net proceeds from dividend reinvestment plan	20,183	17,476
On 11 September 2014 allotted 132,800 shares at an issue price of $4.20	558	–
On 16 December 2014 allotted 27,834 shares at an issue price of $nil	–	–
On 11 September 2013 allotted 49,350 shares at an issue price of $3.47	–	171
On 11 September 2013 allotted 70,100 shares at an issue price of $4.20	–	295
On 11 September 2013 allotted 3,305 shares at an issue price of $nil	–	–
On 28 November 2013 allotted 57,591 shares at an issue price of $nil	–	–
Share issue expenses	(190)	(189)
Issued capital	128,890	108,339

	Consolidated	
	2015 Shares No.	2014 Shares No.
Number of shares on issue (ordinary shares fully paid)	62,256,689	59,955,596
Movements in number of shares on issue		
Beginning of the financial year	59,955,596	58,148,980
On 11 September 2014 allotted 132,800 shares at an issue price of $4.20	132,800	–
On 15 October 2014 696,147 shares were issued at $9.8016 as a result of a dividend reinvestment plan.	696,147	–
On 24 October 2014 928,220 shares were issued at $9.8016 as a result of a dividend reinvestment plan.	928,220	–
On 16 December 2014 allotted 27,834 shares at an issue price of $nil	27,834	–
On 30 April 2015 516,092 shares were issued at $8.2522 as a result of a dividend reinvestment plan.	516,092	–
On 16 October 2013, 612,902 shares were issued at $10.8727 as a result of a dividend reinvestment plan.	–	612,902
On 24 October 2013, 699,943 shares were issued at $10.8727 as a result of a dividend reinvestment plan.	–	699,943
On 30 April 2014, 313,425 shares were issued at $10.2140 as a result of a dividend reinvestment plan.	–	313,425
On 12 September 2013 allotted 49,350 shares at an issue price of $3.47	–	49,350
On 12 September 2013 allotted 70,100 shares at an issue price of $4.20	–	70,100
On 12 September 2013 allotted 3,305 shares at an issue price of $nil	–	3,305
On 28 November 2013 allotted 57,591 shares at an issue price of $nil	–	57,591
Total shares on issue	62,256,689	59,955,596

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.

Of the total shares issued up to 30 June 2015, 73,813 had restrictions whereby 45,979 could not be disposed of before 31 October 2015 and 27,834 could not be disposed of before 31 October 2016, except in the case where employees who own the shares, resign.

(b) 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.

Foreign currency translation reserve

This reserve is used to record foreign currency differences from the translation of the financial information of foreign operations that have a currency other than Australian dollars.

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.

Non controlling interests

This is measured at their proportionate share of the acquirees's identifiable net assets.

		Consolidated	
		2015 $'000	2014 $'000
Interest in:	Ordinary shares	–	
	Retained earnings	48,203	40,108
		48,203	40,108

23. COMMITMENTS AND CONTINGENCIES

	Consolidated 2015 $'000	Consolidated 2014 $'000
Finance lease and hire purchase commitments – group as lessee		
The Group has finance leases and hire purchase contracts for various items of software and plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.		
Finance lease and hire purchase commitments		
Payable		
– Not later than one year	799	1,049
– Later than one year and not later than five years	564	1,330
– Later than five years	–	–
Minimum lease and hire purchase payments	1,363	2,379
Deduct: future finance charges	57	135
Present value of minimum lease and hire purchase payments (refer note 21)	1,306	2,244
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		
Payable		
– Not later than one year	4,880	5,086
– Later than one year and not later than five years	4,792	8,733
– Later than five years	–	189
	9,672	14,008
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	2,248	3,337
– Later than one year and not later than five years	3,609	5,833
– Later than five years	28	–
	5,885	9,170
Contingent liabilities		
Estimates of the maximum amounts of contingent liabilities that may become payable		
Austbrokers Holdings Ltd has guaranteed loan facilities provided to associates in proportion to its shareholding.	3,656	3,656
Austbrokers Holdings Ltd has guaranteed lease facilities provided to associates in proportion to its shareholding.	1,035	205
	4,691	3,861

23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

Austbrokers Holdings Ltd has entered into agreements with various financiers and shareholders of related entities and associates, granting options to put shares held in related companies or associates to Austbrokers at market values current at the date of exercise of that option. These have been given in relation to shares in the related entity/associate pledged by the borrower as security for funding provided to those shareholders in relation to the acquisition of those shares. See note 29(f).

24. AUDITORS' REMUNERATION

	Consolidated	
	2015 $	2014 $
Amounts received or due to Ernst & Young (Australia) for:		
Audit of the financial statements	952,575	820,500
Other – including taxation services	112,155	59,000
Total	1,064,730	879,500
Amounts received or due to non Ernst & Young audit firms for:		
Audit of the financial statements	418,363	512,185
Other assurance related services	14,820	37,080
Other – including taxation services	87,173	70,191
Total	520,356	619,456
Total auditors' remuneration	1,585,086	1,498,956

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 or providers of insurance and risk related services, exhibit similar economic characteristics and have therefore been aggregated into a single reporting segment, being the 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 or insurance related products in Australia and New Zealand.

26. SUBSEQUENT EVENTS

On 27 August 2015 the Directors of Austbrokers Holdings Ltd declared a final dividend on ordinary shares in respect of the 2015 financial year. The total amount of the dividend is $17,245,103 which represents a fully franked dividend of 27.7 cents per share. The dividend has not been provided for in the 30 June 2015 financial statements.

On 5th August 2015, the consolidated entity acquired a 60% interest in Allied Health Australia Pty Ltd for $8,600,000 plus further amounts to be paid based on profits achieved in 2016 and 2017. The effective date of the transaction was 1 July 2015.

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 $10,136,090 (2014: $6,673,220) 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.

27. RELATED PARTY DISCLOSURES (CONTINUED)

(ii) *Transactions with related parties, controlled entities and associates.*

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 $,3,076,233 (2014: $2,310,954) and note 19 for payables to related parties $594,477 (2014: $547,852).

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

	2015 $	2014 $
John Edward Hallman	5,492	26,785
Hallman Family Trust	-	215,788
Howard Insurance Brokers Pty Ltd	-	128,942
Austbrokers Aviation Pty Ltd	-	10,701
A & I Member Services Pty Ltd	10,081	13,867
Paul Hogan Family Trust	-	8,000
Geebeejay Pty Ltd	15,550	17,850
Mishjola Pty Ltd	50,000	25,000
Tapmaa Pty Ltd	50,000	25,000
Longitude Insurance Pty Ltd	1,436,032	707,585
Sura Travel Pty Ltd	750,569	514,392
Tasman Underwriting Pty Ltd	8,863	27,500
NRIG Pty Ltd	-	40,000
Complete Wealth Pty Ltd	-	43,223
Aust Re Brokers Pty Ltd	12,142	16,480
Newsurety Pty Ltd	23,309	33,000
Australian Insurance Broking Services Pty Ltd	15,750	4,500
Damian Price	11,867	12,151
Tim Parry	-	1,462
Kelly Paul Commins	-	3,826
Susan Maria Commins	-	5,652
Grant Pratt	-	36,692
HQ Insurance Pty Ltd	6,720	142,500
Sura Professional Risk Pty Ltd	450,809	250,058
Gard Insurance Pty Ltd	921	-
Austbrokers Financial Solution RG Pty Ltd	20,000	-
Venrick Pty Ltd	70,000	-
Blumberg Pty Ltd	13,628	-
Tezzared Pty Ltd	30,000	-
Tibec Pty Ltd	94,500	-
	3,076,233	2,310,954

Other payables – related entities		
James Wiechman Pty Ltd ATF Wiechman Family Trust	159,444	165,752
Peter Curtis Pty Ltd ATF Curtis Family Trust	75,815	135,598
Areten Pty Ltd	53,725	62,726
Tim Parry	697	–
Budin Financial Services Pty Ltd	115,220	–
Integal Insurance Solutions Pty Ltd	24,644	–
Bcoz Underwriting Agencies Unit Trust	–	100
Austbrokers Employee Equity Trust – Unitholder	–	743
SPFS Enterprises Pty Ltd ATF Salisbury Family Trust	164,932	182,933
	594,477	547,852

(iii) 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 $17,765 (2014: $126,569). The interest charged is on normal commercial terms and conditions.

Further loans have been advanced to members of the economic entity of $84,000 (2014: $4,350,000). Members of the economic entity have repaid loans issued by Austbrokers Services Pty Ltd totalling $213,000 (2014: $5,550,000) during the year. The balance outstanding at 30 June 2015 was $128,000 (2014: $257,000).

A key management personnel, K. McIvor, has a 20% interest in the voting shares of a controlled entity, NZ Brokers Holdings Ltd.

A party related to M. P. L. Searles provides services to an associate on normal commercial terms and conditions.

(iv) Transactions with directors and director-related entities.

Entities within the wholly owned group receive fees for arranging insurance cover for directors and/or director related entities. These transactions are at normal commercial terms and conditions.

Other than disclosed above and in note 27 (c), there were no other transactions with director or directors related entities.

Information regarding outstanding balances at year end is included in notes 9, 10, 11, 13 and 19.

(b) Details of key management personnel

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

David John Harricks (retired 25 November 2014)	Director (Non-Executive)
Richard Anthony Longes	Chairman (Non-Executive)
Raymond John Carless	Director (Non-Executive)
Robin Jane Low	Director (Non-Executive)
David Clarence Clarke	Director (Non-Executive)
Mark Peter Lister Searles	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:

M. P. L. Searles	Director and Chief Executive Officer
S. S. Rouvray	Chief Financial Officer and Company Secretary
F. Gualtieri (ceased 1 July 2015)	National Manager – Group Services and Support
F. Pasquini	Chief Distribution Officer
S. Vohra	Chief Operating Officer
K. Mcivor	MD New Zealand and Head of Group Development
T. Stevens	Chief Information Officer
N. Thomas (appointed 16 March 2015)	General Manager – Broker Network Development

(c) There are no loans outstanding owing by key management personnel at 30 June 2015 (2014: nil).

(d) Compensation of key management personnel by category

	Consolidated	
	2015 $	2014 $
Short-term	3,457,617	3,795,781
Post employment	326,696	282,623
Other long-term	–	–
Termination benefits	–	589,024
Share-based payment	243,409	271,308
	4,027,722	4,938,736

28. PARENT ENTITY INFORMATION

	2015 $'000	2014 $'000
Assets		
Cash and cash equivalents	10,134	5,515
Current assets	79,187	64,974
Non-current assets	146,018	109,335
Total assets	235,339	179,824
Liabilities		
Current liabilities	9,238	5,655
Non-current liabilities	11,186	-
Interest bearing loans and borrowings	37,065	30,000
Total liabilities	57,489	35,655
Net assets	177,850	144,169
Equity		
Issued capital	128,890	108,339
Share based payments	5,707	5,296
Retained earnings	43,253	30,534
Total shareholders equity	177,850	144,169
Profit for the year before income tax	35,532	20,211
Income tax (credit)	(519)	(85)
Net profit after tax for the period	36,051	20,296
Other comprehensive (expense)/income after income tax for the period	-	-
Total comprehensive income after tax for the period	36,051	20,296
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 associates in proportion to its shareholding.	7,118	7,118
Austbrokers Holdings Ltd has guaranteed lease facilities provided to associates in proportion to its shareholding.	1,035	38
	8,153	7,156

Contingent liabilities

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

Austbrokers Holdings Ltd has entered into agreements with various financiers and shareholders of related entities and associates, granting options to put shares held in related companies or associates to Austbrokers at current market values. These have been given in relation to shares pledged as security for funding provided to those shareholders in relation to the acquisition of those shares. See note 29(f).

29. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, mortgages, cash and short-term deposits, payables, finance leases, overdrafts, interest bearing loans and borrowings and bank overdrafts.

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

The Group does not enter into derivative transactions nor has any significant foreign currency transactions.

The Board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the Board Audit and Risk Management Committee, supported by a Management Committee, under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

Risk exposures and responses

(a) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, intercompany receivables, mortgages, trade and other receivables. Although there is a concentration of cash and cash equivalents held with a major bank, credit risk is not considered significant.

The Company's exposure to credit risk is concentrated in the financial services industry with parties which are considered to be of sufficiently high credit quality. There are no financial assets which are past due or impaired.

Receivable balances are monitored on an 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.

	Consolidated	
	2015 $'000	2014 $'000
Assets and liabilities relating to Insurance Broking Account.		
Amounts due from customers on broking/underwriting agency operations.	139,946	161,977
Cash held on trust	105,498	108,187
Amounts payable on broking/underwriting agency operations.	(217,647)	(238,674)
Undrawn income	(27,797)	(31,490)
Net receivables included in Insurance Broking Account	–	–

29. FINANCIAL INSTRUMENTS (CONTINUED)

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 2015, all financial assets were neither past due nor impaired.

	Consolidated	
Financial assets	2015 $'000	2014 $'000
Cash and cash equivalents	50,511	43,970
Trade and other receivables	22,174	18,492
Related party receivables	3,076	2,311
Mortgages – related entities	128	257
Mortgages – other	22	27
Other receivables	72	407
	75,983	65,464

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

(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".

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 2015 with comparatives based on conditions existing at 30 June 2014.

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

	Consolidated	
Financial assets	2015 $'000	2014 $'000
Due not later than six months	321,136	334,928
Six months to not later than one year	75	36
Later than one year and not later than five years	215	664
Later than five years	–	–
	321,426	335,628
Financial liabilities		
Due not later than 12 months	(261,004)	(275,102)
Later than one year and not later than five years	(76,721)	(54,577)
Later than five years	–	–
	(337,725)	(329,679)

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.

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.

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair Values of recognised assets and liabilities.

Set out below is a comparison by category of the carrying value and the fair value of all the Group's financial instruments.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Company's assets and liabilities measured at fair value are categorised as Level 2 under the three level hierarchy, reflecting the availability of observable market inputs when estimating the fair value.

	Carrying value		Fair value	
Financial assets	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash and cash equivalents	156,009	152,157	156,009	152,157
Trade and other receivables	162,119	180,469	162,119	180,469
Related party receivables	3,076	2,311	3,076	2,311
Mortgages – related entities	128	257	128	257
Mortgages – other	22	27	22	27
Loan with associated entities	72	407	72	407
Total financial assets	321,426	335,628	321,426	335,628
Financial liabilities				
Loans and other borrowings	(66,065)	(53,875)	(66,130)	(53,920)
Trade and other payables and accruals	(271,660)	(275,804)	(271,660)	(275,804)
Total financial liabilities	(337,725)	(329,679)	(337,790)	(329,724)

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.

Management has assessed that cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, individual creditworthiness of the customer. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 30 June 2015, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Fair values of the Group's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

(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	
Financial assets	2015 $'000	2014 $'000
Cash and cash equivalents (including trust account balance)	156,009	152,157
Mortgages – related entities	128	257
Mortgages – other	22	27
Total financial assets	156,159	152,441
Financial liabilities		
Loans and other borrowings	(65,054)	(19,912)
Net exposure to interest rate movements	91,105	132,529

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

The Group's policy is to maintain a component of long term borrowings at fixed interest rates, determined six monthly or annually, which are carried at amortised cost and it is acknowledged that exposure to fluctuations in fair value is a by-product of the Group's policy. Of the total current and non current interest bearing loans and borrowings totalling $66.1 million (2014: $53.9 million), $1.1 million (2014: $33.9 million) have been fixed for periods greater than 12 months at approximately 6.1%. 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 2014 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.	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Consolidated				
+0.5% (50 Basis points) (2014 +1.0% (100 Basis points))	319	928	–	–
-0.50% (50 Basis points) (2014 -0.50% (50 Basis points))	(319)	(464)	–	–

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.

29. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market risk (continued)

Equity securities 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 material 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. Other than shown below, there were no impaired investments at balance date. At 30 June 2015, an impairment charge totalling $5,604,000 (2014: $253,915) relating to the carrying value of controlled entities and associates was recognised and was shown as an expense in the income statement. The impairment charge was offset against a reduction in contingent consideration payments in respect of controlled entities and associates totalling $4,456,000 (2014: $253,915) that was in excess of the expected settlement amounts and were credited to the income statement.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign currency rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expenses is denominated in a foreign currency) and the Group's investment in foreign subsidiaries.

The Group does not hedge its exposure in foreign currencies.

The majority of the foreign exchange rate exposure relates to New Zealand operations, although some controlled entities raise client invoices in foreign currency denominations.

At year end, had foreign exchange 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.	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Consolidated				
+$0.10 (ten cents) (2014 Not applicable)	320	–	–	–
-$0.10 (ten cents) (2014 Not applicable)	(320)	–	–	–

(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. 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 2015, the Group's strategy was to maintain a gearing ratio of not greater than 30% which was unchanged from 2014.

	Consolidated	
The gearing ratios at 30 June were as follows;	2015 $'000	2014 $'000
Debt to equity ratio		
Interest bearing loans and borrowings (see note 21)	66,065	53,875
Total equity	311,326	269,579
Total equity and borrowings	377,391	323,454
Debt/Equity plus Borrowings Ratio	17.5%	16.7%

(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
YEAR ENDED 30 JUNE 2015

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 2015 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 ended 30 June 2015.

On behalf of the Board

R. A. Longes
Chairman

Sydney, 27 August 2015

M. P. L. Searles
Managing Director and
Chief Executive Officer

Sydney, 27 August 2015

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTBROKERS HOLDINGS LIMITED

Report on the financial report

We have audited the accompanying financial report of Austbrokers Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2015, 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 2015 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 32 to 43 of the directors' report for the year ended 30 June 2015. 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 2015, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Ernst & Young

David Jewell

David Jewell
Partner

Sydney
27 August 2015

ASX ADDITIONAL INFORMATION
YEAR ENDED 30 JUNE 2015

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 10th September 2015.

(a) Distribution of equity securities

Ordinary share capital

- 62,256,689 fully paid ordinary shares are held by 2,085 individual shareholders.

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

73,813 ordinary shares issued on exercise of options under the Senior Executive Option Plan are held in escrow in accordance with the Plan.

Options

- 361,370 options are held by 12 individual option holders.

Options do not carry a right to vote.

The number of shareholders, by size of holding, in each class are:

	Fully paid ordinary shares	Options
1 – 1000	848	-
1,001 – 5,000	852	-
5,001 – 10,000	215	4
10,001 – 100,000	149	7
100,001 and over	21	1
	2,085	12
Holding less than a marketable parcel	99	-

(b) Substantial shareholders

Ordinary shareholders	Fully paid Number	Fully paid Percentage
QBE Insurance Group Limited (20/12/11)	7,469,201	13.45
Challenger Limited (29/07/15)	7,356,711	11.86
National Australia Bank Limited (4/08/15)	3,416,207	5.49
MFS Investment Management (26/11/14)	3,175,279	5.14
AustralianSuper Pty Ltd (23/01/15)	3,106,635	5.03
Allianz Australia Insurance Limited (27/08/07)	2,557,000	5.01
Bennelong Funds Management Group Pty Ltd (11/12/14)	3,092,168	5.01

(c) Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid Number	Fully paid Percentage
J P Morgan Nominees Australia Limited	15,406,618	24.75
Citicorp Nominees Pty Limited	12,997,149	20.84
National Nominees Limited	10,107,731	16.24
HSBC Custody Nominees (Australia) Ltd	9,244,726	14.85
Milton Corporation Limited	1,044,795	1.68
BNP Paribas Noms Pty Ltd <DRP>	1,010,855	1.62
Masfen Securities Limited	713,601	1.15
HSBC Custody Nominees(Australia) Limited	598,147	0.96
UBS Wealth Management Australia Nominees Pty Ltd	544,848	0.88
Mirrabooka Investments Limited	451,533	0.73
BC Investor Services Australia Nominees	327,830	0.53
Mrs Gaeleen Enid Rouvray	297,723	0.46
BNP Paribas Noms (NZ) Ltd	211,200	0.34
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	210,408	0.34
The Trust Company Superannuation Limited	196,500	0.32
Markey Investments Pty Ltd <TA Markey & Co Staff RF A/C>	191,984	0.31
Bond Street Custodians Limited <Ganes Value Growth A/C>	171,021	0.27
SIB Holdings Pty Ltd <SIB UNIT A/C>	127,441	0.20
Gemnet Pty Ltd <Richard Longes Super Fund>	117,540	0.20
SIB Coporation Pty Ltd	104,839	0.17

ANNUAL GENERAL MEETING

The Annual General Meeting of Austbrokers Holdings Limited will be held at the Intercontinental Hotel, 117 Macquarie Street, Sydney, NSW 2000 on Thursday 26th of November 2015 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 pages 27–44.

Directors

R. A. Longes (Chairman)
M. P. L. Searles (Chief Executive Officer)
R. J. Carless
D. C. Clarke
R. J. Low

Company Secretary

S. S. Rouvray

Registered Office and Principal Place of Business

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111 Pacific Highway
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Share Register

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(Outside Australia + 61 2 8280 7100)

Austbrokers Holdings Limited shares are listed on the Australian Securities Exchange (ASX)

Auditors

Ernst & Young
680 George Street
Sydney, NSW 2000

austbrokers