



27th August 2012

The Manager
Company Announcements
ASX Limited
Level 6
Exchange Centre
20 Bridge Street
Sydney, NSW 2000

Dear Sir / Madam,

Re: Report on results and financial statements for the year ended 30 June 2012

The Directors of Austbrokers Holdings Limited (AUB) announce the financial results for the year ended 30 June 2012.

The following documents are attached:

1. Appendix 4E – Preliminary Final Report
2. Attachment A to Appendix 4E - Financial Statements for the year ended 30 June 2012.

Yours faithfully,

Stephen Rouvray
Company Secretary

ASX DISCLOSURE – APPENDIX 4E
Preliminary Final Report – 30 June 2012

Under Listing Rule 4.3.A of the Australian Stock Exchange Limited ('the ASX'), the following information must be given to the ASX.

1. Report

Current reporting period – twelve months ended 30 June 2012

Previous corresponding period – twelve months ended 30 June 2011.

2. Results for announcement to the market

		\$'000
2.1 Revenue from ordinary activities	up 9.7 % to	125,622
2.2 Profit (loss) from ordinary activities after tax attributable to members	up 20.0 % to	25,640
2.3 Net profit (loss) attributable to members	up 20.0 % to	25,640

2.4 Dividends

	Amount Per Security	Franking at 30% tax rate	Franked Amount Per Security
Final dividend proposed	21.5 cents	100%	21.5 cents
Interim dividend paid	9.5 cents	100%	9.5 cents

2.5 Record date for determining entitlement to the final dividend 5 October 2012.

2.6 A brief explanation of any of the figures in 2.1 to 2.6 necessary to enable the figures to be understood is contained in Attachment A – Financial Statements.

3. Statement of Financial Performance

The Statement of Financial Performance is contained in Attachment A – Financial Statements

4. Statement of Financial Position

The Statement of Financial Position is contained in Attachment A – Financial Statements.

5. Statement of Cash Flows

The Statement of Cash Flows is contained in Attachment A – Financial Statements.

6. Dividends

The fully franked interim dividend on ordinary shares for 2012 of 9.5 cents per share was paid to shareholders on 27 April 2012. This dividend totaled \$5,276,831.

On 27 August 2012, the Directors declared a fully franked final dividend of 21.5 cents per share. This dividend is payable on 24 October 2012. Based on issued shares of 55,999,095 shares, this dividend will total \$12,039,805.

7. Dividend Reinvestment Plan

The proposed dividend of 21.5 cents per share will be eligible for reinvestment under the Company's Dividend Reinvestment Plan (DRP). The DRP will be open to future dividends until further notice.

For shareholders to be eligible for the DRP in relation to the final dividend for the year ended 30 June 2012 elections will need to be received by the share registry by 5pm on 4 October 2012.

If a shareholder has previously submitted an election to participate in the DRP, those instructions will apply to the forthcoming final dividend and all future dividends. If a shareholder wishes to vary its participation status, a notice of variation must be received by the share registry by 5pm on 4 October 2012 in order to be effective for the forthcoming final dividend.

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

For the forthcoming final dividend for the year to 30 June 2012, ordinary shares will be issued at a 2.5% discount to the relevant "price". Austbrokers may determine a different discount for subsequent dividends.

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

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

8. Movements in Retained Earnings

An analysis of the movements through Retained Earnings is shown in Attachment A - Financial Statements.

9. Net tangible assets per security

30 June 2012	\$1.59
30 June 2011	\$1.45

10. Entities over which control has been gained or lost during the period

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

Acquisitions	Date	Contribution to Profit	
		2012	2011
		\$	\$
Austbrokers Gladstone Pty Ltd	November 2011	(19,758)	Nil
Austbrokers Financial Services (Gladstone) Pty Ltd	November 2011	Nil	Nil
Longitude Insurance Pty Ltd	July 2011	Nil	Nil
Film Insurance Underwriting Agency Pty Ltd	January 2012	277,723	Nil

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

Traders Voice Services Pty Ltd (deregistered)	May 2012	Nil	Nil
---	----------	-----	-----

11. Associates and joint venture entities

Details of associates and joint venture entities are shown in Attachment A – Financial Statements.

12. Any other significant information

Any other significant information needed to make an informed assessment of the financial performance and financial position is included in Attachment A – Financial Statements.

13. Accounting Standards applied to foreign entities

Not applicable.

14. Commentary on the results for the period

A commentary on the results for the period is included in the Full Year Report – 30 June 2012 attached as Attachment A.

15. Audit status

The Preliminary Final Report is based on Financial Statements which have been audited.

Austbrokers Holdings Ltd

ABN 60 000 000 715

Appendix 4E Attachment A

Financial Statements

30 June 2012

AUSTBROKERS HOLDINGS LIMITED

A.B.N. 60 000 000 715

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2012**



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

	PAGE
DIRECTORS' REPORT	1-15
AUDITOR'S INDEPENDENCE DECLARATION	16
CORPORATE GOVERNANCE STATEMENT	17-23
INCOME STATEMENT	24
STATEMENT OF COMPREHENSIVE INCOME	25
STATEMENT OF FINANCIAL POSITION	26
STATEMENT OF CASH FLOWS	27
STATEMENT OF CHANGES IN EQUITY	28-29
NOTES TO THE FINANCIAL STATEMENTS	30-70
Note 1 Corporate information	30
Note 2.1 Changes in accounting policies and disclosures	30
Note 2.2 Summary of significant accounting policies	30-37
Note 3 New accounting standards and interpretations	38
Note 4 Revenue and expenses	39
Note 5 Income tax	40-41
Note 6 Earnings per share	41
Note 7 Cash and cash equivalents	42-46
Note 8 Dividends paid and proposed	47
Note 9 Trade and other receivables (current)	48
Note 10 Other financial assets (current)	48
Note 11 Trade and other receivables (non-current)	48
Note 12 Other financial assets (non-current)	48
Note 13 Investment in associates	49-50
Note 14 Shares in controlled entities	50-51
Note 15 Property, Plant and equipment	52
Note 16 Intangible assets and goodwill	53
Note 17 Impairment testing of intangible assets and goodwill	54
Note 18 Share-based payment plans	54-55
Note 19 Trade and other payables	56
Note 20 Provisions	56
Note 21 Interest bearing loans and borrowings	57-58
Note 22 Issued capital and reserves	59-60
Note 23 Commitments and contingencies	60-61
Note 24 Operating segments	61
Note 25 Auditors' remuneration	61
Note 26 Subsequent events	61
Note 27 Related party disclosures	62-65
Note 28 Parent entity information	66
Note 29 Financial instruments	67-70
 DIRECTORS' DECLARATION	 71
INDEPENDENT AUDIT REPORT	71-72
CORPORATE INFORMATION	73

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
DIRECTORS' REPORT

Directors' Report

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

DIRECTORS

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

Names, qualifications, experience and special responsibilities

R.A. Longes BA, LLB, MBA (Non-executive Chairman) Age 67

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

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

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

- Boral Limited
- Metcash Limited

He is also a Director of Pain Management Research Institute and National Indigenous Centre for Excellence Limited.

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

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

R. J. Carless BEc, MAICD Age 57

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

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

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

P.R. Shirriff BA, FCPA, FCIS, ANZIIF (Sen) CIP Age 66

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

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
DIRECTORS' REPORT

Names, qualifications, experience and special responsibilities continued

COMPANY SECRETARY

S.S. Rouvray BEc, CA, FCIS

S.S. Rouvray has been the Company Secretary of Austbrokers Holdings Limited for 26 years. He has also been Chief Financial Officer and Manager of Investor Relations since 2005. A Chartered Accountant for over 35 years, he was previously Company Secretary of ING Australia Holdings Limited and a number of ING Group companies 1985 – 2005 and General Manager of ING Australia Holdings Limited 2002 – 2005.

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

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

	Number of Ordinary Shares	Number of Options over Ordinary Shares
R.A. Longes	109,168	-
W.L. McKeough	86,260	470,100
R. J. Carless	12,516	-
D.J. Harricks	27,000	-
P.R. Shirriff	100,000	-
DIVIDENDS	Cents	\$000
Final dividend recommended:		
▪ on ordinary shares	21.5	<u>12,040</u>
Dividends paid in the year:		
▪ on ordinary shares - interim	9.5	5,277
▪ on ordinary shares - final	17.0	<u>9,421</u>
		<u>14,698</u>

PRINCIPAL ACTIVITIES

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

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

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

OPERATING AND FINANCIAL REVIEW

Group overview

The Group invests in insurance brokers and underwriting agencies. Equity is held in 42 insurance broking operations with a 50% holding in 21, a 100% holding in 4 and a 51% to 85% holding in 17. The Company's preferred "owner driver" model is for substantial equity to be held by the management of the business.

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

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

The Austbrokers Group and its associates employ over 1,600 people and operate in over 110 locations in Australia.

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
DIRECTORS' REPORT

Performance indicators

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

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

Dynamics of the business

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

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

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

Operating results for the year

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

	2012 \$'000	2011 \$'000	Increase
Adjusted NPAT attributable to equity holders of the parent	27,395	23,813	15%
Adjustment to contingent consideration on acquisition of controlled entity (no income tax applicable*)	192	-	
Net Profit after tax on sale or reduction of interests in associates and controlled entities*	-	105	
Income tax credit arising from recognition of deferred tax asset on prior years share based payment expense*	631	-	
Net Profit after tax before amortisation of intangibles	28,218	23,918	18%
Less Amortisation of intangibles (net of tax credit)*	(2,578)	(2,553)	
Net profit attributable to equity holders of the parent as reported in the Income Statement	25,640	21,365	20%

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

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
DIRECTORS' REPORT

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

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

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

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

Total commission and fee income increased by 13.9% and total income by 12.5% over the prior year (9.8% excluding direct acquisitions). Premium funding income was up 16.3% but profit shares were 49% below last year. Expenses in the broker network increased by 13.1% (10.4% excluding direct acquisitions). This reflects some increase as a result of acquisitions within the network, direct expenses related to income growth as well as some inflationary increase in costs.

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

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

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

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

Shareholder returns

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

Year to 30 June	Basic earnings per share - cents	Increase %	Dividend per share	Increase %
2012	46.3	16.9	31.0	21.6
2011	39.6	12.2	25.5	13.3
2010	35.3	11.4	22.5	9.8
2009	31.7	11.0	20.5	13.9
2008	28.6	13.9	18.0	20.0
2007	25.1	25.5	15.0	15.4
2006	20.0*	N/A	13.0	N/A

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

The company's total shareholder return (comprising share price growth and dividends paid) reflects the positive impact the results and outlook have had on the share price with a return of 13.5% for 2012 and 31.2% for the 3 years and 16.8% for the 5 years to 30 June 2012 on an annualized basis. These returns are well above the returns for the ASX All Ordinaries and ASX 200 indices.

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
DIRECTORS' REPORT

Review of financial condition

The Group continues to generate positive cash flow from operations with an increase in cash excluding insurance trust account funds from \$37,326,000 to \$40,743,000. Borrowings remain stable at \$34,514,000 with \$11,000,000 still available to be drawn down. The facility term runs to August 2013. Gearing which is 17% at year end, remains below the acceptable limit of 30% set by the Directors. The Group's policy is to maintain sufficient cash and facilities to be able to respond to acquisition opportunities as they arise.

Risk Management

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

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

Total equity increased to \$172,290,000 from \$153,316,000. The main reason for the increase was the profit for the year and the increase in issued capital with dividends paid being reinvested as a result of the company's dividend reinvestment plan and the issue of shares as a result of the exercise of employee share options.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Austbrokers will continue its strategies to grow its broker network through acquisitions and growth initiatives in its existing insurance broking businesses and particularly working with them to develop their businesses through further bolt on acquisitions. In addition, the Group will continue to develop its underwriting business expanding the products underwritten and extending the owner driver model to these activities. Interest earnings will be reduced in the 2013 financial year as a result of the reductions in cash deposit rates which have occurred following the Reserve Bank reducing the cash rate.

In general, the short term outlook for the economy is a little uncertain which, if it seriously impacts small and medium enterprises, may make trading conditions more difficult. It does appear that acquisition opportunities will continue to arise although competition may be increased with other entities entering the market.

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

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
DIRECTORS' REPORT

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

SHARE OPTIONS

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

Unissued shares

As at the date of this report, there were 1,118,673 unissued ordinary shares under options. Refer to note 18 of the financial statements for further details of the options outstanding.

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

Options

The first tranche of options vested fully on 5 October 2008 and were required to be exercised no later than 5 October 2012. The exercise price of each option was \$2.00. During the year the remaining 420,850 options were exercised leaving none unexercised at reporting date.

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

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

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

The earliest vesting date for the fifth tranche of 89,104 options is 3 November 2012. Options totaling 10,287 lapsed during the year due to the resignation of an employee leaving 78,817 outstanding at reporting date. If options are exercised within two years of the date the options vest the shares cannot be disposed of before the expiry of the two year period from the date the options vested, except if employment is terminated. All options must be exercised no later than 3 November 2016. The exercise price for each option was zero for all of the options.

The earliest vesting date for the sixth tranche of 78,208 options is 5 October 2013. Options totaling 10,437 lapsed during the year due to the resignation of an employee leaving 67,771 outstanding at reporting date. If options are exercised within two years of the date the options vest the shares cannot be disposed of before the expiry of the two year period from the date the options vested, except if employment is terminated. All options must be exercised no later than 5 October 2017. The exercise price for each option was zero for all of the options.

The earliest vesting date for the seventh tranche of 56,591 options is 31 October 2014. If options are exercised within two years of the date the options vest the shares cannot be disposed of before the expiry of the two year period from the date the options vested, except if employment is terminated. All options must be exercised no later than 5 October 2018. The exercise price for each option was zero for all of the options.

Shares issued as a result of the exercise of options

During the financial year, employees exercised options to acquire 420,850 fully paid shares in Austbrokers Holdings Limited at \$2.00 each, 318,150 at \$3.47, 90,750 at \$4.20, 16,524 at \$4.22 and 40,556 for no consideration. Consequently 886,830 ordinary shares were issued during the financial year.

AUSBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
DIRECTORS' REPORT

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

REMUNERATION REPORT

This remuneration report ending on page 14, which has been subject to audit, outlines the remuneration arrangements in place for Directors and Executives of Austbrokers Holdings Limited (the company).

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

Remuneration philosophy

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

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

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

Remuneration and Succession Planning Committee

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

Remuneration structure

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

Non-executive Director remuneration

Objective

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

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-executive Directors shall be determined from time to time by a general meeting. The latest determination was approval by shareholders at the 2009 Annual General Meeting to increase the aggregate remuneration to \$500,000 per year.

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

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
DIRECTORS' REPORT

REMUNERATION REPORT (continued)

an external remuneration consultant to ensure that fees were in line with the current market. As a result of their recommendations, fees were increased from 1 April 2011 and remain unchanged since.

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

Each director receives an annual fee of \$80,000 with the Chairman of the Audit and Risk Management Committee receiving an additional \$7,500. The Chairman of the Board receives an annual fee of \$150,000.

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

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

Senior Manager and Executive Director Remuneration

Objective

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

- reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interest of executives with those of shareholders;
- link rewards with the strategic goals and performance of the company; 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 11.

Remuneration consists of the following key elements:

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

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

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

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

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
DIRECTORS' REPORT

REMUNERATION REPORT (continued)

Fixed Remuneration

Objective

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of company wide, business unit and individual performance, relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. As noted above, the Committee has access to external advice independent to management which was obtained as part of the 2012 review.

Structure

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

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

Variable Remuneration – Short Term Incentive (STI)

Objective

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

Structure

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

On an annual basis, a rating is determined for each executive based on an evaluation of each executive's performance against predetermined objectives. This rating is then applied to an allocated STI opportunity determined as a percentage of fixed remuneration. This amount is then scaled up or down to reflect the Group's performance against its financial target of 10% growth in Adjusted NPAT (net of all STI costs) over the prior year to a maximum of 2 times if 20% achieved. As a result, the level of incentive reflects the performance of the company and the executive, therefore ensuring it is aligned with shareholders' interests. An incentive pool is set aside annually based on company performance and amounts are allocated to individual executives as set out above. This process usually occurs within 3 months of reporting date.

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

For the 2011 financial year, 97% of the STI cash bonus provided in the financial statements was paid in the 2012 financial year. The Remuneration Committee will consider the STI payments for the 2012 financial year in September 2012. The maximum amount available for the 2012 financial year is \$1,665,000. This amount has been provided for in the 2012 financial year based on the growth in the net profit after tax for the year over the prior year and assumes that executives will substantially achieve their individual performance objectives. The minimum amount of cash bonus is zero assuming no individual performance objectives are met.

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

REMUNERATION REPORT (continued)

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

Objective

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

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

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

Structure

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

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

Relationship of rewards to performance

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

Option exercise conditions

Exercise conditions:

- (a) subject to satisfaction of the performance based conditions referred to in paragraphs (b) and (c) below, the Options will vest 3 years after the date of grant;
- (b) if the First Test Compound Earnings Per Share Growth (Compound Growth) is:
 - (i) greater than or equal to 8.5% per annum, 20% of the Options will become exercisable;

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

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
DIRECTORS' REPORT

REMUNERATION REPORT (continued)

- (d) have become exercisable if paragraph (b) applied on the basis of the Second Test Compound Growth (rather than the First Test Compound Growth);
- (e) any Options which have not become exercisable by the Second Test Date lapse and are of no further force or effect.
- (f) options granted in the 2010 and 2011 financial years have further restrictions on their disposal or the disposal of any shares acquired on their exercise for a further two years from vesting of these options.

MTI cash payment

The conditions for the MTI to vest are identical to those for the LTI exercise conditions except that the period for testing the earnings per share growth is two years only. The amount anticipated to be paid for the period to 30 June 2012 is \$190,000, which has been provided for in the 2012 financial year.

Company performance and the link to remuneration

Long term and medium term incentives are based on compound average annual growth in earnings per share. The table below sets out the basic earnings per share over the last 7 years and the increases achieved.

Year to 30 June	Basic earnings per share - cents	Increase %
2012	46.3	16.9
2011	39.6	12.2
2010	35.3	11.4
2009	31.7	11.0
2008	28.6	13.9
2007	25.1	25.5
2006	20.0*	N/A

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

Compound average growth rate in earnings per share over the 5 years to 30 June 2012 was 13%.

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

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

Employment contracts

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

- From 1 July 2012, Mr. McKeough received fixed remuneration of \$550,000 per annum. Since 16 November 2005 Mr. McKeough has also had the right to claim a \$50,000 per annum living away from home allowance in certain circumstances.
- Mr. McKeough may resign from his position and thus terminate this contract by giving 6 months written notice. On resignation any options will be forfeited.
- The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the CEO is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
DIRECTORS' REPORT

REMUNERATION REPORT continued

Remuneration of Directors and named Executives

Table 1: Compensation of Directors and other Key Management Personnel for the year-ended 30 June 2012 (Consolidated)

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

Notes

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

** G Lambert ceased employment on 23 December 2011.

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
DIRECTORS' REPORT

REMUNERATION REPORT continued

Remuneration of Directors and named Executives

Table 2: Compensation of Directors and other Key Management Personnel for the year-ended 30 June 2011 (Consolidated)

30 June 2011	Short-term			Post employment	Share-based Payment	Total	Total performance related
	Salary & fees	Cash short term incentive *	Non monetary benefits	Superannuation	Equity options		
	\$	\$	\$	\$	\$	\$	
Directors							
R.A. Longes Chairman	124,266	-	-	11,184	-	135,450	-
W.L. McKeough * Chief Executive	396,253	497,155	55,320	48,942	-	997,670	49.83%
L.F. Earl Non-executive Director	-	-	-	-	-	-	-
R.J. Carless Non-executive Director	48,303	-	-	4,347	-	52,650	-
D.J. Harricks Non-executive Director	20,850	-	-	50,000	-	70,850	-
P.R. Shmiff Non-executive Director	63,280	-	-	5,695	-	68,975	-
Executives							
S.S. Rouvray Chief Financial Officer / Company Secretary	222,976	134,144	45,067	50,000	76,290	528,477	39.82%
G. Lambert General Manager - Operations and Strategic Developments	251,159	113,908	11,716	50,000	52,811	479,594	34.76%
F. Gualtieri National Manager - Group Services and Support	175,978	89,293	26,237	44,559	41,598	377,665	34.66%
J. Howells General Manager - Austbrokers Sydney	207,566	102,191	26,172	50,000	-	385,929	26.48%
G.J. Arms General Manager - Equity Operations	155,626	121,433	52,415	48,394	44,644	422,512	39.31%
	<u>1,666,257</u>	<u>1,058,124</u>	<u>216,927</u>	<u>363,121</u>	<u>215,343</u>	<u>3,519,772</u>	

Notes

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
DIRECTORS' REPORT

REMUNERATION REPORT continued

Remuneration of Directors and named Executives continued

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

30 June 2012	No. Granted	Grant date	Fair value per option at grant date (\$) (Note 18)	Exercise price per option (\$) (Note 18)	Expiry date	First exercise date	Last exercise date
Executives							
S.S. Rouvray	12,582	31-Oct-11	6.28	-	31-Oct-18	31-Oct-14	31-Oct-18
G. Lambert	-	31-Oct-11	6.28	-	31-Oct-18	31-Oct-14	31-Oct-18
F. Gualtieri	6,843	31-Oct-11	6.28	-	31-Oct-18	31-Oct-14	31-Oct-18
J. Howells	-	31-Oct-11	-	-			
F Pasquini	6,753	31-Oct-11	6.28		31-Oct-18	31-Oct-14	31-Oct-18
G.J. Arms	7,327	31-Oct-11	6.28	-	31-Oct-18	31-Oct-14	31-Oct-18
Total	33,505						

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

30 June 2011

Executives							
S.S. Rouvray	15,077	15-Oct-10	5.06	-	15-Oct-17	15-Oct-13	15-Oct-17
G. Lambert	10,437	15-Oct-10	5.06	-	15-Oct-17	15-Oct-13	15-Oct-17
F. Gualtieri	8,221	15-Oct-10	5.06	-	15-Oct-17	15-Oct-13	15-Oct-17
J. Howells	-		-	-			
G.J. Arms	8,823	15-Oct-10	5.06	-	15-Oct-17	15-Oct-13	15-Oct-17
Total	42,558						

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

30 June 2012	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 on exercise of options		
					Shares issued No.	Paid per share \$	Unpaid per share \$
Director							
W.L. McKeough	-	254,120	-	0.00%	540,000	2.55	-
Executives							
S.S. Rouvray	79,015	56,856	20,556	12.81%	13,473	0.00	-
G. Lambert	-	96,530	115,837	-	86,949	3.59	-
F. Gualtieri	42,974	-	11,064	9.91%	-	-	-
J. Howells	-	-	12,673	0.00%	-	-	-
F Pasquini	42,409	-	10,453	20.88%	-	-	-
G.J. Arms	46,014	97,477	11,818	9.41%	120,356	2.99	-
Total	210,412	504,983	182,400		760,778		

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

30 June 2011

Director							
W.L. McKeough	-	-	-	0.00%	-	-	-
Executives							
S.S. Rouvray	76,290	-	-	14.44%	-	-	-
G. Lambert	52,811	-	-	11.01%	-	-	-
F. Gualtieri	41,598	-	-	11.01%	-	-	-
J. Howells	-	-	-	0.00%	-	-	-
G.J. Arms	44,644	-	-	10.57%	-	-	-
Total	215,343	-	-		-		

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

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
DIRECTORS' REPORT

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	Audit & Risk Management	Meetings of Committees Nomination	Remuneration & Succession Planning
No. of meetings held:	6	6	1	3
No. of meetings attended:				
R.A. Longes	6	6	1	3
W.L. McKeough	6	N/A	N/A	N/A
R J Carless	6	6	1	3
D.J. Harricks	6	6	1	3
P.R. Shirriff	6	6	1	3

Mr McKeough was not a member of any Committee. All other Directors were eligible to attend all meetings held.

Committee membership

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

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

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors received an independence declaration from the auditors of Austbrokers Holdings Limited. Refer to page 16 of the directors' report.

Non-audit services were provided in relation to taxation matters to the Austbrokers Group by the entity's auditor, Ernst & Young in the financial year ended 30 June 2012. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each of the non-audit services provided means that auditor independence was not compromised. The amounts received or due to be received are detailed in Note 24 of the Financial Report.

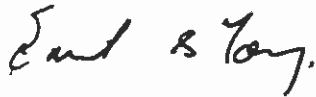
Signed in accordance with a resolution of the Directors.



W L McKeough, Director
 Sydney, 27 August 2012

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

In relation to our audit of the financial report of Austbrokers Holdings Limited for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Paul Harris'.

Paul Harris
Partner
Sydney
27 August 2012

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
CORPORATE GOVERNANCE STATEMENT

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
Principle 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Remunerate fairly and responsibly

Austbrokers Holdings Limited's corporate governance practices were in place throughout the year ended 30 June 2012 and were fully compliant with the Council's best practice recommendations.

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

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

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

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

www.austbrokers.com.au

Board functions

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

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

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

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

To this end the Board has established an Audit and Risk Management Committee, a Nomination Committee and a Remuneration and Succession Planning Committee. The roles of these committees are discussed throughout

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
CORPORATE GOVERNANCE STATEMENT

Board Functions (continued)

this corporate governance statement. Due to the relatively small Board all Board members are members of all committees.

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

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

Other functions reserved to the Board are:

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

Structure of the Board

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

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

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

Name	Position
R.A. Longes	Chairman, Non-executive Director
R. J. Carless	Non-executive Director
D.J. Harricks	Non-executive Director
P. R. Shirriff	Non-executive Director

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

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

Name	Term in Office
R.A. Longes	7 years
W.L. McKeough	21 years
R. J. Carless	2 years
D.J. Harricks	7 years
P.R. Shirriff	27 years

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
CORPORATE GOVERNANCE STATEMENT

Structure of the Board (continued)

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

Performance

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

Securities Trading Policy

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

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

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

Nomination Committee

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

R.A. Longes (Committee Chairman)
R. J. Carless
D. J. Harricks
P.R. Shirriff

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

Audit and Risk Management Committee

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

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

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
CORPORATE GOVERNANCE STATEMENT

Audit and Risk Management Committee (continued)

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

D.J. Harricks (Committee Chairman)
R. J. Carless
R.A. Longes
P.R. Shirriff

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

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

Risk

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

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

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

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

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

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

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

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

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
CORPORATE GOVERNANCE STATEMENT

Risk (continued)

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

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

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

Remuneration and Succession Planning Committee

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

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

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

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

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

R.A. Longes (Committee Chairman)
R. J. Carless
D. J. Harricks
P.R. Shirriff

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

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
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.

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; 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.

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
CORPORATE GOVERNANCE STATEMENT

Diversity Policy (continued)

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

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

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

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

Objectives have been set as follows:

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

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1. CORPORATE INFORMATION

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

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

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

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

Additional disclosure in relation to establishment of employee share trust:

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the financial report

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except where otherwise stated.

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

(b) Statement of compliance

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

(c) Basis of consolidation

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

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

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

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

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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

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

Share-based payment transactions

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

Net assets acquired in a business combination

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

Estimation of useful lives of assets

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

(f) Revenue recognition

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

Commission, brokerage and fees

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

Interest

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

Dividends and Distributions from trusts

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Cash and cash equivalents

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

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

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

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

(h) Leases

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

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

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

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

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

(i) Trade and other receivables

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

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

(j) Investment in associates

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

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

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

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

(k) Interest-bearing loans and borrowings

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

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

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(l) Trade and other payables

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

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Business combinations

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

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

In the year a new business is acquired, an estimate is made of the fair value of the future contingent consideration. Any variation to this amount in future periods (either up or down) is recognised through the Income Statement. Over accruals are recognized as income in the year the amount is reversed and any under accruals are charged as an expense against profits.

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

(i) Goodwill

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

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

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

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

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

(ii) Intangible assets - Insurance Broking Register

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

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

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

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.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Investments and other financial assets

Loans and Receivables

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

(o) Derecognition of financial assets and financial liabilities

(i) Financial assets

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

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

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

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

(ii) Financial liabilities

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

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

(p) Impairment of financial assets

(i) Financial assets carried at amortised cost

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

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

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

(ii) Financial assets carried at cost

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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).

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

(r) Provisions and employee benefits

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

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

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

Employee benefits

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

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

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

(s) Issued capital

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

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

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Share-based payment transactions

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

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

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

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

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

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

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

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

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

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

(u) Plant and equipment

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

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

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

Impairment

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

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

Derecognition and disposal

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

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

(v) Make good provision

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

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Income tax

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

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

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

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

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

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

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

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

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

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

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

(x) Other taxes

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

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

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

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

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

(y) Operating Segments

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

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

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain Australian and International Accounting Standards and interpretations have recently been issued or amended but are not yet effective and have not been adopted by the group for the year end reporting period 30 June 2012. The directors have assessed the impact of these new or amended standards and interpretations (to the extent relevant to the group) as follows:

Reference	Title	Summary	Application date of standard	Impact on financial report	Application date for Group
AASB 2011-9	Presentation of Other Comprehensive Income (AASB 101)	This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be subsequently reclassified to the Income Statement and those items that will most likely remain in the statement of Comprehensive Income.	1 July 2012	No expected change to financial statements as there have been no items classified as "Other Comprehensive Income" in the current year or previous year and it is not expected that there will be any items in the following year.	1 July 2012
AASB 119	Employee benefits	This revised standard changes the definition of short-term employee benefits. The distinction between short-term and long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.	1 January 2013	It is not expected that the change in definition of employee benefits will have any material change in the classification of employee provisions between current and non current liabilities.	1 July 2013
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 dealing with the accounting for consolidated financial statements. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including the impact of potential voting rights and when holding less than a majority voting rights may give control.	1 Jan 2013	Management have assessed the effect of applying AASB 10 by carrying out a full analysis of voting power and influence over the operations of each associate. It is not expected that investments currently recognised as associates or joint ventures will need to be consolidated into the Group as subsidiaries. In the event that after further analysis during the next 12 months that an associate will be required to be consolidated, this would have no impact on the net profit after tax for the period in the statement of comprehensive income, but would change the amounts of individual assets and liabilities of the Group and increase the revenues and expenses reported.	1 July 2013
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and IJG-113 <i>Jointly Controlled Entities</i> . AASB 11 uses the principle of control as set out in AASB 10 to define joint control, and therefore the determination of whether joint control exists, may change.	1 Jan 2013	Whilst the Group has not accounted for any investments under AASB 11 it is not expected that investments currently recognised as associates will need to be consolidated into the Group as controlled entities. A full analysis of voting power and influence over the operations has been carried out over the last 12 months and it is not expected that there will be any change in the accounting for associates. In the event that after further analysis during the next 12 months that an associate will be required to be consolidated, this would have no impact on the net profit after tax for the period in the statement of comprehensive income, but would change the amounts of individual assets and liabilities of the Group and increase the revenues and expenses reported.	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates. New disclosures have been introduced about the judgements made by management to determine whether control exists, and the required information about associates and subsidiaries with non controlling interests.	1 Jan 2013	Management are in the process of assessing what additional disclosures, if any, are required to comply with AASB 12.	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. Application of this definition may result in different fair values being determined for relevant assets. AASB 13 also expands the disclosure requirements for all assets and liabilities carried at fair value.	1 Jan 2013	Management are in the process of assessing the impact on fair value measurement and additional disclosures required, if any, to comply with AASB 13.	1 July 2013

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	2012	2011
	\$'000	\$'000
5. INCOME TAX		
Major components of income tax expense		
Income statement		
<i>Current income tax</i>		
Current income tax charge	8,423	7,299
Adjustment for prior years	(585)	(164)
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	(141)	(26)
Total income tax expense in income statement	7,697	7,109
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the company's applicable income tax rate is as follows:		
Profit before income tax	37,368	32,128
At the company's statutory income tax rate of 30% (2011: 30%)	11,210	9,638
Rebateable dividends	-	-
Non assessable income from associated entities	(3,148)	(2,666)
Non-taxable gains/losses on sale	-	(64)
Capital Losses recouped	-	126
(Over)/ under provision prior year	46	(164)
Tax on distributions from associates operating as trusts	(61)	(64)
Adjustment to contingent consideration on acquisition of controlled entity	(58)	-
Income tax credit arising from recognition of deferred tax asset on prior years' share based payment expense	(631)	-
Share based payments	-	127
Non deductible expenses/other	339	176
Income tax expense reported in the consolidated income statement	7,697	7,109
Income tax payable	3,655	4,718
	Consolidated	
	Income statement	
	2012	2011
	\$'000	\$'000
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
<i>Deferred tax liability</i>		
Income accrued not assessable	(619)	263
Unamortised value of broker register	-	-
Tax credit on amortisation expense	(724)	(741)
Gross deferred income tax liabilities	4,971	4,671
<i>Deferred tax asset</i>		
Provisions and accruals not claimed for tax purposes	1,484	507
Borrowing costs not claimed	-	(3)
Gross deferred income tax assets	5,194	3,710
Deferred tax income/(expense)	141	26

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

5. INCOME TAX (continued)

Tax consolidation

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

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

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

Tax effect accounting by members of the tax consolidated group

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

6. EARNINGS PER SHARE (EPS)

(a) Earnings used in calculating EPS

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

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

(b) Changes in weighted average number of shares

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

(c) Information on the classification of securities

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

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

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

7. CASH AND CASH EQUIVALENTS

Consolidated
2012 2011
\$'000 \$'000

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

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

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

Non cash financing activity transactions include transactions resulting from the dividend reinvestment plan.

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

Business combinations

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

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

Management has estimated the fair value of future contingent consideration for acquisitions based on management's probability weighted best estimates of future outcomes for income or profit, on which the purchase price is determined, discounted to present value. Historical trends and any relevant external factors are taken into account in determining the likely outcome.

Equity transactions between owners during the current year

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

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

7. CASH AND CASH EQUIVALENTS (Continued)

Business combinations (continued)

b) Equity transactions between owners during the current year (continued)

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

	Carrying value \$'000
Cash	2,171
Receivables	3,394
Property plant and equipment	140
Intangibles	<u>1,516</u>
TOTAL ASSETS	7,221
Payables and provisions	5,078
Tax Liabilities	<u>170</u>
TOTAL LIABILITIES	5,248
NET ASSETS	<u>1,973</u>
Cost base of shares sold to non controlling interests	197
Sale proceeds	<u>498</u>
Profit on sale on disposal of 10% of voting shares	301
Less capital gains tax on sale of 10% of voting shares	<u>(115)</u>
Net transfer to reserves	<u>186</u>

Equity transactions between owners during the previous year

- c) - On 17 August 2010, the Consolidated entity acquired an additional 10% of the voting shares of Austbrokers Trade Credit Pty Ltd for \$164,000 increasing the total equity from 65% to 75%.
The value of the non-controlling interests was determined based on its 10% interest in the carrying value of the identifiable net assets as at the acquisition date.
- On 1 January 2011, the Consolidated entity acquired an additional 10% of the voting shares of Salisbury Payne Tinslay Pty Limited for \$409,300 increasing the total equity from 60% to 70%.
The value of the non-controlling interests was determined based on its 10% interest in the carrying value of the identifiable net assets as at the acquisition date.

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

	<i>Austbrokers Trade Credit Pty Ltd</i>	<i>Salisbury Payne Tinslay Pty Limited</i>	Total
	Carrying value \$'000	Carrying value \$'000	Carrying value \$'000
Cash	491	1,091	1,582
Receivables	42	1,478	1,520
Plant and Equipment	-	108	108
Intangibles	<u>210</u>	<u>390</u>	600
TOTAL ASSETS	743	3,067	3,810
Payables and provisions	285	2,821	3,106
Deferred Tax Liabilities	<u>63</u>	<u>-</u>	63
TOTAL LIABILITIES	<u>348</u>	<u>2,821</u>	<u>3,169</u>
NET ASSETS	<u>395</u>	<u>246</u>	<u>641</u>
Non controlling interest share - acquired	39	25	64
Non controlling interest share - adjustment	-	49	49
Purchase price - cash paid	<u>164</u>	<u>409</u>	<u>573</u>
Transfer to reserves (retained earnings)	<u>125</u>	<u>335</u>	460

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

7. CASH AND CASH EQUIVALENTS (Continued)

Business combinations (continued)

Acquisition of new controlled entities in the current year

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

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

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

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

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

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

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

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

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

7. CASH AND CASH EQUIVALENTS (Continued)

Business combinations (continued)

e) Acquisition of CTRL Pty Ltd (continued)

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

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

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

Acquisition of new controlled entities in the previous year

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

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

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

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

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

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

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

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

Acquisition of associates during current year

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

7. CASH AND CASH EQUIVALENTS (Continued)

Business combinations (continued)

Acquisition of associates during prior year

- j) On 1 April 2011, the consolidated entity acquired 50% of the voting shares in Northlake Holdings Pty Ltd trading as Country Wide Insurance Brokers for \$4,660,418. The purchase price includes an element of contingent consideration which is finally determined on a multiple of net profit after tax achieved in the financial year immediately following acquisition. The potential undiscounted amount of all future payments that could be required is between \$700,000 and \$2,500,000. The fair value of this contingent consideration had been estimated as \$1,660,416. During the current year the contingent consideration has been increased from \$1,660,416 to \$1,885,803. The difference of \$225,387 has been charged to the income statement during the current period. (see note 4(vi)).
- k) On 1 January 2011, the consolidated entity acquired 50% of the voting shares in Celestial Underwriting Agency Pty Ltd for \$1,029,733. The purchase price includes an element of contingent consideration which is finally determined on a multiple of the average net profit after tax achieved over the three financial years immediately following acquisition. The potential undiscounted amount of all future payments that could be required is between \$433,000 and \$600,000. The fair value of this contingent consideration had been estimated as \$529,427. There has been no change to this amount during the current year.

Acquisition and disposal of broking portfolios

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

	Consolidated Fair value recognised on acquisition	
	2012 \$'000	2011 \$'000
Intangibles	1,069	378
Deferred tax liabilities	(322)	(113)
Fair value of assets acquired	747	265
less:		
Purchase price - cash paid	3,627	1,785
contingent consideration	874	351
Goodwill on acquisition	3,754	1,871

The purchase price of broking portfolios includes an element of contingent consideration which is finally determined on a multiple of commission and fees achieved in the financial year immediately following acquisition. The potential undiscounted amount of all future payments that could be required is between \$778,000 and \$1,236,000. The fair value of this contingent consideration on these portfolio acquisitions has been estimated as \$874,000.

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

- m) The group disposed of broking portfolios as follows:

Book value of assets disposed	-	-
Intangibles net of amortisation	-	-
Goodwill	-	-
Book value assets disposed.	-	-
Proceeds from sale of broking portfolio	-	35
Profit on sale of broking portfolio	-	35

- n) On 30 November 2010, the company disposed of all of its equity in Adroit Hume Pty Ltd for \$1,460,783 to an associated entity, Adroit Insurance Brokers Pty Ltd.

Carrying value of interest disposed	-	1,033
Unrealised profit on sale of controlled entity to associate	-	214
Proceeds received on disposal of controlled entity	-	1,461
Profit on sale (pre tax)	-	214
Cash outflow on disposal is as follows;		
Net cash reduction on deconsolidation of controlled entity	-	-
Cash received on disposal of controlled entity	-	1,461
Net cash inflow	-	1,461
Total profit on disposals pre tax - items 7 (m) - 7(n) (see note 4 (vi))	-	249

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	2012 \$'000	2011 \$'000
8. DIVIDENDS PAID AND PROPOSED		
Equity dividends on ordinary shares:		
(a) Dividends paid during the year		
Final franked dividend for financial year ended 30 June 2010: 15.0 cents	-	7,911
Interim franked dividend for financial year ended 30 June 2011: 8.5 cents	-	4,618
Final franked dividend for financial year ended 30 June 2011: 17.0 cents	9,421	-
Interim franked dividend for financial year ended 30 June 2012: 9.5 cents	5,277	-
Total dividends paid in current year	<u>14,698</u>	<u>12,529</u>
In addition to the above, dividends paid to non controlling interests totalled \$3,286,000 (2011: \$3,171,000).		
(b) Dividends proposed and not recognised as a liability		
Final franked dividend for financial year ended 30 June 2011: 17.0 cents	-	9,292
Final franked dividend for financial year ended 30 June 2012: 21.5 cents	12,040	-
	<u>12,040</u>	<u>9,292</u>
Dividends paid per share (cents per share)	26.5	23.5
Dividends proposed per share (cents per share) not recognised at balance date	<u>21.5</u>	<u>17.0</u>
Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- franking account balance as at the end of the financial year at 30% (2011: 30%)	24,327	19,897
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	937	1,593
The amount of franking credits available for future reporting periods.	<u>25,264</u>	<u>21,490</u>
- impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the year.	(5,160)	(3,982)
The amount of franking credits available for future reporting periods after payment of dividend.	<u>20,104</u>	<u>17,508</u>
The tax rate at which paid dividends have been franked is 30% (2011: 30%)		
Dividends proposed will be franked at the rate of 30% (2011: 30%)		

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	2012	2011
	\$'000	\$'000
9. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade receivables	9,663	6,676
Amount due from customers on broking/underwriting agency operations	106,917	94,739
Other receivables - related entities	587	675
Total receivables (current)	<u>117,167</u>	<u>102,090</u>

10. OTHER FINANCIAL ASSETS (CURRENT)

Mortgages - related entities (amortised cost)	<u>1,316</u>	<u>679</u>
Total other financial assets (current)	<u>1,316</u>	<u>679</u>

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

11. TRADE AND OTHER RECEIVABLES (NON CURRENT)

Trade receivables	128	40
Loans to associated entities	<u>133</u>	<u>133</u>
Total receivables (non current)	<u>261</u>	<u>173</u>

12. OTHER FINANCIAL ASSETS (NON CURRENT)

Mortgages - related entities (amortised cost)	30	60
Other	<u>122</u>	<u>122</u>
Total other financial assets (non current)	<u>152</u>	<u>182</u>

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Consolidated
2012 2011
\$'000 \$'000

13. INVESTMENT IN ASSOCIATES

Investments at equity accounted amount:

Associated entities - unlisted shares

79,553 78,690

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

During the current year, the following transactions occurred;

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

During the previous year, the following transactions occurred;

- On 1 January 2011, the consolidated entity acquired 50% of the voting shares in Celestial Underwriting Agency Pty Ltd for \$1,029,733 including a contingent consideration of \$529,427.
- On 1 April 2011, the consolidated entity acquired a 50% of the voting shares in Northlake Holdings Pty Ltd (trading as Country Wide Insurance Brokers) for \$4,660,418 including a contingent consideration of \$1,660,418. During the current year the contingent consideration has been increased from \$1,660,416 to \$1,885,803. The difference of \$225,387 has been charged to the income statement during the current period. (see note 4(vi)).

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

13. INVESTMENT IN ASSOCIATES (continued)

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

- (a) The principal activity of each associate - insurance broking, except for Tasman Underwriting Pty Ltd, Celestial Underwriting Agency Pty Ltd and Millennium Underwriting Agency Pty Ltd which are underwriting agents.
- (b) The proportion of voting power held by the controlling entity in respect of each associate is 50% except for Coffs Harbour Unit Trust where voting power is 37.5%.
- (c) The reporting date of each associate is 30 June 2012 (prior year reporting date 30 June 2011).
- (d) There have been no significant subsequent events affecting the associates' profits for the year.
- (e) There were no impairments of investment in associates for the year.
- (f) All associates, including unit trusts, were incorporated or established in Australia.
- (g) The entity's share of the associate's commitments and contingent liabilities are disclosed in note 23.

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

14. SHARES IN CONTROLLED ENTITIES

	Consolidated	
	2012	2011
	Equity interest held	
	%	%
* All controlled entities are incorporated in Australia and comprise:		
<i>Name and Interests in controlled entities:</i>		
Austbrokers Investments Pty Ltd	100	100
Austbrokers Pty Ltd and its controlled entities	100	100
- Finsura Holdings Pty Ltd and its controlled entities	70	70
- Finsura Insurance Broking (Australia) Pty Ltd	70	70
- Finsura Financial Services Pty Limited	70	70
- Finsura Investment Management Services Pty Limited	70	70
- Finsura Insurance Broking Unit Trust	70	70
- RJ Hornsby Pty Limited	70	70
Austbrokers Trade Credit Pty Ltd	75	75
Austbrokers Gladstone Pty Ltd	100	0
Austbrokers Financial Services (Gladstone) Pty Ltd	100	0
Salisbury Payne Tinslay Pty Limited As Trustee For Salisbury Payne Tinslay Unit Trust	70	70
Austbrokers Services Pty Ltd	100	100
Austbrokers Business Centre Pty Ltd	100	100
Adept Insurance Brokers Pty Ltd and its controlled entity	100	100
- Geary Smith Pty Limited	100	100
Aprikeesh Pty Ltd and its controlled entities	66	66
- Austbrokers Phillips Pty Ltd	66	66
- Austbrokers Australian Compensation Services Pty Ltd	66	66
- Interfin Pty Ltd	45	45
AEI Holdings Pty Ltd / AEI Insurance (Brokers) Pty Ltd	100	100
Austbrokers Financial Solutions (Syd) Pty Ltd and its controlled entity	100	100
- SPT Financial Services Pty Ltd	75	75
Austbrokers C.E. McDonald Pty Ltd and its controlled entity	100	100
- Traders Voice Services Pty Ltd	0	100
Austbrokers Central Coast Pty Ltd and its controlled entity	80	80
- Austbrokers Central Coast Financial Services Pty Ltd	80	80
Austbrokers City State Pty Ltd	90	100
Austbrokers Premier Pty Ltd	80	80
Austbrokers Southern Pty Ltd	80	80

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

14. SHARES IN CONTROLLED ENTITIES (continued)

	Consolidated	
	2012	2011
	Equity interest held	
<i>Name and Interests in controlled entities:</i>	%	%
Austbrokers Sydney Pty Ltd and its controlled entities	100	100
- Austbrokers Canberra Pty Ltd	75	75
- Austbrokers FWR Pty Ltd	100	100
- Austbrokers Professional Services Pty Ltd	80	80
- Austbrokers AEI Transport Pty Ltd and controlled entities	65	65
- Carriers Insurance Brokers Pty Ltd	52	52
- Austbrokers AEI Pty Ltd	52	52
Australian Bus and Coach Underwriting Agency Pty Ltd	100	100
AHL Insurance Brokers Pty Ltd and its controlled entity	100	100
- AHL Insurance Brokers (Aust) Pty Ltd	100	100
Austagencies Pty Ltd and its controlled entities	100	100
- Cemac Pty Ltd	100	100
- Latitude Underwriting Agency Pty Ltd	100	100
- Dolphin Insurance Pty Ltd	100	100
- 5 Star Underwriting Agency Pty Ltd	100	100
- Longitude Insurance Pty Ltd	100	0
- Film Insurance Underwriting Agencies Pty Ltd	100	0
- Construction Underwriting Pty Ltd	51	51
- Breakdown Underwriting Pty Ltd	51	51
Austbrokers RWA Pty Ltd and its controlled entities	60	60
- Austbrokers RWA Financial Services Pty Ltd	30	60
- Harvey Business Management Pty Ltd	60	60
- CTRL Pty Ltd	60	0
Shield Underwriting Holdings Pty Ltd	100	100
McNaughton Gardiner Insurance Brokers Pty Ltd and its controlled entity	70	70
- McNaughton Gardiner Financial Services Pty Ltd	70	70
North Coast Insurance Brokers Pty Ltd and its controlled entities	70	70
- NCFS Unit Trust	70	70
- Ballina Insurance Brokers Pty Ltd as trustee for Ballina Insurance Brokers unit trust	56	56
Austbrokers Terrace Insurance Brokers Pty Ltd and controlled entity	85	85
- Austbrokers Financial Solutions (SA) Pty Limited	43	43
Austbrokers Employee Share Acquisition Schemes Trust	100	0

During the current year, the following transactions occurred;

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

During the previous year, the following transactions occurred;

- On 17 August 2010, the Consolidated group acquired a further 10% equity interest in Austbrokers Trade Credit Pty Ltd for \$164,000.
- On 1 January 2011, the Consolidated Entity acquired a further 10% of the voting shares in Salisbury Payne Tinslay Pty Limited for \$409,300.
- In September 2010, the Consolidated Entity acquired 51% of the voting shares in two newly incorporated entities, Construction Underwriting Pty Ltd and Breakdown Underwriting Pty Ltd for \$51 each.
- On 30 November 2010, the Consolidated group acquired 100% of the voting shares in Cemac Pty Ltd for \$4,617,029 including a contingent consideration on this acquisition of \$1,442,029. The contingent consideration was paid in March 2012. At 31 March 2012, the contingent consideration was reduced by \$418,421 after taking into account actual commission and fee income booked during the period 1 December 2010 and 30 November 2011. The reduction in contingent consideration has been included in the income statement for the current period (see note 4(vi)).
- On 30 November 2010, the company disposed of all of its voting shares in Adroit Hume Pty Ltd to an associated entity, Adroit Insurance Brokers Pty Ltd for \$1,460,783.
- On 1 July 2010, 100% of the voting shares in 5 Star Underwriting Agency Pty Limited were transferred from Shield Underwriting Holdings Pty Ltd to Austagencies Pty Ltd.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated			
	Property \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
15. PROPERTY, PLANT AND EQUIPMENT				
Year ended 30 June 2012				
Balance at the beginning of the year	703	10,845	1,180	12,728
Acquisition of controlled entity	27	11	37	75
Additions during the year	-	1,977	215	2,192
Disposals during the year	-	(804)	(349)	(1,153)
Property, plant and equipment at cost	<u>730</u>	<u>12,029</u>	<u>1,083</u>	<u>13,842</u>
Depreciation				
Balance at the beginning of the year	59	7,742	419	8,220
Acquisition of controlled entity	11	9	5	25
Disposals during the year	-	(653)	(205)	(858)
Depreciation during year	<u>13</u>	<u>1,198</u>	<u>186</u>	<u>1,397</u>
Accumulated depreciation	<u>83</u>	<u>8,296</u>	<u>405</u>	<u>8,784</u>
Summary				
Net carrying amount at beginning of year	644	3,103	761	4,508
Net carrying amount at end of year	647	3,733	678	5,058
Year ended 30 June 2011				
Balance at the beginning of the year	703	11,078	1,288	13,069
Additions during the year	-	1,239	363	1,602
Disposals during the year	-	(1,472)	(471)	(1,943)
Property, plant and equipment at cost	<u>703</u>	<u>10,845</u>	<u>1,180</u>	<u>12,728</u>
Depreciation				
Balance at the beginning of the year	46	7,859	490	8,395
Disposals during the year	-	(1,429)	(261)	(1,690)
Depreciation during year	<u>13</u>	<u>1,312</u>	<u>190</u>	<u>1,515</u>
Accumulated depreciation	<u>59</u>	<u>7,742</u>	<u>419</u>	<u>8,220</u>
Summary				
Net carrying amount at beginning of year	657	3,219	798	4,674
Net carrying amount at end of year	644	3,103	761	4,508

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated		
	Goodwill	Insurance broking registers	Total
	\$'000	\$'000	\$'000
16. INTANGIBLE ASSETS AND GOODWILL			
Year ended 30 June 2012			
Balance at the beginning of the year	63,041	25,967	89,008
Additional businesses and portfolios acquired	8,939	1,350	10,289
Disposal of controlled entity	-	-	-
Total Intangibles	71,980	27,317	99,297
Amortisation			
Balance at the beginning of the year	-	14,047	14,047
Amortisation current year	-	2,414	2,414
Disposal of controlled entity	-	-	-
Disposals of broking portfolios	-	-	-
Accumulated amortisation	-	16,461	16,461
Summary			
Net carrying amount at beginning of year	63,041	11,920	74,961
Net carrying amount at end of year	71,980	10,856	82,836
Year ended 30 June 2011			
Balance at the beginning of the year	58,107	25,787	83,894
Additional businesses and portfolios acquired	5,872	378	6,250
Disposal of controlled entity	(938)	(198)	(1,136)
Total Intangibles	63,041	25,967	89,008
Amortisation			
Balance at the beginning of the year	-	11,696	11,696
Amortisation current year	-	2,470	2,470
Disposal of controlled entity	-	-	-
Disposals of broking portfolios	-	(119)	(119)
Accumulated amortisation	-	14,047	14,047
Summary			
Net carrying amount at beginning of year	58,107	14,091	72,198
Net carrying amount at end of year	63,041	11,920	74,961

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of the business. As at acquisition date, any goodwill relates to benefits from the combination of synergies as well as the entity's ability to generate future profits. The balance of the Insurance broking register will be amortised over the remaining period ranging from 1 to 10 years depending on original acquisition date.

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

(i) Goodwill

	Consolidated	
	2012	2011
	\$'000	\$'000
Austbrokers Sydney Pty Ltd and its controlled entities	23,285	25,077
Austbrokers Central Coast Pty Ltd and its controlled entities	2,350	2,350
Austbrokers RWA Pty Ltd and its controlled entities	5,043	2,963
Apriekesh Pty Ltd and its controlled entities	2,315	2,315
Austbrokers Financial Solutions (Sydney) Pty Ltd and its controlled entity	4,008	4,008
Austagencies and its controlled entities	16,261	11,987
Austbrokers Premier Pty Ltd	3,400	3,400

(ii) Insurance Broking Registers

	2012	2011		
Austbrokers Sydney Pty Ltd and its controlled entities	3.0	4.0	3,772	4,895
North Coast Insurance Brokers Pty Ltd and its controlled entities	7.5	8.5	628	721
Austbrokers Premier Pty Ltd	3.5	4.5	477	605
Apriekesh Pty Ltd and its controlled entities	6.5	7.5	1,834	2,105
MGIB insurance Brokers Pty Ltd	8.5	9.5	890	1,047
RWA Insurance Brokers Pty Ltd and its controlled entities	9.5	5.5	854	352

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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

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

The measure used in assessing fair value is based on the directors' estimates of the sustainable profits, which have been tested against the current and prior year's profits as well as the following year's financial budgets approved by senior management. After determining the appropriate after tax profit for each associate/controlled entity, the after tax profit is multiplied by a profit multiple from within the range of 10.65 to 12.20 times (2011: 9.99 to 11.90 times).

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

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

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

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

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

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

18. SHARE-BASED PAYMENT PLANS

Employee Share Option Plan

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

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

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

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

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

- NIL (2011: 420,850) options granted on 5 October 2005, exercisable 3 years from the issue date at an exercise price of \$2.00.
- 308,650 (2011: 587,900) options granted on 25 September 2006, exercisable 3 years from the issue date at an exercise price of \$3.47.
- 38,900 (2011: 77,800) options granted on 29 January 2007, exercisable 3 years from 25 September 2006 at an exercise price of \$3.47.
- 500,200 (2011: 590,950) options granted on 14 September 2007, exercisable 3 years from the issue date at an exercise price of \$4.20.
- 20,000 (2011: 20,000) options granted on 29 January 2008, exercisable 3 years from 14 September 2007 at an exercise price of \$4.20.
- 20,160 (2011: 49,942) options granted on 29 September 2008, exercisable 3 years from 29 September 2008 at an exercise price of \$4.22.
- 27,584 (2011: 92,787) options granted on 29 September 2008, exercisable 3 years from 29 September 2008 at an exercise price of \$NIL. The volume weighted average share price for the 5 business days prior to the date the options were issued was \$4.22.
- 78,817 (2011: 89,104) Share options were granted on 3 November 2009, exercisable 3 years from 3 November 2009 at an exercise price of \$NIL. The Volume weighted average share price for the 5 business days prior to the date the options were issued was \$4.81.
- 67,771 (2011: 78,208) Share options were granted on 15 October 2010, exercisable 3 years from 15 October 2010 at an exercise price of \$NIL. The volume weighted average share price for the 5 business days prior to the date the options were issued was \$5.06.
- 56,591 Share options were granted on 31 October 2011, exercisable 3 years from 31 October 2011 at an exercise price of \$NIL. The volume weighted average share price for the 5 business days prior to the date the options were issued was \$6.28.

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

18. SHARE-BASED PAYMENT PLANS (continued)

During the year the following options were exercised or lapsed

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

During the previous year the following options were exercised or lapsed

- 80,801 Share options were granted on 15 October 2010, exercisable 3 years from 15 October 2010 at an exercise price of \$NIL. During the period 1,910 zero priced options were lapsed due to the resignation of a staff member. The options were valued at \$4.8089 using the volume weighted average share price for the five days prior to the grant date.
- 45,000 Share options were exercised on 29 July 2010 at an option price of \$2.00. The average market price on the date the options were exercised was \$4.81
- 38,300 Share options were exercised on 29 July 2010 at an exercise price of \$3.47. The average market price on the date the options were exercised was \$4.81

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

Options issued under the Austbroker's Senior Executive Option Plan ("the Plan") have a contractual life of 7 years. The expected life of the options is 5 years. This assumes that participants will take the opportunity to exercise vested options at an earlier date in the life of the option. For options exercised in respect of grants made in 2009, 2010 and 2011, the shares acquired cannot be disposed of before the expiry of a two year period from the date the options vested, except if employment is terminated.

The weighted average remaining contractual life for the share options outstanding at 30 June 2012 is 2.50 years. (2011: 2.77 years).

Option Exercise conditions

These option exercise conditions apply to all options.

- (a) subject to satisfaction of the performance based conditions referred to in paragraphs (b) and (c) below, the Options will vest 3 years after the date of grant;
- (b) if the First Test Compound Earnings Per Share Growth (Compound Growth) is:
 - (i) greater than or equal to 8.5% per annum, 20% of the Options will become exercisable;
 - (ii) equal to 10% per annum, 50% of the Options will become exercisable;
 - (iii) between 10% and 15%, the percentage of Options that are exercisable will be determined on a pro rata basis so that the number of Options that are exercisable will increase from 50% by 1 percentage point for every 0.1% percent additional Compound Growth over 10%;
 - (iv) 15% per annum or more, 100% of the Options will become exercisablein 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.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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

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

20. PROVISIONS

	Consolidated		
	Employee entitlements	Make good provision	Total
	\$'000	\$'000	\$'000
Year ended 30 June 2012			
Balance at the beginning of the year	9,142	562	9,704
Arising during the year	407	178	585
Balance at the end of the year	9,549	740	10,289
Current 2012	8,309	109	8,418
Non-current 2012	1,240	631	1,871
	9,549	740	10,289
Year ended 30 June 2011			
Balance at the beginning of the year	8,061	703	8,764
Arising during the year	1,081	(141)	940
Balance at the end of the year	9,142	562	9,704
Current 2011	8,019	175	8,194
Non-current 2011	1,123	387	1,510
	9,142	562	9,704

Make good provision on leased premises

In accordance with the various lease agreements, the Group must restore the leased premises to a similar condition that existed prior to leasing the premises by removing all fixed and removable partitions. A provision has been included for expected amounts payable.

Because of the long-term nature of the liability, the greatest uncertainty in estimating the provision is the cost that will ultimately be incurred. During the year further amounts were provided for premises leased during the year.

Current lease durations range from less than 1 year to 5 years. Make good payments will only be made at the end of the lease.

Employee entitlements

Refer to note 2.2 (r) for the relevant accounting policy and a discussion of the significant estimation and assumptions applied in the measurement of this provision.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	2012	2011
	\$'000	\$'000
21. INTEREST BEARING LOANS AND BORROWINGS		
Current		
Obligations under finance leases and hire purchase contracts (note 23)	266	472
Unsecured loan from other related parties	182	150
Secured bank loan *	682	-
	<u>1,130</u>	<u>622</u>
Non-current		
Obligations under finance leases and hire purchase contracts (note 23)	482	481
Unsecured loan from other parties	68	67
Unsecured loan from other related parties	-	-
Secured bank loan *	32,834	33,731
	<u>33,384</u>	<u>34,279</u>
* The Group has negotiated facilities through various banks including St George Bank, Macquarie Bank, Commonwealth Bank and National Australia Bank. Details of those facilities are as follows;		
<i>Summary of secured bank loans</i>		
<i>St George Bank</i>	31,396	31,846
<i>Macquarie Bank</i>	282	382
<i>Commonwealth Bank</i>	1,428	1,503
<i>National Australia Bank</i>	410	-
<i>Total secured bank loans</i>	<u>33,516</u>	<u>33,731</u>

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

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

St George Bank Facilities

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

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

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

- A controlled entity, Austbrokers Services Pty Ltd has utilised \$2,468,211 (2011: \$2,319,620) in respect of bank guarantees, credit card and overdraft facilities.
- A controlled entity, Austbrokers Services Pty Ltd, has utilised \$25,000,000 (2011: \$25,000,000) in commercial bill facilities at year end. Interest rates have been fixed at an effective rate of 7.17% (2011: 7.18%) until 26 August 2013. Bills are rolled over on quarterly intervals. Rollover of the bills are guaranteed for the duration of the facility as long as there are no breaches of the facility agreement.
- The facilities are secured by registered fixed and floating charges over the assets and undertakings of the Group and cross guarantees and indemnities given by each of the wholly owned subsidiaries.

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

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

21. INTEREST BEARING LOANS AND BORROWINGS (continued)

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

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

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

- The facility is for 5 years until 13 December 2015. The variable interest rate is renegotiated quarterly and the rate applicable at 30 June 2012 was 6.56%. (2011: 7.84%)
- The facilities are secured by registered fixed and floating charges over the assets of SPT Financial Services Pty Ltd, a letter of comfort given by Austbrokers Holdings Ltd, and guarantees and indemnities given by the shareholders with non controlling interests.

A controlled entity, Finsura Holdings Pty Ltd, entered into an agreement with St George Bank to provide finance facilities amounting to \$750,000 (2011: \$750,000). At balance date these facilities have been utilised to the amount of \$507,000 (2011: \$626,805). The undrawn amount of the facility at 30 June 2012 was \$243,000 (2011: \$123,195). This facility will expire on 10 June 2019.

- A loan of \$260,000 (2011: \$375,000) has been fixed until 1 September 2012 at a rate of 6.62% (2011: fixed at 8.6%).
- A loan of \$247,000 (2011: \$251,805) has a variable interest rate of 6.6% which is renegotiated quarterly (2011: variable at 6.99%).
- The facilities are secured by registered fixed and floating charges over the assets of Finsura Holdings Pty Ltd, a letter of comfort given by Austbrokers Holdings Ltd, and guarantees and indemnities given by the shareholders with non controlling interests.

Macquarie Bank facilities

A controlled entity, Aprikeesh Pty Ltd and its controlled entities (Apriseesh Group), negotiated with Macquarie Bank to provide finance facilities to the Aprikeesh Group amounting to \$785,000 (2011: \$550,000). At 30 June 2012 these facilities have been utilised to the amount of \$282,000. (2011: \$382,000) The undrawn amount of the facility at 30 June 2012 was \$503,000 (2011: \$168,000).

- The term of the loan facility is interest only for 5 years ending on 31 March 2014. Interest rates on the facility are negotiated quarterly and the interest rate at 30 June 2012 was 7.41%. (2011: 8.14%)
- The facilities are secured by registered fixed and floating charges over the assets and undertakings of the Aprikeesh Group and cross guarantees and indemnities given by each of the wholly owned subsidiaries.

Commonwealth Bank facilities

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

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

National Australia Bank facilities

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

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

22. ISSUED CAPITAL AND RESERVES	Consolidated	
	2012 \$'000	2011 \$'000
Issued Capital opening balance	70,750	60,844
On 14 July 2010 allotted 45,000 shares at an issue price of \$2.00	-	90
On 14 July 2010 allotted 38,300 shares at an issue price of \$3.47	-	133
Net Proceeds from Dividend Reinvestment Plan	2,906	9,683
On 21 September 2011 allotted 420,850 shares at an issue price of \$2.00	842	-
On 21 September 2011 allotted 279,250 shares at an issue price of \$3.47	969	-
On 21 September 2011 allotted 60,600 shares at an issue price of \$4.20	254	-
On 12 December 2011 allotted 40,566 shares at an issue price of \$NIL	-	-
On 12 December 2011 allotted 38,900 shares at an issue price of \$3.47	135	-
On 12 December 2011 allotted 30,150 shares at an issue price of \$4.20	127	-
On 12 December 2011 allotted 16,524 shares at an issue price of \$4.22	70	-
Share issue expenses	(17)	-
Issued Capital	<u>76,036</u>	<u>70,750</u>

	Consolidated	
	Shares No.	Shares No.
Number of Shares on Issue (ordinary shares fully paid)	<u>55,999,095</u>	<u>54,658,736</u>

Movements in number of shares on issue

Beginning of the financial year	54,658,736	52,653,687
On 14 July 2010 allotted 45,000 shares at an issue price of \$2.00	-	45,000
On 14 July 2010 allotted 38,300 shares at an issue price of \$3.47	-	38,300
On 18 October 2010, 924,835 shares were issued at \$4.9365 as a result of a Dividend Reinvestment Plan.	-	924,835
On 22 October 2010, 677,611 shares were issued at \$4.94 as a result of a Dividend Reinvestment Plan.	-	677,611
On 29 April 2011, 319,303 shares were issued at \$5.92 as a result of a Dividend Reinvestment Plan.	-	319,303
On 27 April 2012, 453,519 shares were issued at \$6.4075 as a result of a Dividend Reinvestment Plan.	453,519	-
On 21 September 2011 allotted 420,850 shares at an issue price of \$2.00	420,850	-
On 21 September 2011 allotted 279,250 shares at an issue price of \$3.47	279,250	-
On 21 September 2011 allotted 60,600 shares at an issue price of \$4.20	60,600	-
On 12 December 2011 allotted 40,566 shares at an issue price of \$NIL	40,566	-
On 12 December 2011 allotted 38,900 shares at an issue price of \$3.47	38,900	-
On 12 December 2011 allotted 30,150 shares at an issue price of \$4.20	30,150	-
On 12 December 2011 allotted 16,524 shares at an issue price of \$4.22	16,524	-
Total Shares on Issue	<u>55,999,095</u>	<u>54,658,736</u>

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

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

Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve was used to record movements in the revalued amounts of broker register acquired through step up acquisition of broking subsidiaries before 1 July 2009. From this date, fair value adjustments on business combinations are no longer recognised through the asset revaluation reserve but in the income statement. The reserve can only be used to pay dividends in limited circumstances. The current year amortisation expense relating to those step ups is transferred to retained earnings when the amortisation expense is charged to the profit and loss account.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

22. ISSUED CAPITAL AND RESERVES (continued)

Share based payment reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 18 for further details of these plans.

		Consolidated	
		2012	2011
		\$	\$
		\$'000	\$'000
<i>Non controlling Interests</i>			
Interest in:	Ordinary shares	-	-
	Retained earnings	13,255	12,336
		<u>13,255</u>	<u>12,336</u>

23. COMMITMENTS AND CONTINGENCIES

Finance lease and hire purchase commitments - Group as lessee

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

Finance Lease and Hire Purchase Commitments

Payable

-Not later than one year	309	553
-Later than one year and not later than five years	522	509
-Later than five years	-	-
Minimum lease and hire purchase payments	<u>831</u>	<u>1,062</u>
Deduct: Future finance charges	<u>83</u>	<u>109</u>
Present value of minimum lease and hire purchase payments (refer note 21)	<u>748</u>	<u>953</u>

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	3,255	3,181
-Later than one year and not later than five years	8,099	8,953
-Later than five years	-	-
	<u>11,354</u>	<u>12,134</u>

Operating lease commitments - Associates as lessee

Operating Lease Commitments: Non Cancellable

operating leases contracted for but not capitalised
in the financial statements

Payable

-Not later than one year	2,300	2,013
-Later than one year and not later than five years	5,172	5,041
-Later than five years	<u>560</u>	<u>1,059</u>
	<u>8,032</u>	<u>8,113</u>

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	2012	2011
	\$	\$
	\$'000	\$'000
23. COMMITMENTS AND CONTINGENCIES (continued)		
Contingent liabilities		
Estimates of the maximum amounts of contingent liabilities that may become payable		
Austbrokers Holdings Ltd has guaranteed loan facilities provided to an associate in proportion to its shareholding.	2,050	1,200
Austbrokers Holdings Ltd has guaranteed lease facilities provided to an associate in proportion to its shareholding.	205	260
	<u>2,255</u>	<u>1,460</u>

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).

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

25. OPERATING SEGMENTS

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

26. SUBSEQUENT EVENTS

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

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

27. RELATED PARTY DISCLOSURES

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

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

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

Entities within the wholly owned group invest in trusts managed by related parties. These transactions are at normal commercial terms and conditions.

Entities within the wholly owned group provide funds to other entities within the group. These funds are non-interest bearing and are repayable on demand. See note 9 for amounts receivables from related parties \$586,607 (2011: \$675,014) and note 19 for payables to related parties \$149,613 (2011: \$155,340).

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

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

(ii) *Transactions with other related parties.*

Entities within the wholly owned group charge associated entities interest on interest bearing loans. Total interest charged for the period was \$201,147 (2011: \$134,679). The interest charged is on normal commercial terms and conditions.

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

(iii) *Transactions with directors and director-related entities.*

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

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

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

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

(b) **Details of Key Management Personnel (KMP)**

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

David John Harricks	Director (non-executive)
Richard Anthony Longes	Chairman (non-executive)
Raymond John Carless	Director (non-executive)
Phillip Robert Shirriff	Director (non-executive)
William Lachlan McKeough	Director and Chief Executive Officer

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

27. RELATED PARTY DISCLOSURES (continued)

(b) Details of Key Management Personnel (continued)

The following persons were the executives with the greatest authority for the planning, directing and controlling the activities of the consolidated entity during the financial year:

S.S. Rouvray	Chief Financial Officer and Company Secretary
G. Lambert	General Manager - Operations and Strategic Developments - resigned 11 December 2011
F. Gualtieri	National Manager - Group Services and Support
J. Howells	General Manager - Austbrokers Sydney
F Pasquini	General Manager - Acquisition and Development
G.J. Arms	General Manager - Equity Operations

(c) Shareholdings of Key Management Personnel

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

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

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

Shares held in Austbrokers Holdings Limited at 30 June 2011	Balance at 01-Jul-10	Shares acquired during year	Shares disposed during year	Balance at 30-Jun-11
Directors				
R. A. Longes	104,400	3,173	-	107,573
L. F. Earl (passed way 12 July 2010)	22,000	-	22,000	-
P. R. Shirriff	100,000	-	-	100,000
D. J. Harricks	27,000	-	-	27,000
R. J. Carless	-	10,451	-	10,451
W.L. McKeough	85,000	-	-	85,000
Executives				
S.S. Rouvray	208,300	-	-	208,300
G. Lambert	-	-	-	-
J. Howells	-	-	-	-
F. Gualtieri	50,000	-	-	50,000
G.J. Arms	31,100	883	-	31,983
Total	627,800	14,507	22,000	620,307

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

27. RELATED PARTY DISCLOSURES (continued)

(d) Compensation of Key Management Personnel by Category

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

(e) Options granted as part of remuneration

Year ended			Fair value per	Exercise price per		First	Last
30 June 2012	Granted No.	Grant Date	option at grant date (\$) (note 18)	option (\$) (note 18)	Expiry Date	Exercise Date	Exercise Date
Executives							
S.S. Rouvray	12,582	31-Oct-11	6.28	0.00	31-Oct-18	31-Oct-14	31-Oct-18
F. Gualtieri	6,843	31-Oct-11	6.28	0.00	31-Oct-18	31-Oct-14	31-Oct-18
J. Howells	-						
F. Pasquini	6,753	31-Oct-11	6.28	0.00	31-Oct-18	31-Oct-14	31-Oct-18
G.J. Arms	7,327	31-Oct-11	6.28	0.00	31-Oct-18	31-Oct-14	31-Oct-18
Total	<u>33,505</u>						

'For options granted in the 2012 and 2011 financial year, where options are exercised within two years after the date the options vest, the shares cannot be disposed of prior to the expiry of the two year period from the date the options vested, except if employment is terminated.

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

Year ended			Fair value per	Exercise price per		First	Last
30 June 2011	Granted No.	Grant Date	option at grant date (\$) (note 18)	option (\$) (note 18)	Expiry Date	Exercise Date	Exercise Date
Executives							
S.S. Rouvray	15,077	15-Oct-10	5.06	0.00	15-Oct-17	15-Oct-13	15-Oct-17
G. Lambert	10,437	15-Oct-10	5.06	0.00	15-Oct-17	15-Oct-13	15-Oct-17
F. Gualtieri	8,221	15-Oct-10	5.06	0.00	15-Oct-17	15-Oct-13	15-Oct-17
J. Howells	-	15-Oct-10	5.06	0.00	15-Oct-17	15-Oct-13	15-Oct-17
G.J. Arms	8,823	15-Oct-10	5.06	0.00	15-Oct-17	15-Oct-13	15-Oct-17
Total	<u>42,558</u>						

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

27. RELATED PARTY DISCLOSURES (continued)

(f) Option holdings of Key Management Personnel.

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

The outstanding options have an exercise price ranging from \$3.47 for options issued in 2006 to \$4.22 for options issued in 2009 financial year. During the current year a total of 56,591 zero priced options were issued (33,505 to Key Management Personnel).

						Total options at year end	
Options held at 30 June 2011	Balance at beginning of period 01-Jul-10	Granted as Remuneration	Options Exercised	Options lapsed	Balance at end of period 30-Jun-11	Vested / Exercisable	Not Vested / Not Exercisable
Director							
W.L. McKeough	1,010,100	-	-	-	1,010,100	1,010,100	-
Executives							
S.S. Rouvray	167,031	15,077	-	-	182,108	133,200	48,908
G. Lambert	103,706	10,437	-	-	114,143	69,050	45,093
F. Gualtieri	98,809	8,221	-	-	107,030	70,500	36,530
J. Howells	40,857	-	-	-	40,857	20,000	20,857
G.J. Arms	145,389	8,823	-	-	154,212	115,150	39,062
Total	1,565,892	42,558	-	-	1,608,450	1,418,000	190,450

The outstanding options have an exercise price ranging from \$2.00 for options issued in 2005 to \$4.22 for options issued in 2009 financial year. During the year a total of 78,208 zero priced options were issued (42,558 to Key Management Personnel).

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

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

28. PARENT ENTITY INFORMATION

	2012	2011
Information relation to Austbrokers Holdings Limited	\$'000	\$'000
ASSETS		
Cash and cash equivalents	15,070	15,615
Current Assets	49,842	42,673
Non-current Assets	53,130	52,059
TOTAL ASSETS	<u>118,042</u>	<u>110,347</u>
LIABILITIES		
Current Liabilities	2,888	3,132
Non-current Liabilities	-	-
TOTAL LIABILITIES	<u>2,888</u>	<u>3,132</u>
NET ASSETS	<u>115,154</u>	<u>107,215</u>
EQUITY		
Issued capital	76,036	70,750
Share based payments	3,873	2,255
Retained earnings	35,245	34,210
TOTAL SHAREHOLDERS EQUITY	<u>115,154</u>	<u>107,215</u>
Profit for the year before income tax	15,463	15,173
Income tax (credit) / expense	(271)	366
Net profit after tax for the period	15,734	14,807
Other comprehensive (expense) / income after income tax for the period	-	-
Total comprehensive income after tax for the period	<u>15,734</u>	<u>14,807</u>

OTHER INFORMATION

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries or associates

Austbrokers Holdings Ltd has guaranteed loan facilities provided to an associate in proportion to its shareholding.	2,050	1,200
Austbrokers Holdings Ltd has guaranteed lease facilities provided to an associate in proportion to its shareholding.	205	260
	<u>2,255</u>	<u>1,460</u>

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).

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

29. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

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

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

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

Risk exposures and Responses

(a) Credit Risk

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

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

Receivable balances are monitored on a ongoing basis with the result that the Group's exposure to bad debts is not significant.

Insurance Broking Account receivables

Receivables include amounts due from policyholders in respect of insurances arranged by controlled entities. Insurance brokers have credit terms of 90 days from policy inception to pay funds received from policyholders to insurers. Should policyholders not pay, the insurance policy is cancelled by the insurer and a credit given against the amount due. The Group's credit risk exposure in relation to these receivables is limited to commissions and fees charged. Commission revenue is recognised after taking into account an allowance for expected revenue losses on policy lapses and cancellations, based on past experience.

The Group's assets and liabilities include amounts due from policyholders and amounts due to underwriters from broking activities. Due to the reasons disclosed above, these assets and liabilities have been excluded from the Group's credit risk analysis. The net difference between the assets and liabilities relate to the undrawn commission and fee income brought to account in revenue. This amount has been deducted from amounts payable on broking/underwriting agency operations.

	Consolidated	
	2012	2011
	\$'000	\$'000
Assets and liabilities relating to Insurance Broking Account.		
Amounts due from customers on broking/ underwriting agency operations.	106,917	94,739
Cash held on trust	74,859	65,008
Amounts payable on broking/underwriting agency operations.	(162,079)	(142,755)
Undrawn income	(19,697)	(16,992)
Net receivables included in Insurance Broking Account	-	-

Financial assets

The Group's exposure to credit risk in relation to financial assets arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. There is no significant concentration of risks within the Group as cash and cash equivalents are invested amongst a number of financial institutions to minimise the risk of defaults by counterparties.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

29. FINANCIAL INSTRUMENTS

Credit Risk (continued)

Financial assets (continued)

Cash and cash equivalents are deposited with Australian Banks. The majority of trade receivables are expected to be collected within 90 days. The remainder of the financial assets are to related entities or entities that have a relationship to our associates and are either on call or where loans have a fixed maturity date, are secured by fixed and floating charges (see note 10). At 30 June 2012, all financial assets were neither past due nor impaired.

Financial assets	Consolidated	
	2012	2011
	\$'000	\$'000
Cash and cash equivalents	40,743	37,326
Trade and other receivables	9,791	6,716
Related party receivables	587	675
Mortgages - related entities	1,346	739
Mortgages - other	-	-
Other receivables	255	255
	<u>52,722</u>	<u>45,711</u>

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

The company considers the maturity of its financial assets and projected cashflows from operations to monitor liquidity risk.

Liquidity risk arises in the event that the financial assets/liabilities are not able to be realised/settled for the amounts disclosed in the accounts on a timely basis.

The table below reflects all contractually fixed pay-outs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. Cash flows for financial assets and liabilities without a fixed amount or timing are based on the conditions existing at 30 June 2012 with comparatives based on conditions existing at 30 June 2011.

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

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

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.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

29. FINANCIAL INSTRUMENTS

(b) Liquidity Risk (continued)

The risk implied from the values shown in the table, reflects a balanced view of cash inflows and outflows. Lease liabilities, trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as plant and equipment and investments in working capital, e.g. trade receivables and deferred payments on broker acquisitions.

(c) Fair Values of recognised assets and liabilities.

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

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

Market values have been used to determine the fair value of securities. The fair value of loans and notes and other financial assets has been calculated using market interest rate.

The Group's fair value of recognised assets and liabilities above include trust cash and amounts relating to receivables/ payables from broking operations, although trust cash and amounts due from insurance broking account receivables/broking account payables are not available to meet operating expenses/business obligations other than for payments to underwriters and/or repayments to policyholders.

(d) Market Risk

Interest rate risk

The Group's exposure to interest rate movements relates to cash and cash equivalents held by the Group and the Group's long-term debt obligations. To manage interest rate risk, interest rates on borrowings are fixed for a period depending on market conditions. This risk is minimal as the Group holds cash received from policyholders to pay insurers in excess of the amount of borrowings and therefore the group has a hedge against interest rate rises. Mortgage loans generally have interest rate resets every six months. In the event of interest rate rises, a net increase in interest revenue will occur due to cash and cash equivalents exceeding borrowings.

The main risk to the Group is in relation to interest rate reductions which will decrease the net income earned on cash and cash equivalents held. The cash held to pay insurers must be held in prescribed investments (Australian bank accounts or deposits) and as such will be subject to market interest rate fluctuations. The Group has at balance date, the following mix of financial assets and liabilities exposed to Australian variable interest rate risk.

	Consolidated	
	2012	2011
	\$'000	\$'000
Financial assets		
Cash and cash equivalents (including trust account balance)	115,602	102,334
Mortgages - related entities	1,346	739
Mortgages - other	-	-
Total financial assets	116,948	103,073
Financial liabilities		
Loans and other borrowings	(3,309)	(3,792)
Net exposure to interest rate movements	113,639	99,281

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

The Group's policy is to maintain a component of long term borrowings at fixed interest rates, determined six monthly or annually, which are carried at amortised cost and it is acknowledged that exposure to fluctuations in fair value is a by-product of the Group's policy. Of the total current and non current interest bearing loans and borrowings totalling \$34.5 million (2011:\$34.9 million), \$30.7 million have been fixed for periods greater than 12 months at rates ranging from 5.75% to 7.33%. See note 21 for full details of terms and conditions.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

29. FINANCIAL INSTRUMENTS

(d) Market Risk (continued)

Interest rate risk (continued)

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the term for fixing interest rates.

The following sensitivity analysis is based on the interest rate exposures in existence at year end. The sensitivity for 2011 has been prepared on an equivalent basis.

At year end, had interest rates moved as illustrated in the table below, with all other variables held constant, post tax profits and equity would have been affected as follows:

	Post tax profits Higher/ (lower)		Impacts directly to Equity Higher/ (lower)	
	2012	2011	2012	2011
Judgements of reasonably possible movements.	\$'000	\$'000	\$'000	\$'000
Consolidated				
+1.5% (150 basis points) (2011 +2% (200 basis points))	1,194	1,390	-	-
-0.75% (75 basis points) (2011 -1.5% (150 basis points))	(596)	(1,042)	-	-

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

Price risk

Equity securities price risk arises from investments in equity securities. The group does not invest in listed equity securities or derivatives.

At year end, the Group had no exposure to equities other than to shares in associated entities and controlled entities and therefore has no exposure to price risk that has not already been reflected in the financial statements. The Group tests for impairment annually and reviews all investments at least half yearly. The methodology for testing for impairment is shown in note 17. There were no impaired investments at balance date. (2011 : NIL)

(e) Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt if required.

The Group monitors capital on the basis of the gearing ratio. The debt to equity ratio is calculated as total borrowings divided by total equity and borrowings.

During 2012, the Group's strategy was to maintain a gearing ratio of not greater than 30% which was unchanged from 2011. The gearing ratio has changed marginally due to the increase in issued capital resulting from the Dividend Reinvestment Plan.

The gearing ratios at 30 June were as follows;

	Consolidated	
	2012	2011
	\$'000	\$'000
Debt to equity ratio		
Total borrowings	34,514	34,901
Total equity	172,290	153,316
Total equity and borrowings	206,804	188,217
Debt / Equity plus Borrowings Ratio	17%	19%

(f) Put Option

The Group has assisted certain security holders in associates and controlled entities to acquire their interest in those entities by entering into agreements to grant their financier an option to put to the Group any such securities held as security for the loan. The impact of this agreement is to enable those security holders to secure funding which may not have been otherwise available or which may have been available at a higher cost. This option can only be exercised by the financier in the event of a default by the borrower under the relevant loan agreement, where such default has not been remedied. Under the agreements the shares are to be acquired by the Group at fair value at the time the option is exercised. As the agreements stipulate that the securities are to be acquired at fair value, the put options have a nil value.

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2012

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.2; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2012.

On behalf of the Board



W L McKeough
Director

Sydney, 27 August 2012

Independent auditor's report to the members of Austbrokers Holdings Limited

Report on the Financial Report

We have audited the accompanying financial report of Austbrokers Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2.2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Opinion

In our opinion:

- a. the financial report of Austbrokers Holdings Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 14 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Austbrokers Holdings Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that appears to read 'Paul Harris'.

Paul Harris
Partner
Sydney
27 August 2012

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
CORPORATE INFORMATION

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 2 - 3.

Directors

R.A. Longes (Chairman)
W.L. McKeough (Chief Executive Officer)
R. J. Carless
D.J. Harricks
P.R. Shirriff

Company Secretary

S.S. Rouvray

Registered office and Principal Place of business

Level 21
111 Pacific Highway
North Sydney, NSW 2060
Phone: 61 2 9935 2222

Share Register

Link Market Services Limited
Level 12
680 George Street
Sydney, NSW 2000
Phone: 1800 194 270 (Outside Australia + 61 2 8280 7209)

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

Solicitors

Clayton Utz
1 Bligh Street
Sydney, NSW 2000

Bankers

St George Bank Limited
Chifley Square
Sydney, NSW 2000

Auditors

Ernst & Young
680 George Street
Sydney, NSW 2000

AUSTBROKERS HOLDINGS LIMITED

ABN 60 000 000 715

CORPORATE INFORMATION

Annual General Meeting

The Annual General Meeting of Austbrokers Holdings Limited will be held in the Heritage Room at the Intercontinental Hotel, 117 Macquarie Street Sydney NSW 2000 on Wednesday 28th November 2012 at 10.00am.