



27th August 2013

The Manager
Company Announcements
Australian Securities Exchange
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 2013

The Directors of Austbrokers Holdings Limited (AUB) announce the financial results for the year ended 30 June 2013.

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 2013.

Yours faithfully,

Stephen Rouvray
Company Secretary

ASX DISCLOSURE – APPENDIX 4E
Preliminary Final Report – 30 June 2013

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 2013

Previous corresponding period – twelve months ended 30 June 2012.

2. Results for announcement to the market

2.1 Revenue from ordinary activities up 43.6 % to 180,453 \$'000

2.2 Profit (loss) from ordinary activities after tax attributable to members up 60.7 % to 41,203

2.3 Net profit (loss) attributable to members up 60.7 % to 41,203

2.4 Dividends

	Amount Per Security	Franking at 30% tax rate	Franked Amount Per Security
Final dividend proposed	24.5 cents	100%	24.5 cents
Interim dividend paid	11.0 cents	100%	11.0 cents

2.5 Record date for determining entitlement to the final dividend 3 October 2013.

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 2013 of 11.0 cents per share was paid to shareholders on 26 April 2013. This dividend totaled \$6,337,982.

On 27 August 2013, the Directors declared a fully franked final dividend of 24.5 cents per share. This dividend is payable on 24 October 2013. Based on issued shares of 58,148,980 shares, this dividend will total \$14,246,500.

7. Dividend Reinvestment Plan

The proposed dividend of 24.5 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 2013 elections will need to be received by the share registry by 5pm on 2 October 2013.

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 2 October 2013 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 2013, ordinary shares will be issued at a 2.5% discount to the relevant "price". Austbrokers may determine a different discount for subsequent dividends.

Subject to agreeing acceptable terms, Austbrokers proposes to have any DRP shortfall for the 30 June 2013 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 2013	\$1.28
30 June 2012	\$1.59

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	
		2013	2012
		\$	\$
Cinesure Pty Ltd	October 2012	281,163	Nil
Insurics Pty Ltd	July 2012	512,794	57,529
Adroit Holdings Pty Ltd	July 2012	1,727,250	1,054,786
Comsure Insurance Brokers Pty Ltd	October 2012	759,260	458,585
Lawsons Underwriting Australasia Limited	May 2013	244,436	Nil
Guardian Underwriting Services Pty Ltd	May 2013	0	Nil
G.U.S. Unit Trust	May 2013	27,789	Nil
InterRISK Australia Pty Ltd	June 2013	430,257	Nil
Chegwyn Insurance Brokers Pty Ltd	June 2013	21,990	Nil
Austbrokers Financial Solutions (ACT) Pty Ltd	May 2013	(28,379)	Nil

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

Longitude Insurance Pty Ltd*	August 2012	286,572	Nil
Austbrokers Gladstone Pty Ltd**	June 2013	193,731	38,716
Austbrokers Financial Services (Gladstone) Pty Ltd*	June 2013	Nil	Nil

* 50% effective ownership transferred to outside interests

** acquired by Rivers Insurance Brokers Pty Ltd (50% owned entity)

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 2013 attached as Attachment A.

15. Audit status

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

Austbrokers Holdings Limited

ABN 60 000 000 715

Appendix 4E Attachment A

Financial Statements

30 June 2013

AUSTBROKERS HOLDINGS LIMITED

A.B.N. 60 000 000 715

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2013**



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Directors' Report

Your Directors submit their report for the year ended 30 June 2013.

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 68

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 served and continues to serve as a Director of Boral Limited and was formerly a director of Metcash Limited.

He is also a Director of Pain Management Research Institute.

M. P. L. Searles GAICD, DipM, Grad Dip Mktg (Director and Chief Executive Officer) Age 52

Mark Searles joined Austbrokers on 1 January 2013 as Chief Executive Officer.

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

R. J. Carless BEc, MAICD Age 58

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 68

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.

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DIRECTORS' REPORT

Names, qualifications, experience and special responsibilities continued

P.R. Shirriff BA, FCPA, FCIS, ANZIIF (Sen) CIP Age 67

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

W.L. McKeough QPIB, Adv Dip Fin Serv, MAICD, FAIM (Director and Chief Executive Officer) Age 63

Lach McKeough resigned as a director on 31 December 2012 on his retirement.

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.

COMPANY SECRETARY

S.S. Rouvray BEc, CA, FCIS

S.S. Rouvray has been the Company Secretary of Austbrokers Holdings Limited for 27 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	113,615	-
M. P. L. Searles	-	233,000
R. J. Carless	16,473	-
D.J. Harricks	27,000	-
P.R. Shirriff	100,000	-

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 & FINANCIAL REVIEW

Group overview

Founded in 1985, the Group has grown consistently to become the leading listed equity-based insurance broking, underwriting and associated financial services group in Australia. Underpinning the growth is the highly successful 'owner-driver' model where the Group enters into partnerships with the business owner, taking an equity stake of 50% and providing a range of services to support ongoing growth. These services include technology support via a centralised data centre capability, common platforms to enable efficiency and effectiveness, back office service provision including accounting, payroll and HR support and marketing services. The group has businesses partnerships across Australia and New Zealand employing in excess of 1,700 people and operating in over 130 locations. A key feature of the Group is the diverse nature of its' end-client base from individuals to large corporate entities.

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The Group has equity interests in 46 broking groups and 15 underwriting agencies many of which are leaders in their respective segments.

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 despite economic conditions being subdued. The group's revenue is largely derived from commissions and fees earned on arranging insurance policies and other services. The amount of commissions earned is determined by the volume of premiums placed which in turn is affected by premium rates, sums insured and the general level of economic activity. Moderate increases in commissions and fees have been achieved during the year through increases in premium rates and initiatives undertaken to increase business volumes. This was boosted by acquisitions, both direct and within the broker network as well as underwriting agencies.

The underwriting agency business also expanded through further developing existing businesses and adding new products and agencies as well as acquisitions.

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 has not been significantly affected by the current economic conditions.

Operating results for the year

Net profit after tax attributable to equity holders of the parent increased by 60.7% to \$41.203 million (2012: \$25.640 million). This profit includes fair value adjustments to the carrying value of associates of \$12.001 million, after tax profits on sale of interests in associates and controlled entities contingent consideration adjustments totaling \$0.276 million. The profit for last 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 \$32.075 million in 2013 (2012: \$27.395 million). In the table below, the Adjusted NPAT of \$32.075 million is reconciled to the net profit attributable to equity holders of the parent as reported in the Income Statement.

	2013 \$'000	2012 \$'000	Increase
Adjusted NPAT attributable to equity holders of the parent	32,075	27,395	17%
Less Net Profit after tax on sale of interests in associates, portfolios and controlled entities and contingent consideration adjustments *	276	192	
Less Adjustments to the carrying value of associates (no income tax applicable)*	12,001		
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	44,352	28,218	57%
Less Amortisation of intangibles (net of tax credit)*	(3,149)	(2,578)	
Net profit attributable to equity holders of the parent as reported in the Income Statement	41,203	25,640	61%

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

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Adjustment to contingent consideration occurs when there is a variation between the estimated and actual payment made to acquire a controlled entity or associate due to a variation in the expected results on which payment is based. If the payment is under estimated the adjustment is taken as a loss and if it is overestimated it is taken as a profit.

Profits on sale of portfolios or 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. Portfolios may be transferred to associates for the same reasons. This year a portfolio was transferred to an entity in return for shares to form a joint venture specialist insurance broker which resulted in a profit on the portfolio transferred.

The adjustment of \$12.001 million has arisen this year as a result of the Group increasing its equity in three associates where upon they became controlled entities offset by an impairment charge in relation to an associate. As required by accounting standards the carrying values for the existing investments have been adjusted to fair value and the increase included in Net profit. Such adjustments will only occur in future if further acquisitions of this type are made.

The recognition of the impairment of an associate was largely offset by an adjustment to the contingent consideration relating to that entity.

Amortisation of intangibles expense increased over last year due to acquisition activity flowing on from late last year and in the current year including increases in equity in associates. This expense is a non cash item and will fluctuate depending on the amount and timing of acquisitions.

Analysing the Adjusted NPAT increase of 17.1%, the broker network, including acquisitions, contributed 16.6% and underwriting agencies 3.5%. This was partially offset by increases in finance costs, corporate expenses and other minor costs, which reduced growth by 5.2%. A lower effective tax rate (after allowing for non deductible acquisition expenses) added 2.2%.

Direct acquisitions in the broker network of BGA Insurance Brokers in October 2012, Dalby Insurance Brokers in April 2013 and InterRISK in June 2013 together with the increases in equity in existing network members, Comsure, Adroit, Austbrokers Canberra and Insurics, made up 2.5% of the 16.6% increase contributed by broking. The requirement to expense acquisition costs and the fact that the direct acquisitions were made largely in the second half of the year moderated their contribution which will flow on fully to the next financial year. Significant bolt on acquisition activity continued throughout the year within the broker network.

In the insurance broking network, total commission and fee income increased by 6.2% and total income by 7.6% over the prior year (6.4% excluding direct acquisitions). Premium funding income was up 19.3% and profit shares were 198.5% above last year. Expenses increased by 5.2% (4.1% excluding direct acquisitions). This reflects an increase as a result of bolt on acquisitions within the network, direct expenses related to income growth as well as some inflationary increase in costs.

Underwriting agencies' profits increased by 22.7%. The acquisition of Film Insurance Underwriting Agency on 1 January 2012 and Lawsons and Guardian in May 2013 contributed 3.5% to this and new startup businesses 10.5% with 8.7% coming from existing businesses. Commission and fee income excluding acquisitions grew by 29%.

Corporate expenses excluding acquisition costs increased by 26% over the prior year largely due to increased investment in resourcing the IT area to provide the broking network with additional support and better business tools to manage and grow their businesses, transitional costs for the change in CEO, and increases in insurance costs following a review of this area.

Excluding the impact of the non deductible acquisition expenses, a lower effective tax rate increased profit growth by 2.2%. This occurred largely as a result of lower non deductible items and the recoupment of tax losses, the benefit of which had not been previously recognised.

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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 %
2013	72.2	55.9	35.5	14.5
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 earnings per share for the 2013 year benefited from some adjustments to fair value, profits on sale of portfolios and interests in associates as well as adjustments to contingent consideration. Earnings per share based on Net Profit after Tax before amortization of intangibles and these items, increased by 13.65% over 2012. Compound average growth rate in earnings per share over the 5 years to 30 June 2013 on this basis was 12.4%.

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 61.7% for the 2013 financial year and 45.9% for the 3 years and 37.6% for the 5 years to 30 June 2013 on an annualized basis. These returns are well above the returns for the ASX All Ordinaries and ASX 200 indices.

Financial Condition

Total equity increased to \$230,398,000 from \$172,290,000. The main reason for the increase was the profit for the year. The reduction in equity through dividends paid was partially offset by the increase in issued capital arising from dividends paid being reinvested as a result of the company's dividend reinvestment plan and the issue of shares as a result of the exercise of employee share options. Equity was also increased through an increase in Non-controlling interests which is explained below.

As a result of acquisitions and increasing the equity held in former associates which are now consolidated entities, there has been a significant increase in Trade and other payables which has been more than offset by an increase in Trade and other receivables and Cash and cash equivalents – Trust. These balance sheet items largely represent premiums payable to underwriters and corresponding receivables to be collected and cash held to pay these.

Intangibles also increased as a result of the acquisitions, particularly the requirement to recognize 100% of the intangibles at market value in relation to the former associates that are now consolidated entities. The increase in Non-controlling interests reflects their interest in the increase in intangibles.

The Group continues to generate positive cash flow from operations however cash, excluding insurance trust account funds, decreased from \$40,743,000 to \$38,083,000 due to the record level of acquisitions achieved during the year. Borrowings increased by \$18,371,000 to \$52,885,000 as a result of acquisitions by the Group and existing debt of companies acquired. Borrowings of associates of \$44,420,000, (2012 \$41,552,000) are not included in this nor are shown on the Group balance sheet as these entities are not consolidated. The borrowings relate largely to funding of acquisitions, premium funding and other financing activities.

The Company's banking facilities of \$40,000,000 have a term to 30 May 2016 and at year end there is \$5,000,000 available to be drawn down.

Gearing, which is 18.7% at year end, remains below the acceptable limit of 30% set by the Directors. The Group's policy is to maintain sufficient cash and/or facilities to be able to respond to acquisition opportunities as they arise.

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Business Strategies and Prospects for future Years

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

- § grow its existing business organically.
- § grow its footprint in the market through acquisitions.
- § grow its underwriting agency business by expanding the products underwritten and extending the owner driver model to these activities.

Premium rates are expected to increase moderately in property classes and remain reasonably stable in others.

The acquisitions made during 2013 will add to profits for the 2014 year and already 50% of WRI Insurance Brokers has been acquired, effective on 1 July 2013. These will contribute to future growth. It does appear that acquisition opportunities will continue to arise although not at the same level as in 2013 and these also may be impacted by the level of competition in the market. The focus will be on consolidating previous acquisitions and optimising the Austbrokers operating model.

Interest earnings will again be reduced in the 2014 financial year as a result of the reductions in deposit rates which have occurred following the Reserve Bank's reductions of the cash rate. Also the amount of profit commissions for 2014 to be paid by insurers will depend on their claims experience for future periods and therefore cannot be predicted.

Profit commissions paid by underwriters which depend on the profitability of business written, were a significant contributor the results in 2013 but cannot be reliably predicted for future years.

The Group is also investing in additional resources to add to management strength to assist the broker network and agency businesses to expand their businesses and operate more efficiently. This will add to costs in the next financial year.

In general, the short term outlook for the economy remains uncertain which, if it seriously impacts small and medium enterprises, may make trading conditions more difficult. Organic growth, bolstered by acquisitions, should provide moderate growth in 2014 over the 2013 financial year in net profit after tax before amortisation of intangibles, fair value adjustments, profit or losses on sale of equity interests and any adjustment to contingent acquisition payments. The extent of that growth will be impacted by the level of future acquisitions, the extent that profit commissions will be paid and the movement in interest rates.

DIVIDENDS	Cents	\$'000
Final dividend recommended:		
§ on ordinary shares	24.5	<u>14,247</u>
Dividends paid in the year:		
§ on ordinary shares - interim	11.0	6,339
§ on ordinary shares - final	21.5	<u>12,053</u>
		<u>18,392</u>

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.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 27 August 2013 the Directors of Austbrokers Holdings Limited declared a final fully franked dividend on ordinary shares of 24.5 cents per share in respect of the 2013 financial year. Based on the current number of ordinary shares on issue, the total amount of the dividend is \$14,246,500.

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.

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RISK MANAGEMENT

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

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

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

The company has identified a series of operational risks which the company believes to be inherent in the industry in which the company operates and these are set out in the Operating and Financial Review. These risk areas are provided to assist investors to understand better the nature of the risks faced by the company and the insurance broking industry. They are not necessarily an exhaustive list. These include:

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

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 667,853 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 Company's 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 298,200 options were exercised leaving 49,350 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 317,300 options were exercised leaving 202,900 unexercised at reporting date.

The fourth tranche of 142,729 options vested on 29 September 2011 and no further options vested on the retest date of 29 September 2012. All options must be exercised no later than 29 September 2015. During the year 33,340 options were exercised leaving 14,404 unexercised at reporting date. The exercise price for each option remaining was zero.

The earliest vesting date for the fifth tranche of 78,817 options is 3 November 2012. Options totaling 49,655 vested on that date and were exercised leaving 29,162 outstanding at reporting date. If options are exercised within two years of

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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 67,771 options is 31 October 2013. If options are exercised within two years of the date the options vest the shares cannot be disposed of before the expiry of the two year period from the date the options vested, except if employment is terminated. All options must be exercised no later than 31 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.

The earliest vesting date for the eighth tranche of 38,320 options is 31 October 2015. If options are exercised within two years of the date the options vest the shares cannot be disposed of before the expiry of the two year period from the date the options vested, except if employment is terminated. All options must be exercised no later than 5 October 2019. The exercise price for each option was zero for all of the options.

A further grant of 233,000 options was made on 15 January 2013 with an earliest vesting date of 1 January 2016. If options are exercised within two years of the date the options vest the shares cannot be disposed of before the expiry of the two year period from the date the options vested, except if employment is terminated. All options must be exercised no later than 1 January 2020. The exercise price for each option was zero for all of the options.

Shares issued as a result of the exercise of options

During the financial year, employees exercised options to acquire 298,200 fully paid shares in Austbrokers Holdings Limited at \$3.47, 317,300 at \$4.20, 20,159 at \$4.22 and 62,836 for no consideration. Consequently 698,495 ordinary shares were issued during the financial year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

REMUNERATION REPORT

This remuneration report ending on page 16, 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 2012 received shareholder support at the 2012 AGM with a strong vote in favour.

Remuneration philosophy

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

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

- § Provide competitive rewards to attract high 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 it is paid to Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to Non-executive Directors of comparable companies when undertaking the review process. Advice was obtained during the current year from an external remuneration consultant to ensure that fees were in line with the current market. As a result of their recommendations, fees were increased from 1 April 2013. It is also proposed to obtain approval from shareholders at the 2013 Annual General Meeting to increase the aggregate remuneration to \$750,000. This will allow flexibility in the appointment of additional directors to manage succession as directors retire.

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

From 1 April 2013 each director receives an annual fee of \$100,000 (previously \$80,000) with the Chairman of the Audit and Risk Management Committee receiving an additional \$20,000 (previously \$7,500). The Chairman of the Board receives an annual fee of \$170,000 (previously \$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 2013 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 13.

Remuneration consists of the following key elements:

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

The CEO's target remuneration mix comprises 47% fixed remuneration, 13% target STI opportunity and 40% LTI. Senior executives target remuneration mix ranges from 60-70% fixed remuneration, 20-25% target STI opportunity and 10- 15% LTI. It is the Company's policy to have fixed remuneration at market median and total remuneration at the upper quartile.

To ensure the Remuneration Committee is fully informed when making remuneration decisions it seeks external remuneration advice. This process is carried out every second year. A formal appointment process was undertaken in 2012 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. KPMG provided advice in the form of a written report providing insights on remuneration trends and shareholder views and market data in relation to CEO and executive remuneration. No remuneration recommendations were provided.

Fixed Remuneration

Objective

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

Structure

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

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

Variable Remuneration – Short Term Incentive (STI)

Objective

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

Structure

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

On an annual basis, a rating is determined for each executive based on an evaluation of each executive's performance against predetermined objectives. This rating is then applied to an allocated STI opportunity determined as a percentage of fixed remuneration. This amount is then scaled up or down to reflect the Group's performance against its financial target of 10% growth in Adjusted NPAT (net of all STI costs) over the prior year to a maximum of 2 times if 20%

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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 2012 financial year, 90% of the STI cash bonus provided in the financial statements was paid in the 2013 financial year. The Remuneration Committee will consider the STI payments for the 2013 financial year in September 2013. The maximum amount available for the 2013 financial year is \$1,754,000. This amount has been provided for in the 2013 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.

The previous Chief Executive Officer retired on 31 December 2012. For the six months period to that date he was granted a short term incentive opportunity, at the discretion of the board and subject to various performance criteria. An amount of \$304,000 has been provided in relation to this in the 2013 financial year.

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

Objective

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

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

The MTI was introduced to recognise that as some personnel approach retirement, participation in the LTI scheme would not have met the objectives. Following the retirement of the past CEO the MTI only applies to one other KMP.

Structure

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

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

Relationship of rewards to performance

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

Option exercise conditions

Exercise conditions:

- (a) subject to satisfaction of the performance based conditions referred to in paragraphs (b) and (c) below, the Options will vest 3 years after the date of grant;
- (b) if the First Test Compound Earnings Per Share Growth (Compound Growth) is:
 - (i) greater than or equal to 8.5% per annum, 20% of the Options will become exercisable;
 - (ii) equal to 10% per annum, 50% of the Options will become exercisable;

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

(iv) 15% per annum or more, 100% of the Options will become exercisable,

in each case on the date on which the Company's audited financial statements for the third financial year ending after the grant are lodged with the Australian Securities Exchange (the "**First Test Date**");

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

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

(d) options granted in the 2010, 2011 and 2012 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.

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

The exercise conditions for the MTI are the same as for the CEO options. The period for testing the earnings per share growth for the MTI is modified to reflect the anticipated period of future service. The amount anticipated to be paid for the period to 30 June 2013 will be paid in 2015 subject to meeting vesting conditions. An amount of \$19,000 has been provided for in the 2013 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 %
2013	72.2**	56.0
2012	46.3	16.9
2011	39.6	12.2
2010	35.3	11.4
2009	31.7	11.0
2008	28.6	13.9
2007	25.1	25.5
2006	20.0*	N/A

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

** Includes profit arising from adjustment to fair value on former associates becoming controlled entities of \$12.630 million.

Earnings per share based on Net Profit after Tax before amortization of intangibles, adjustments to fair value on former associates becoming controlled entities, adjustments to contingent acquisition payments and profits on sale of portfolios

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of controlled entities increased by 13.65% over 2012. Compound average growth rate in earnings per share over the 5 years to 30 June 2013 on this basis was 12.4%.

Total annualized shareholder returns over the one year, three year and five year periods to 30 June 2013 were 61.7%, 45.9% and 37.6% respectively, confirming the alignment of executive remuneration to shareholder returns.

Based on the performance achieved, the option grants in 2005, 2006 and 2007 fully vested, 73% of the grants made in 2008 and 69% of the grants made in 2009 vested. The grants made in 2010 are expected to 78% vest based on the performance to 30 June 2013 with any further vesting subject to retesting based on performance over the 4 years to 30 June 2014.

Employment contracts

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

- § From 1 July 2013, Mr. Searles received fixed remuneration of \$597,400 per annum.
- § Mr Searles was granted 200,000 options to subscribe for ordinary shares under the Senior Executive Option Plan which are subject to performance conditions.
- § A further 33,000 options were granted to vest on 1 January 2016 and are not subject to any performance hurdles provided Mr Searles is an employee of a group company on that date.
- § Mr. Searles may resign from his position and thus terminate this contract by giving 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 or employment contracts with no fixed term, and varying periods up to three month for either party to terminate. Details of remuneration are contained in table 1.

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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 2013 (Consolidated)

30 June 2013	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	142,202	-	4,460	12,798	-	159,460	-
W.L. McKeough * Chief Executive (retired 31 December 2012)	477,579	923,484	45,105	25,000	-	1,471,168	62.77%
M. P. L. Searles Chief Executive (appointed 1 January 2013)	254,447	-	23,787	15,030	1,719,540	2,012,804	85.43%
R.J. Carless Non-executive Director	77,982	-	6,129	7,018	-	91,129	-
D.J. Harricks Non-executive Director	70,625	-	6,253	25,000	-	101,878	-
P.R. Shirriff Non-executive Director	77,982	-	6,202	7,018	-	91,202	-
Executives							
S.S. Rouvray Chief Financial Officer / Company Secretary	269,802	161,609	32,869	24,182	-	488,462	33.09%
F. Gualtieri National Manager - Group Services and Support	202,543	111,817	29,173	24,831	44,047	412,411	37.79%
F Pasquini General Manager - Acquisition and Development	222,086	107,371	33,605	24,889	47,262	435,213	35.53%
G.J. Arms General Manager - Equity Operations	185,379	115,473	70,825	25,000	47,162	443,839	36.64%
	1,980,627	1,419,754	258,408	190,766	1,858,011	5,707,566	

Notes

* For W.L. McKeough, salary and fees includes accrued annual leave and long services leave entitlements totalling \$264,125 paid out on retirement. Short term incentives includes \$177,600 in respect of other long term performance bonus.

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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 2013 (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.

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REMUNERATION REPORT continued

Remuneration of Directors and named Executives continued

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

30 June 2013	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
Director							
M. P. L. Searles	233,000	15-Jan-13	7.38	-	1-Jan-20	1-Jan-16	1-Jan-20
Executives							
S.S. Rouvray	-	-	-	-	-	-	-
F. Gualtieri	5,713	31-Oct-12	7.71	-	31-Oct-19	31-Oct-15	31-Oct-19
F Pasquini	6,130	31-Oct-12	7.71	-	31-Oct-19	31-Oct-15	31-Oct-19
G.J. Arms	6,117	31-Oct-12	7.71	-	31-Oct-19	31-Oct-15	31-Oct-19
Total	<u>17,960</u>						

30 June 2012

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	<u>33,505</u>						

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

30 June 2013	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		Options fully vested during the year No.
					Shares issued No.	Paid per share \$	
Directors							
M. P. L. Searles	1,719,540	-	-	85.43%	-	-	-
W.L. McKeough	-	370,646	-	0.00%	400,000	3.96	-
Executives							
S.S. Rouvray	-	82,920	22,342	0.00%	59,757	2.90	10,841
F. Gualtieri	44,047	116,343	12,123	10.68%	90,415	3.41	5,882
F Pasquini	47,262	50,210	11,532	10.86%	41,136	3.05	5,595
G.J. Arms	47,162	37,919	12,950	10.63%	16,067	2.73	6,283
Total	<u>1,858,011</u>	<u>658,038</u>	<u>58,947</u>		<u>607,375</u>		<u>28,601</u>
30 June 2012							
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	13,473
G. Lambert *	-	96,530	115,837	-	86,949	3.59	-
F. Gualtieri	42,974	-	11,064	9.91%	-	-	14,621
J. Howells	-	-	12,673	0.00%	-	-	8,307
F Pasquini	42,409	-	10,453	20.88%	-	-	6,853
G.J. Arms	46,014	97,477	11,818	9.41%	120,356	2.99	15,618
Total	<u>210,412</u>	<u>504,983</u>	<u>182,401</u>		<u>760,778</u>		<u>58,872</u>

The amount unpaid per share for shares issued on exercise of options during 2012 and 2013 was \$NIL.

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

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DIRECTORS' MEETINGS

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

	Meetings of Committees			
	Directors' Meetings	Audit & Risk Management	Nomination	Remuneration & Succession Planning
No. of meetings held:	7	6	5	5
No. of meetings attended:				
R.A. Longes	6	4	5	4
W.L. McKeough	4	N/A	N/A	N/A
M. P. L. Searles	3	N/A	N/A	N/A
R J Carless	7	6	5	5
D.J. Harricks	7	6	5	5
P.R. Shirriff	7	6	5	5

Mr McKeough and Mr Searles were not members of any Committee. All other Directors were eligible to attend all meetings held except Mr McKeough who was eligible to attend 4 Board Meetings and Mr Searles who was eligible to attend 3.

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 18 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 2013. 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.

M P L Searles, Director
 Sydney, 27 August 2013

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 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Paul Harris
Partner
Sydney
27 August 2013

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 2013 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 under the About Us tab 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 INFORMATION

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	8 years
M.P.L. Searles	8 months
R. J. Carless	3 years
D.J. Harricks	8 years
P.R. Shirriff	28 years

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 fulfill their responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit and Risk Management Committee.

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

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.

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

Risk (continued)

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.

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.

Shareholder Communication Policy (continued)

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.

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

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

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

Diversity Policy (continued)

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.

A survey of the makeup of the work force across Austbrokers and related entities is conducted annually (the most recent in April 2013) to monitor gender diversity in leadership, management and support roles. The results of the survey indicated that females made up 55% of total employees and were well represented in management roles at 49% but representation fell to 17% 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 increasing females in leadership roles.

Objectives were set in 2011 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

The number of women in management roles increased from the base period from 45% to 49% which achieved the third objective above. New acquisitions in the group with lower proportions of female leaders and managers have reduced the overall proportion of females in leadership roles from around 20% in August 2012. Continuing focus will be given to increasing female representation in leadership roles. A further survey will be undertaken in April 2014 to monitor progress in achieving the objective of 10% increase.

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
	Notes	2013	2012
		\$'000	\$'000
Revenue	4 (i)	142,180	101,441
Other income	4 (ii)	6,490	5,929
Share of profit of associates	4 (iii)	19,370	18,060
Expenses	4 (iv)	(118,614)	(85,678)
Finance costs	4 (v)	(3,081)	(2,576)
		<u>46,345</u>	<u>37,176</u>
Income arising from adjustments to carrying values of associates, sale of interests in associates, controlled entities and broking portfolios			
- Adjustments to carrying value of associates	4(vi), 7(f),(g)	12,001	-
- Profit from sale of interests in controlled entities, broking portfolios and contingent consideration adjustments	4(vii)	412	192
		<u>12,413</u>	<u>192</u>
Profit before income tax		58,758	37,368
Income tax expense	5	11,221	7,697
		<u>11,221</u>	<u>7,697</u>
Net Profit after tax for the period		47,537	29,671
Net Profit after tax for the period attributable to:			
Equity holders of the parent		41,203	25,640
Non-controlling interests		6,334	4,031
		<u>47,537</u>	<u>29,671</u>
Basic earnings per share (cents per share)	6	72.2	46.3
Diluted earnings per share (cents per share)	6	71.5	45.8

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Consolidated	
		2013 \$'000	2012 \$'000
Net Profit after tax for the period		47,537	29,671
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		47,537	29,671
Total comprehensive income after tax for the period attributable to:			
Equity holders of the parent		41,203	25,640
Non-controlling interests		6,334	4,031
		47,537	29,671

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

		Consolidated	
	Notes	2013	2012
		\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	38,083	40,743
Cash and cash equivalents - Trust	7	112,610	74,859
Trade and other receivables	9	156,698	117,167
Other financial assets	10	1,716	1,316
Total Current Assets		309,107	234,085
Non-current Assets			
Trade and other receivables	11	264	261
Other financial assets	12	424	152
Investment in associates	13	82,169	79,553
Property, plant and equipment	15	7,455	5,058
Intangible assets and goodwill	16	158,639	82,836
Deferred income tax asset	5	6,006	5,194
Total Non-current Assets		254,957	173,054
TOTAL ASSETS		564,064	407,139
LIABILITIES			
Current Liabilities			
Trade and other payables	19	253,395	181,420
Income tax payable	5	6,071	3,655
Provisions	20	9,963	8,418
Interest bearing loans and borrowings	21	10,132	1,130
Total Current Liabilities		279,561	194,623
Non-current Liabilities			
Provisions	20	2,469	1,871
Deferred tax liabilities	5	8,883	4,971
Interest bearing loans and borrowings	21	42,753	33,384
Total Non-current Liabilities		54,105	40,226
TOTAL LIABILITIES		333,666	234,849
NET ASSETS		230,398	172,290
EQUITY			
Issued capital	22	90,586	76,036
Retained earnings		100,390	77,017
Share based payments reserve	22	5,173	3,873
Asset revaluation reserve	22	1,500	2,109
Equity attributable to equity holders of the parent		197,649	159,035
Non-controlling interests		32,749	13,255
TOTAL EQUITY		230,398	172,290

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Consolidated	
		2013	2012
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		127,250	96,564
Net increase in cash held in customer trust accounts		11,230	9,851
Dividends received from others		62	1
Dividends/trust distributions received from associates		17,215	17,213
Interest received		4,491	5,928
Management fees received from associates / related entities		3,524	1,601
Payments to suppliers and employees		(110,476)	(82,382)
Interest paid		(3,164)	(2,456)
Income tax (paid)		(10,962)	(9,112)
NET CASH FLOWS FROM OPERATING ACTIVITIES	7 (a)	39,170	37,208
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for increase in interests in controlled entities	7 (b),(d)	(1,757)	-
Proceeds from reduction in interests in controlled entities	7,(c),(e)	3,015	498
Net proceeds from / (payments) for new consolidated entities, net of cash acquired	7(f),(g),(h),(i),(j),(k),(m)	8,367	(3,892)
Payment for new associates	7,(n),(o),(p),(q),(s),(t)	(3,235)	(184)
Payment for new broking portfolios purchased by members of the economic entity	7 (v)	(5,725)	(3,627)
Proceeds from sale of broking portfolios by member of the economic entity	7 (w)	953	-
Proceeds from sale of controlled entity (net of cash disposed)	7 (x)	199	-
(Payment) for purchases/proceeds from sale of other financial assets		(228)	-
Proceeds from sale of plant and equipment		246	293
Payment for plant and equipment		(1,534)	(2,111)
Advances of mortgages to associates / related entities		(300)	(997)
Proceeds from mortgage repayments from associates / related entities		30	390
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		31	(9,630)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders		(8,323)	(11,792)
Dividends paid to shareholders of non controlling interests		(5,097)	(3,286)
Proceeds from issue of share capital		2,414	2,380
Payment for contingent consideration on prior year acquisitions		(3,022)	(1,186)
Increase in / (repayment) of borrowings and lease liabilities		9,469	(509)
Repayments from related entities		449	83
NET CASH FLOWS (USED IN) / FROM FINANCING ACTIVITIES		(4,110)	(14,310)
NET INCREASE IN CASH AND CASH EQUIVALENTS		35,091	13,268
Cash and cash equivalents at beginning of the period		115,602	102,334
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7 (a)	150,693	115,602

AUSTBROKERS HOLDINGS LIMITED
A.B.N. 60 000 000 715
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	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 (e))	-	186	-	-	186	-	186
Transfer to non controlling interest on 10% share of net assets on part sale of controlled entity (see note 7(e))	-	-	-	-	-	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.	-	-	-	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
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	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 2012	76,036	77,017	2,109	3,873	159,035	13,255	172,290
Profit for the year	-	41,203	-	-	41,203	6,334	47,537
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	41,203	-	-	41,203	6,334	47,537
Adjustment resulting from the consolidated entity acquiring an additional 10% interest in the voting shares of a controlled entity. The acquisition is treated as a transaction between owners and the resulting goodwill is recognised directly in retained earnings (see note 7 (d))	-	(753)	-	-	(753)	(747)	(1,500)
Adjustment on dilution of voting shares in controlled entities resulting from additional shares issued to non controlling interests. These adjustments are treated as transaction between owners and credited directly to retained earnings (see note 7 (c))	-	810	-	-	810	2,205	3,015
Cancellation of shares in Inferfin Pty Ltd by Aprikeesh Pty Ltd. (see note 7 (b))	-	(5)	(99)	-	(104)	(153)	(257)
Non controlling interests relating to new acquisitions	-	-	-	-	-	16,952	16,952
Transfer from asset revaluation reserve for amortisation of broking register recognised on step acquisition of broking subsidiaries	-	728	(728)	-	-	-	-
Tax effect of transfer from asset revaluation reserve for amortisation of broking register recognised on step acquisition of broking subsidiaries	-	(218)	218	-	-	-	-
Cost of share-based payment	-	-	-	504	504	-	504
Tax benefit arising from payments made to employee share trust to acquire shares to satisfy exercise of share options	-	-	-	754	754	-	754
Adjustment to tax benefit arising from expected future payments to acquire shares to satisfy vested and partially vested options which were unexercised at balance date (net of any benefit previously recognised in the income statement relating to share based payment expense).	-	-	-	42	42	-	42
Issued capital resulting from net proceeds from Dividend Reinvestment Plan	10,069	-	-	-	10,069	-	10,069
On 13 September 2012 allotted 36,100 shares at an issue price of \$3.47 (see note 22).	125	-	-	-	125	-	125
On 13 September 2012 allotted 20,000 shares at an issue price of \$4.20 (see note 22).	84	-	-	-	84	-	84
On 18 December 2012 allotted 9,747 shares at an issue price of \$4.22 (see note 22).	41	-	-	-	41	-	41
On 18 December 2012 allotted 223,200 shares at an issue price of \$3.47 (see note 22).	775	-	-	-	775	-	775
On 18 December 2012 allotted 297,300 shares at an issue price of \$4.20 (see note 22).	1,249	-	-	-	1,249	-	1,249
On 2 April 2013 allotted 38,900 shares at an issue price of \$3.47 (see note 22).	135	-	-	-	135	-	135
On 2 April 2013 allotted 10,412, shares at an issue price of \$4.20 (see note 22).	44	-	-	-	44	-	44
On 13 June 2013 allotted 193,348, shares at an issue price of \$10.692 as part of an acquisition (see note 7 (j))	2,067	-	-	-	2,067	-	2,067
Share issue expenses	(39)	-	-	-	(39)	-	(39)
Equity dividends	-	(18,392)	-	-	(18,392)	(5,097)	(23,489)
At 30 June 2013	90,586	100,390	1,500	5,173	197,649	32,749	230,398

AUSTBROKERS HOLDINGS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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1. CORPORATE INFORMATION

The financial report of Austbrokers Holdings Limited for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 27 August 2013.

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

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

See note 3 for new Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the group for the year end reporting period 30 June 2013.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the financial report

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

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

(b) Statement of compliance

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

(c) Basis of consolidation

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

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

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

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

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

(d) Earnings per share

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

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

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

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net assets acquired in a business combination

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

Estimation of useful lives of assets

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

(f) Revenue recognition

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

Commission, brokerage and fees

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

Interest

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

Dividends and Distributions from trusts

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

(g) Cash and cash equivalents

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

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

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

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

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2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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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 reduction in deferred tax which was raised at the time the net present value adjustment was recognised.

(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 for broking portfolios and 15 years for financial services businesses (life risk), and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an identifiable intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on identifiable intangible assets with finite lives is recognised in the expense category of the income statement consistent with the function of the intangible asset.

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

(iii) Revaluation

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

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

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

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.

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).

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

(r) Provisions and employee benefits

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

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

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

Employee benefits

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

Liabilities for employee entitlements to long service leave, which are not expected to be settled within twelve months after balance date, are accrued at the present value of the future amounts to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary level, experience of employee departures and periods of service. The discount factor applied to all such future payments is determined using 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.

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').

An Employee Share Options Plan (ESOP) is in place which provides benefits to executive directors and senior executives.

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

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

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

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

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

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

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

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

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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 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.

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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 2013. 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 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 an 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, 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 UIG-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 and it is not expected that there will be any change in the accounting for associates. In the event that after further analysis, 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 have assessed that AASB 12 will not have a material impact on the financial statements.	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 have assessed the impact on fair value measurement and additional disclosures required to comply with AASB 13 and have determined that there will be no material impact on the financial statements.	1 July 2013

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	Consolidated	
	2013	2012
	\$'000	\$'000
4. REVENUE AND EXPENSES		
(i) Revenue		
Commission, Brokerage and Fee Income	138,656	99,840
Management fees related entities	3,524	1,601
Total revenue	142,180	101,441
(ii) Other income		
Dividends from other persons	62	1
Interest from other persons / corporations	4,491	4,807
Other income	1,937	1,121
Total other income	6,490	5,929
(iii) Share of profit of associates		
Share of Net Profits of Associates Accounted for using the Equity Method before amortisation	20,761	19,458
Amortisation of Intangibles - Associates	(1,391)	(1,398)
Total share of profit of associates	19,370	18,060
(iv) Expenses		
Amortisation of Intangibles - controlled entities	3,531	2,414
Salaries and wages	75,637	54,259
Share-based payments	504	191
Audit fees	1,354	1,267
Travel/Telephone/ Motor/Stationery	5,015	4,369
Depreciation of property plant and equipment	1,860	1,397
Other expenses	13,747	9,955
Rent (operating leases)	6,685	4,574
Commission expense	7,335	5,376
Insurance	2,946	1,876
Total other expenses	118,614	85,678
(v) Finance costs		
Borrowing costs	3,081	2,576
Total finance costs	3,081	2,576
(vi) Adjustments to carrying value of associates		
Fair value adjustment to carrying value of associates on the date they became controlled entities (see note 7(f),(g))	12,630	-
Impairment charge relating to the carrying value of an associate (see note 17)	(629)	-
Total adjustments to carrying value of associates	12,001	-
(vii) 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(w),(x))	305	-
Adjustment to contingent consideration on acquisition of portfolios/controlled entities (see note 7(r),(u),(v)) - previous year see note(7(l),(u))	107	192
Total profit from sale of interests in controlled entities, broking portfolios and contingent consideration adjustments	412	192

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		Consolidated	
		2013	2012
		\$'000	\$'000
5. INCOME TAX			
Major components of income tax expense			
Income statement			
<i>Current income tax</i>			
Current income tax charge		10,998	8,423
Adjustment for prior years		(33)	(585)
<i>Deferred tax expense</i>			
Origination and reversal of temporary differences		256	(141)
Total income tax expense in income statement		11,221	7,697
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		58,758	37,368
At the company's statutory income tax rate of 30% (2012: 30%)		17,627	11,210
Rebateable dividends		(14)	-
Non assessable income from associated entities		(2,887)	(3,148)
Non-taxable gains/losses on sale		(52)	-
Capital Losses recouped		(111)	-
(Over)/ under provision prior year		(33)	46
Tax on distributions from associates operating as trusts		(80)	(61)
Adjustment to contingent consideration on acquisition of controlled entity		(33)	(58)
Fair value adjustment to carrying value of associate on the date it became a controlled entity		(3,789)	-
Impairment charge relating to the carrying value of an associate		189	-
Income tax credit arising from recognition of deferred tax asset on prior years' share based payment expense		-	(631)
Non deductible expenses/other		404	339
Income tax expense reported in the consolidated income statement	-	11,221	7,697
Income tax payable		6,071	3,655
		Consolidated	Consolidated
		Income statement	Statement of Financial Position
		2013	2012
		\$'000	\$'000
Deferred income tax			
Deferred income tax at 30 June relates to the following:			
Deferred tax liability			
Income accrued not assessable	(9)	(619)	1,723
Unamortised value of broker register	-	-	8,219
Tax credit on amortisation expense	(1,059)	(724)	(1,059)
Gross deferred income tax liabilities		8,883	4,971
Deferred tax asset			
Provisions and accruals not claimed for tax purposes	812	1,484	6,006
Borrowing costs not claimed	-	-	-
Gross deferred income tax assets		6,006	5,194
Deferred tax income/(expense)	(256)	141	

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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	
	2013	2012
	\$'000	\$'000
Net profit attributable to ordinary equity holders of the parent	41,203	25,640
	2013	2012
	<i>Thousands</i>	<i>Thousands</i>
	<i>Shares</i>	<i>Shares</i>
Weighted average number of ordinary shares for basic earnings per share	57,070	55,396
Effect of dilution:		
Weighted average number of shares under option adjusted for shares that would have been issued at average market price	553	596
Weighted average number of ordinary shares adjusted for the effect of dilution	57,623	55,992
Basic earnings per share (cents per share)	72.2	46.3
Diluted earnings per share (cents per share)	71.5	45.8

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7. CASH AND CASH EQUIVALENTS

	Consolidated	
	2013	2012
	\$'000	\$'000
a) Reconciliation of profit after tax to net cash flows from operations		
Profit after tax for the period	47,537	29,671
Profit from sale of interests in controlled entities, broking portfolios and contingent consideration adjustments	-	(192)
Equity accounted (profits) after income tax	(19,370)	(18,060)
Dividends/trust distributions received from associates	17,215	17,213
Amortisation of intangibles	3,531	2,414
Profit from sale of interests in controlled entities and broking portfolios	(305)	-
Adjustment to contingent consideration on acquisition of portfolios/controlled entities	(107)	-
Fair value adjustment to carrying value of associates on the date they became controlled entities	(12,630)	-
Impairment charge relating to the carrying value of an associate	629	-
Depreciation of fixed assets	1,860	1,397
Share options expensed	504	191
Changes in assets and liabilities		
(Increase) in trade and other receivables	529	(674)
(Decrease)/Increase in trade and other payables	2,007	(567)
(Increase) in trust receivables	(5,609)	(12,078)
Increase in trust payables	2,964	19,325
(Decrease)/Increase in provisions	153	(19)
(Increase) in deferred tax asset	(408)	(958)
(Decrease) in deferred tax liability	(1,196)	(106)
(Decrease)/Increase in provision for tax	1,866	(349)
Net cash flows from operating activities	39,170	37,208
Cash and cash equivalents	38,083	40,743
Cash and cash equivalents - Trust	112,610	74,859
Total cash and cash equivalents	150,693	115,602

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(x) 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 Group's 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.

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

Equity transactions between owners - current year

b)

Effective 1 July 2012, Interfin Pty Ltd, an entity within the consolidated group, cancelled voting shares resulting in a payment of \$257,000 to non controlling interests. The cancellation of voting shares previously issued to non controlling interests, increased the voting shares owned by Aprikeesh Pty Ltd in Interfin from 67.8% to 78.8%. The cancellation of voting shares was treated as a transaction between owners and the resulting change of \$5,000 and \$99,000 was reflected in retained earnings and asset revaluation reserve respectively.

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7. CASH AND CASH EQUIVALENTS (Continued)

Business combinations (continued)

Equity transactions between owners - current period (continued)

- c) Effective 1 July 2012, the Consolidated entity diluted its voting shares of Austbrokers Financial Solutions (Syd) Pty Ltd (AFS) from 100% to 75% , when AFS issued additional shares to a new shareholder for \$1,224,920.

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

Effective 1 January 2013, a controlled entity diluted its voting shares in SPT Financial Services Pty Ltd (SPT) from 75% to 70%, when SPT issued additional shares to a new shareholder for \$73,119.

Effective 30 June 2013, a controlled entity diluted its voting shares in Austbrokers AEI Pty Ltd (AEI) from 80% to 65%, when AEI issued additional shares to a new and existing shareholders for \$1,250,000 including \$550,746 to its parent entity.

The value of the non-controlling interests in AFS, ABT, SPT and AEI was determined based on their 25%, 29.17%, 30% and 35% interest in the carrying value of the identifiable net assets of each company respectively as at the date of dilution of shareholding.

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

	AFS	ABT	SPT	AEI
	Carrying value	Carrying value	Carrying value	Carrying value
	\$'000	\$'000	\$'000	\$'000
Cash	482	3,020	139	813
Receivables	456	3,650	109	931
Other investments	-	121	-	0
Property plant and equipment	28	52	15	0
Intangibles	3,832	2,172	836	256
TOTAL ASSETS	4,798	9,015	1,099	2,000
Payables and provisions	2,237	6,319	62	1,522
Borrowings	-	410	583	-
Tax Liabilities	18	16	45	22
TOTAL LIABILITIES	2,255	6,745	690	1,544
NET ASSETS	2,543	2,270	409	456
Non controlling interests	(108)	(69)	-	-
NET ASSETS BEFORE SHARE ISSUE	2,435	2,201	409	456
Cash received on share issue to non controlling interests	1,225	1,018	73	699
Shares issued to parent	-	-	-	551
NET ASSETS AFTER SHARE ISSUE	3,660	3,219	482	1,706
Cash received on share issue to non controlling interests	1,225	1,018	73	699
Adjustment to non controlling interests	915	608	49	633
Transfer to retained earnings on dilution of shareholding in controlled entity	310	410	24	66

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7. CASH AND CASH EQUIVALENTS (Continued)

Business combinations (continued)

Equity transactions between owners - current period (continued)

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

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

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

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

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

Equity transactions between owners - previous period

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

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

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

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

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7. CASH AND CASH EQUIVALENTS (Continued)

Business combinations (continued)

Acquisition of new controlled entities - current period

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

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

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

	Adroit Holdings Pty Ltd		Ltd	
	Fair value recognised on acquisition \$'000	Carrying value \$'000	Fair value recognised on acquisition \$'000	Carrying value \$'000
Cash	13,958	13,958	2,740	2,740
Receivables	13,644	13,644	2,823	2,824
Plant and equipment	2,311	2,311	63	63
Other assets	310	310	29	29
Deferred tax asset	321	321	69	69
Intangibles	6,665	-	1,780	-
TOTAL ASSETS	37,209	30,544	7,504	5,725
Payables	27,254	27,254	5,175	5,175
Provisions	517	517	222	222
Borrowings	4,739	4,739	-	-
Deferred Tax Liabilities	1,999	-	534	-
TOTAL LIABILITIES	34,509	32,510	5,931	5,397
NET ASSETS	2,700	(1,966)	1,573	328
Value attributable to non controlling interests	1,041	1,041	(7)	(7)
Net assets excluding non controlling interests	1,659	(3,007)	1,580	335
Carrying value of existing 50% equity at the date of acquisition	2,512		520	
Fair value adjustment on existing holding at the date of acquisition (see note 4(vi))	9,284		3,209	
Adjusted carrying value of existing 50% equity at the date of acquisition	11,796		3,729	
Purchase price - cash paid for additional voting shares	4,406		2,237	
Carrying value of controlled entity	16,202		5,966	
Goodwill arising on acquisition	15,066		4,702	
Goodwill relating to non controlling interests	6,930		1,175	
Total Goodwill arising on acquisition	21,996		5,877	
Cash inflow on acquisition is as follows;				
Net cash acquired with the controlled entity	13,958		2,740	
Cash paid	(4,406)		(2,237)	
Net cash inflow	9,552		503	

The acquisition of an additional 18.5% of Adroit Holdings Pty Ltd was effective on 1 July 2012. The additional acquisition contributed \$1,727,250 to net profit after tax and \$18,215,683 to revenue.

The acquisition of an additional 30% of Comsure Insurance Brokers Pty Ltd was effective on 1 November 2012. The additional acquisition contributed \$703,854 to net profit after tax and \$3,697,498 to revenue. Had the acquisition taken place at the beginning of the period, the profit after tax contribution would have been \$792,568 and revenue would have been \$4,817,719.

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

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7. CASH AND CASH EQUIVALENTS (Continued)

Business combinations (continued)

Acquisition of new controlled entities - current period (continued)

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

Effective 1 June 2013, Austbrokers AEI Pty Ltd, acquired 100% of the voting shares in Chegwyn Insurance Brokers Pty Ltd for \$1,250,000

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

	Insurics Pty Ltd		Chegwyn Insurance Brokers Pty Ltd	
	Fair value recognised on acquisition \$'000	Carrying value \$'000	Fair value recognised on acquisition \$'000	Carrying value \$'000
Cash	1,646	1,646	922	922
Receivables	358	343	4	4
Plant and equipment	155	155	32	32
Deferred tax asset	98	98	-	-
Intangibles	993	-	317	-
TOTAL ASSETS	3,250	2,242	1,275	958
Payables	2,091	2,090	976	976
Borrowings	324	324	-	-
Deferred Tax Liabilities	298	-	95	-
TOTAL LIABILITIES	2,713	2,414	1,071	976
NET ASSETS	537	(172)	204	(18)
Fair value adjustment on existing holding at the date of acquisition (see note 4(vi))	137		-	
Carrying value of existing 50% share	1,149		-	
Purchase price - cash paid	2,527		1,250	
Total cost base	3,813		1,250	
Less Fair value of assets acquired	537		204	
Goodwill arising on acquisition	3,276		1,046	
Cash outflow on acquisition is as follows;				
Net cash acquired with the controlled entity	1,646		922	
Cash paid	(2,527)		(1,250)	
Net cash outflow	(881)		(328)	

The acquisition of an additional 50% of Insurics Pty Ltd was effective on 1 July 2012. The additional acquisition contributed \$512,794 to net profit after tax and \$3,027,010 to revenue.

The acquisition of Chegwyn Insurance Brokers Pty Ltd was effective on 1 June 2013. The additional acquisition contributed \$21,990 to net profit after tax and \$67,895 to revenue. Had the acquisition taken place at the beginning of the period, the profit after tax contribution would have been \$71,070 and revenue would have been \$699,450.

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.

- h) During the period, Austagencies incorporated Cinesure Pty Limited for \$1000. On 1 May 2013, Austbrokers Financial Solutions (Syd) Pty Ltd incorporated a new 100% owned entity, Austbrokers Financial Solutions (ACT) Pty Ltd for \$10.

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7. CASH AND CASH EQUIVALENTS (Continued)

Business combinations (continued)

Acquisition of new controlled entities - current period

- i) Effective 1 May 2013, Austagencies Pty Ltd acquired 90.0% of the voting shares in Lawsons Underwriting Australasia Pty Ltd for \$6,355,682 (including a deferred payment of \$1,630,122).

Effective 1 May 2013, Austagencies Pty Ltd acquired 90.91% of the voting shares in Guardian Underwriting Services Pty Ltd, trustee for G.U.S. Trust for \$3,618,469 (including a deferred payment of \$891,167).

Fair values of the identifiable assets and liabilities of Lawsons Underwriting Australasia Pty Ltd and G.U.S. trust as at the date of acquisition were:

	Lawsons Underwriting Australasia Pty Ltd		G.U.S. Trust	
	Fair value recognised on acquisition \$'000	Carrying value \$'000	Fair value recognised on acquisition \$'000	Carrying value \$'000
Cash	1,806	1,806	780	780
Receivables	4,420	4,420	1,319	1,319
Plant and equipment	32	32	29	29
Intangibles	-	-	-	-
TOTAL ASSETS	6,258	6,258	2,128	2,128
Payables	5,417	5,417	2,114	2,114
Provisions	226	226	14	14
Borrowings	500	500	-	-
Deferred Tax Liabilities	-	-	-	-
TOTAL LIABILITIES	6,143	6,143	2,128	2,128
NET ASSETS	115	115	-	-
Purchase price - cash paid for voting shares	4,725		2,727	
Purchase price - deferred consideration	1,631		891	
Carrying value of controlled entity	6,356		3,618	
Goodwill arising on acquisition	6,253		3,618	
Goodwill relating to non controlling interests	695		362	
Total Goodwill arising on acquisition	6,948		3,980	
Cash outflow on acquisition is as follows;				
Net cash acquired with the controlled entity	1,806		780	
Cash paid	(4,725)		(2,727)	
Net cash outflow	(2,919)		(1,947)	

The acquisition of 90% of Lawsons Underwriting Australasia Pty Ltd was effective on 1 May 2013. The acquisition contributed \$244,437, to net profit and \$564,323 to revenue. Had the acquisition taken place at the beginning of the period, the profit after tax contribution would have been \$905,247 and revenue would have been \$3,097,068.

The acquisition of 90.91% of G.U.S. Trust was effective on 1 May 2013. The acquisition contributed \$25,260 to net profit after tax and \$215,644 to revenue. Had the acquisition taken place at the beginning of the period, the profit after tax contribution would have been \$377,817 and revenue would have been \$1,529,592.

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

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7. CASH AND CASH EQUIVALENTS (Continued)

Business combinations (continued)

Acquisition of new controlled entities - current period

- j) Effective 31 May 2013, the Company acquired 77.09% of the voting shares in InterRISK (Australia) Pty Ltd for \$17,242,386 (including a deferred payment of \$1,325,960 and shares valued at \$2,067,277).

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

	InterRISK (Australia) Pty Ltd	
	Fair value recognised on acquisition \$'000	Carrying value \$'000
Cash	18,236	18,236
Receivables	9,197	9,197
Plant and equipment	406	406
Other assets	19	19
Deferred tax asset	213	213
Intangibles	4,984	-
TOTAL ASSETS	33,055	28,071
Payables	19,772	19,772
Provisions	1,065	1,065
Borrowings	4,132	4,132
Deferred Tax Liabilities	1,495	-
TOTAL LIABILITIES	26,464	24,969
NET ASSETS	6,591	3,102
Value attributable to non controlling interests	672	672
Net assets excluding non controlling interests	5,919	2,430
77.09% of net assets acquired	4,563	
Purchase price - cash paid for voting shares	13,849	
193,348 shares issued at \$10.692 as part of acquisition price	2,067	
Purchase price - deferred consideration	1,326	
Total acquisition cost	17,242	
Goodwill arising on acquisition	12,679	
Goodwill on acquisition relating to non controlling interests	3,769	
Total Goodwill arising on acquisition	16,448	
Cash inflow on acquisition is as follows;		
Net cash acquired with the controlled entity	18,236	
Cash paid	(13,849)	
Net cash inflow	4,387	

The acquisition of 77.09% of InterRISK Australia Pty Ltd was effective on 1 June 2013. The acquisition contributed \$430,201 to net profit after tax and \$1,888,850 to revenue. Had the acquisition taken place at the beginning of the period, the profit after tax contribution would have been \$1,587,993 and revenue would have been \$15,600,823.

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

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7. CASH AND CASH EQUIVALENTS (Continued)

Business combinations (continued)

Acquisition of new controlled entities in the previous year

- k) On 1 January 2012, RWA Pty Ltd acquired 100% of the voting shares of CTRL Pty Ltd (CTRL) for \$1,193,409.
On 1 January 2012, Austagencies Pty Ltd 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 CTRL and FIUA at the date of the acquisition were:

	CTRL		FIUA	
	Fair value recognised on acquisition \$'000	Carrying value \$'000	Fair value recognised on acquisition \$'000	Carrying value \$'000
Cash	72	72	829	829
Receivables	28	28	1,018	1,018
Plant and equipment	50	50		
Intangibles	281	-		
Deferred tax asset	-	-	-	-
TOTAL ASSETS	431	150	1,847	1,847
Payables and provisions	85	85	1,564	1,564
Deferred Tax Liabilities	84	-	10	10
TOTAL LIABILITIES	169	85	1,574	1,574
NET ASSETS	262	65	273	273
Fair value of assets acquired	262		273	
Purchase price - cash paid	1,193		3,600	
Contingent consideration	-		927	
Total purchase price	1,193		4,527	
Goodwill arising on acquisition	931		4,254	
Cash outflow on acquisition is as follows;				
Net cash acquired with the controlled entity	72		829	
Cash paid	(1,193)		(3,600)	
Net cash outflow	(1,121)		(2,771)	

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.

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.

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

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

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7. CASH AND CASH EQUIVALENTS (Continued)

Business combinations (continued)

Acquisition of new controlled entities in the previous year (continued)

- l) On 30 November 2010, Austagencies Pty Ltd acquired 100% of the voting shares of Cemac Pty Ltd for \$4,617,029. The purchase price included an element of contingent consideration which will be determined on a multiple of commission and fees achieved in the financial year immediately following acquisition. The purchase price included an element of contingent consideration which 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 previous period. (see note 4(vii)).
- m) The company acquired 100% of the voting shares in two newly incorporated entities, Austbrokers Gladstone Pty Ltd, Austbrokers Financial Services (Gladstone) Pty Ltd for \$100 each. These entities were sold to an associate on 1 May 2013 (see note 7(x)).

Acquisition of associates during current year

- n) On 1 December 2012, the consolidated entity acquired 50% of the voting shares of Brett Grant and Associates Pty Ltd for \$1,728,603 including an amount of \$752,978 which represents the fair value of the contingent consideration expected to be paid 15 months after the acquisition date.
- o) On 1 April 2013, the consolidated entity acquired 50% of the voting shares of Dalby Insurance Brokers Pty Ltd for \$2,538,926 including an amount of \$1,481,426 which represents the fair value of the contingent consideration expected to be paid 15 months after the acquisition date.
- p) On 1 May 2013, the consolidated entity acquired 47.5% of the voting shares of HQ Insurance Brokers Pty Ltd for \$1,200,000.
- q) During the period, the consolidated entity incorporated or acquired the following entities, Angel Accident and Health Underwriting Agency Pty Ltd, One Liability Underwriting Pty Ltd and Aust Re Brokers Pty Ltd. The capital contribution for 50% of the voting shares in each entity was \$50, \$100 and \$10 respectively.
- r) 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 included 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. During the current year, the estimated contingent consideration on this acquisition of \$569,466 was reduced to \$NIL and the adjustment included in the income statement. (see note 4 (vii)).

Acquisition of associates during previous year

- s) 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.
- t) On 1 July 2011, Austagencies Pty Ltd acquired 100% of Longitude Pty Ltd for \$100. During the current year the consolidated entity diluted its shareholding to 37.5%. The consolidated entity has a further 18.6% interest indirectly through an associate. There is no contingent consideration in respect of this acquisition.
- u) 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 included an element of contingent consideration which was determined on a multiple of net profit after tax. During the previous year the contingent consideration was reassessed and was increased from \$1,660,416 to \$1,885,803. The difference of \$225,387 was charged to the income statement during the previous year. During the current year, the contingent consideration amount was reduced by \$88,284 and included in the income statement (see note 4(vii)).

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7. CASH AND CASH EQUIVALENTS (Continued)

Business combinations (continued)

Acquisition and disposal of broking portfolios

	Consolidated	
	2013	2012
	\$'000	\$'000
v) The group acquired broking portfolios by way of business combinations as follows:		
	Fair value recognised on acquisition	
Intangibles	2,296	1,069
Deferred tax liabilities	(690)	(322)
Fair value of assets acquired	1,606	747
Purchase price - cash paid	5,725	3,627
Contingent consideration	1,698	874
	7,423	4,501
Less: Fair value of assets acquired	1,606	747
Goodwill arising on acquisition	5,817	3,754

Controlled entities acquired broking portfolios which included an element of contingent consideration which is finally determined on a multiple of commission and fees achieved in the financial year immediately following acquisition. The potential undiscounted amount of all future payments that could be required is between \$555,000 and \$1,982,000. The fair value of this contingent consideration at the date of acquisition had been estimated as \$1,610,000. During June 2013, the amount previously estimated for contingent consideration has been increased by a further \$87,854 increasing the total contingent consideration to \$1,698,000. This additional amount has been included in the income statement for the current year. (see note 4(vii))

During the previous period, the potential undiscounted amount of all future payments that could be required was between \$778,000 and \$1,236,000. The fair value of that contingent consideration had been estimated as \$874,000. During the current year this amount was increased by \$461,938 and this amount has been included in the income statement (see note 4(vii)).

w) The group disposed of broking portfolios as follows:

Proceeds from sale of broking portfolio (net of sales expenses)	953	-
Less carrying value - Intangibles net of amortisation	(543)	-
Less - Unrealised profit on sale of broking portfolio to an associate	(287)	-
Profit on sale of broking portfolio (pre tax)	123	-

x) On 1 May 2013, the company disposed of all of its equity in Austbrokers Gladstone Pty Ltd and Austbrokers Financial Services (Gladstone) Pty Ltd for \$268,000 to an associated entity, Rivers Insurance Brokers Pty Ltd.

Proceeds from sale of controlled entity	268	-
Less carrying value / unrealised profit on sale of controlled entity to an associate	(86)	-
Profit on sale (pre tax)	182	-
Cash inflow on disposal is as follows;		
Net cash reduction on disposal of controlled entity	(69)	-
Cash received on disposal of controlled entity	268	-
Net cash inflow on sale on controlled entity	199	-

Total profit on disposals pre tax - items 7 (w) - 7(x) (see note 4 (vii))	305	-
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\$2,620,068 (\$2,544,068 net of amortisation) of intangibles recognised by the entities sold were included in previous year group consolidated financial statements and have been deconsolidated when the entities were sold in May 2013. (see note 16)

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	Consolidated	
	2013 \$'000	2012 \$'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 2011: 17.0 cents	-	9,421
Interim franked dividend for financial year ended 30 June 2012: 9.5 cents	-	5,277
Final franked dividend for financial year ended 30 June 2012: 21.5 cents	12,053	-
Interim franked dividend for financial year ended 30 June 2013: 11.0 cents	6,339	-
Total dividends paid in current year	<u>18,392</u>	<u>14,698</u>
In addition to the above, dividends paid to non controlling interests totalled \$5,097,000 (2012: \$3,286,000).		
(b) Dividends proposed and not recognised as a liability		
Final franked dividend for financial year ended 30 June 2012: 21.5 cents	-	12,040
Final franked dividend for financial year ended 30 June 2013: 24.5 cents	14,247	-
	<u>14,247</u>	<u>12,040</u>
Dividends paid per share (cents per share)	32.5	26.5
Dividends proposed per share (cents per share) not recognised at balance date	<u>24.5</u>	<u>21.5</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% (2012: 30%)	27,985	24,327
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	569	937
The amount of franking credits available for future reporting periods.	<u>28,554</u>	<u>25,264</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.	(6,105)	(5,160)
The amount of franking credits available for future reporting periods after payment of dividend.	<u>22,449</u>	<u>20,104</u>
The tax rate at which paid dividends have been franked is 30% (2012: 30%)		
Dividends proposed will be franked at the rate of 30% (2012: 30%)		

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	Consolidated	
	2013	2012
	\$'000	\$'000
9. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade receivables	18,118	9,663
Amount due from customers on broking/underwriting agency operations	137,664	106,917
Other receivables - related entities	916	587
Total receivables (current)	<u>156,698</u>	<u>117,167</u>
10. OTHER FINANCIAL ASSETS (CURRENT)		
Mortgages - related entities (amortised cost)	1,457	1,316
Other	259	-
Total other financial assets (current)	<u>1,716</u>	<u>1,316</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	264	128
Loans to associated entities	-	133
Total receivables (non current)	<u>264</u>	<u>261</u>
12. OTHER FINANCIAL ASSETS (NON CURRENT)		
Mortgages - related entities (amortised cost)	-	30
Other	424	122
Total other financial assets (non current)	<u>424</u>	<u>152</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.		
13. INVESTMENT IN ASSOCIATES		
Investments at equity accounted amount:		
Associated entities - unlisted shares	<u>82,169</u>	<u>79,553</u>

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Associated entities (and their controlled entities) - unlisted shares - equity percentage owned and equity accounted carrying value	Consolidated			
	Equity percentage owned		2013	2012
	Jun-13	Jun-12	\$'000	\$'000
	%	%	\$'000	\$'000
Austral Insurance Brokers Pty Ltd	50.0	50.0	2,977	3,199
A & I Member Services Pty Ltd	50.0	50.0	-	-
Adroit Holdings Pty Ltd	0.0	49.9	-	2,512
Austbrokers RIS Pty Ltd	49.9	49.9	2,490	2,360
Austbrokers ABS Aviation Pty Ltd	50.0	50.0	106	-
Bruce Park Pty Ltd trading as Fergusons Financial Services	49.9	49.9	1,457	1,431
Brett Grant and Associates Pty Ltd	50.0	0.0	1,562	-
Citycover (Aust) Pty Ltd	49.9	49.9	1,725	1,636
Comsure Insurance Brokers Pty Ltd	0.0	49.9	-	603
Dalby Insurance Brokers Pty Ltd	50.0	0.0	2,467	-
Insurance Advisernet Australia Pty Ltd/ Insurance Advisernet Australia Unit Trust	49.9	49.9	15,386	15,993
Insurance Advisernet Holdings as trustee for Insurance Advisernet Holdings Unit Trust	49.9	49.9	592	390
Insurics Pty Ltd	0.0	50.0	-	1,150
JMD Ross Insurance Brokers Pty Ltd	49.9	49.9	963	840
Markey Group Pty Ltd	49.9	49.9	3,803	3,280
Global Assured Finance Pty Ltd	49.9	49.9	-	-
MGA Management Services Pty Ltd	49.9	49.9	7,590	6,539
Northern Tablelands Insurance Brokers Pty Ltd	49.9	49.9	103	79
Northlake Holdings Pty Ltd trading as Country Wide Insurance Brokers	50.0	50.0	5,074	4,915
Peter L Brown & Associates Pty Ltd	49.9	49.9	571	625
Power Insurance Brokers Pty Ltd	49.9	49.9	101	56
Rivers Insurance Brokers Pty Ltd	49.9	49.9	3,199	3,074
Secure Enterprises Pty Ltd / Strathearn Insurance Brokers Unit Trust	49.9	49.9	22,153	22,201
Supabrook Pty Ltd trading as Austbrokers HCI	49.9	49.9	1,030	902
SRG Group Pty Ltd	50.0	50.0	2,000	2,019
Western United Financial Services Pty Ltd	49.9	49.9	1,513	1,288
Countrywide Tolstrup Financial Services Group Pty Ltd / Countrywide Tolstrup Group Unit Trust	49.9	49.9	1,976	2,095
Oxley Insurance Brokers Pty Ltd / Port Macquarie Insurance Brokers Unit Trust	49.9	49.9	539	461
Coffs Harbour Unit Trust	37.5	37.5	109	75
Aust Re Brokers Pty Ltd	50.0	0.0	235	-
Tasman Underwriting Pty Ltd	50.0	50.0	490	473
Millennium Underwriting Agency Pty Ltd	50.0	50.0	264	252
One Liability Underwriting Pty Ltd	50.0	0.0	-	-
Angel Accident and Health Underwriting Agency Pty Ltd	50.0	0.0	-	-
Longitude Insurance Underwriting Agency Pty Ltd	56.1	0.0	286	-
Celestial Underwriting Agency Pty Ltd	50.0	50.0	452	1,105
Interprac General Insurance Pty Ltd	18.8	0.0	32	-
HQ Insurance Brokers Pty Ltd	47.5	0.0	924	-
			82,169	79,553

During the current year, the following transactions occurred:

- On 1 July 2012, the consolidated entity acquired addition voting shares in Insurics Pty Ltd and Adroit Holdings Pty Ltd on which date they ceased to be associates and became controlled entities.
- Interprac General Insurance Pty Ltd was acquired as part of Adroit Holdings Pty Ltd.
- On 1 November 2012, the consolidated entity acquired addition voting shares in Comsure Pty Ltd on which date it ceased to be an associate and became a controlled entity.
- During the period, the consolidated entity incorporated or acquired the following entities, Angel Accident and Health Underwriting Agency Pty Ltd, One Liability Underwriting Pty Ltd and Aust Re Brokers Pty Ltd. The capital contribution for 50% of the voting shares in each entity was \$50, \$100 and \$10 respectively.
- On 1 December 2012, the consolidated entity acquired 50% of the voting shares of Brett Grant and Associates Pty Ltd for \$1,728,603.
- On 1 April 2013, the consolidated entity acquired 50% of the voting shares of Dalby Insurance Brokers Pty Ltd for \$2,538,926
- On 1 May 2013, the consolidated entity acquired 47.5% of the voting shares of HQ Insurance Brokers Pty Ltd for \$1,200,000

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13. INVESTMENT IN ASSOCIATES (continued)

During the previous year, the following transactions occurred;

- Effective, 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.
- During July 2011, the consolidated entity acquired 100% of Longitude Insurance Pty Ltd for \$50 which was diluted to 37.5% during the current year. The consolidated entity has a further 18.58% interest indirectly through an associate.

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

- (a) The principal activity of each associate - insurance broking, except for associates owned by Austagencies Pty Ltd, which are underwriting agents.
- (b) The proportion of voting power held by the controlling entity in respect of each associate is 50% except for Coffs Harbour Unit Trust and Longitude Insurance Pty Ltd where voting power is 37.5%, Millennium Underwriting where the voting power is 18.4%, HQ Insurance Brokers Pty Ltd where the voting power is 47.5% and Interprac General Insurance Pty Ltd where the voting power is 27%.
- (c) The reporting date of each associate is 30 June 2013 (prior year reporting date 30 June 2012).
- (d) There have been no significant subsequent events affecting the associates' profits for the year.
- (e) Other than disclosed in note 17, there were no other impairments of investment in associates for the year.
- (f) All associates, including unit trusts, were incorporated or established in Australia.
- (g) The entity's share of the associate's commitments and contingent liabilities are disclosed in note 23.

	Consolidated	
	2013	2012
	\$'000	\$'000
(h) The entity's share of associates' profits/(losses)		
Share of associates':		
Revenue	77,682	83,417
Operating profits before income tax	24,881	24,333
Amortisation of intangibles	(1,391)	(1,398)
Net profit before income tax	23,490	22,935
Income tax expense attributable to operating profits	(4,120)	(4,875)
Share of associates' net profits	19,370	18,060
(i) The entity's share of the assets and liabilities of associates in aggregate:		
Current assets	164,636	170,726
Non-current assets	39,737	39,425
Current liabilities	(159,840)	(167,472)
Non-current liabilities	(11,276)	(10,441)
Net assets	33,257	32,238

14. SHARES IN CONTROLLED ENTITIES

	Equity interest held	
	%	%
<i>Name and Interests in controlled entities:</i>	2013	2012
Austbrokers Pty Ltd and its controlled entities	100	100
- Austbrokers Investments Pty Ltd	100	100
- Austbrokers Trade Credit Pty Ltd	75	75
- Salisbury Payne Tinslay Pty Limited / Salisbury Payne Tinslay Unit Trust	70	70
- Finsura Holdings Pty Ltd and its controlled entities	70	70
- Finsura Insurance Broking (Australia) Pty Ltd	70	70
- Finsura Financial Services Pty Limited	70	70
- Finsura Investment Management Services Pty Limited	70	70
- Finsura Insurance Broking Unit Trust	70	70
- RI Hornsby Pty Limited	70	70
Adroit Holdings Pty Ltd and its controlled entities	68.5	0
- Adroit Financial Group Pty Ltd	68.5	0
- Stateplan Facilities Pty Ltd	68.5	0
- Adroit Hume Pty Ltd	55.3	0
- Adroit Melbourne Pty Ltd	68.5	0
- Adroit Workers Compensation Solutions Pty Ltd	61.7	0
- Adroit Insurance Group Pty Ltd	68.5	0
- Adroit Bellarine Pty Ltd	65.1	0
- Adroit Sandhurst Pty Ltd	47.0	0
- Adroit Eureka Pty Ltd	51.1	0
- Adroit Latrobe Pty Ltd	68.5	0
- Tealrose Pty Ltd	68.5	0
- Adroit Albury FG Pty Ltd	34.9	0
- Adroit Epping Financial Planning Pty Ltd	65.7	0

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14. SHARES IN CONTROLLED ENTITIES (continued)

* All controlled entities are incorporated in Australia and comprise:

Name and Interests in controlled entities:

	Consolidated	
	2013	2012
	Equity interest held	
	%	%
- We can Bcoz Pty Ltd	68.5	0
- Bcoz Underwriting Agencies Unit Trust	62.6	0
- Adroit Workcom Investments Pty Ltd	68.5	0
- Adroit Management Services Pty Ltd	68.5	0
Austbrokers Gladstone Pty Ltd	0	100
Austbrokers Financial Services (Gladstone) Pty Ltd	0	100
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	52	45
AEI Holdings Pty Ltd / AEI Insurance (Brokers) Pty Ltd	100	100
Austbrokers Financial Solutions (Syd) Pty Ltd and its controlled entities	75	100
- SPT Financial Services Pty Ltd	52	75
- Austbrokers Financial Solutions (ACT) Pty Ltd	75	0
Austbrokers C.E. McDonald Pty Ltd and its controlled entity	100	100
- Traders Voice Services Pty Ltd	100	100
Austbrokers Central Coast Pty Ltd and its controlled entity	80	80
- Austbrokers Central Coast Financial Services Pty Ltd	80	80
Austbrokers City State Pty Ltd	90	90
Austbrokers Premier Pty Ltd	80	80
Austbrokers Southern Pty Ltd	80	80
Austbrokers Sydney Pty Ltd and its controlled entities	100	100
- Austbrokers Canberra Pty Ltd	85	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	42.3	52
- Chegwyn Insurance Brokers Pty Ltd	42.3	0
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
- Cinsure Pty Ltd	100	0
- 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	0	100
- Film Insurance Underwriting Agencies Pty Ltd	100	100
- Construction Underwriting Pty Ltd	51	51
- Breakdown Underwriting Pty Ltd	51	51
- Lawsons Underwriting Agency Limited	90	0
- Guardian underwriting Services Pty Ltd as trustee for G.U.S. Trust	90.9	0
Austbrokers RWA Pty Ltd and its controlled entities	60	60
- Austbrokers RWA Financial Services Pty Ltd	30	30
- Harvey Business Management Pty Ltd	60	60
- CTRL Pty Ltd	60	60
Comsure Insurance Brokers Pty Ltd and controlled entity	80	0
- Comsure Financial solutions Pty Ltd	60	0
Insurics Pty Ltd	100	0
InterRISK Australia Pty Ltd and its controlled entity	77.1	0
- InterRISK Queensland Pty Ltd	37	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	70.8	85
- Austbrokers Financial Solutions (SA) Pty Limited	47	43
Austbrokers Employee Share Acquisition Schemes Trust	100	100

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14. SHARES IN CONTROLLED ENTITIES (continued)

During the current year, the following transactions occurred;

- On 1 November 2012, the consolidated entity acquired an additional 30% interest in Comsure Insurance Brokers Pty Ltd for \$2,237,131, bringing the total equity to 80%.
- Effective 1 July 2012, the consolidated entity acquired an additional 18.5% interest in Adroit Holdings Pty Ltd for \$4,406,000, bringing the total equity to 68.5%.
- On 1 July 2012, the consolidated entity acquired the remaining 50% interest in Insurics Pty Ltd it did not already own for \$2,527,000.
- Effective 1 July 2012, the consolidated entity acquired an additional 10% of the voting shares of Austbrokers Canberra Pty Ltd for \$1,500,000 increasing the equity ownership to 85%.
- Effective 1 July 2012, the consolidated entity diluted its voting shares of Austbrokers Financial Solutions (Syd) Pty Ltd (AFS) by 25%, when AFS issued additional shares to a new shareholder for \$1,224,920 reducing the equity ownership to 75%.
- Effective 1 July 2012, the consolidated entity diluted its voting shares of Austbrokers Terrace Pty Ltd from 85% to 70.83% when Austbrokers Terrace Pty Ltd issued additional shares to non controlling interests for \$1,018,035. During the period, Austbrokers Terrace increased its shareholding in Austbrokers Financial Solutions (SA) from 50.98% to 66.67%
- On 15 October 2012, the consolidated entity incorporated Cinesure Pty Ltd. The capital contribution for 100% of the voting shares was \$1000. Effective 1 January 2013, a controlled entity diluted its voting shares in SPT Financial Solutions Pty Ltd (SPT) from 75% to 70%, when SPT issued additional shares to a new shareholder for \$73,119.
- Effective 1 May 2013, Austagencies Pty Ltd acquired 90.0% of the voting shares in Lawsons Underwriting Australasia Pty Ltd for \$6,355,682 (including a deferred payment of \$1,630,122).
- Effective 1 May 2013, Austagencies Pty Ltd acquired 90.91% of the voting shares in Guardian Underwriting Services Pty Ltd, trustee for G.U.S Trust for \$3,618,469 (including a deferred payment of \$891,167).
- Effective 31 May 2013, the Company acquired 77.09% of the voting shares in InterRISK Australia Pty Ltd for \$17,242,386 (including a deferred payment of \$1,325,960 and shares valued at \$2,067,277).
- Effective 1 June 2013, Austbrokers AEI Pty Ltd, acquired 100% of the voting shares in Chegwyn Insurance Brokers Pty Ltd for \$1,250,000. Effective 30 June 2013, a controlled entity diluted its voting shares in AEI Pty Ltd (AEI) from 80% to 65%, when AEI issued additional shares to new and existing shareholders for \$1,250,000 including \$550,746 to its parent entity.
- On 1 May 2013, Austbrokers Financial Solutions (Syd) Pty Ltd incorporated a new 100% owned entity, Austbrokers Financial Solutions (ACT) Pty Ltd for \$10.
- On 1 May 2013, the consolidated entity disposed of 100% of Austbrokers Gladstone Pty Ltd and Austbrokers Financial Services (Gladstone) Pty Ltd to an associate, Rivers Insurance Brokers Pty Ltd for \$268,000.
- During the period, a controlled entity Aprikeesh Pty Ltd increased its equity in Interfin Pty Ltd from 67.5% to 78.68%. The acquisition was treated as a transaction between owners. See note 7(b).

During the previous year, the following transactions occurred;

- The consolidated entity acquired 100% of two newly incorporated entities, Austbrokers Gladstone Pty Ltd and Austbrokers Financial Services (Gladstone) 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%.
- Austbrokers Holdings Limited established an employee share trust, to acquire shares, either issued to it by Austbrokers Holdings Limited, or purchased on the open market, to satisfy option grants.
- On 1 January 2012, Austbrokers RWA Pty Ltd acquired 100% of the voting shares in CTRL Pty Limited for \$1,193,409.
- 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 2012.
- 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%.
- 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 was included in the income statement for 2012 (see note 4(vi)).

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	Consolidated			
	Property \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Total \$'000
15. PROPERTY, PLANT AND EQUIPMENT				
Year ended 30 June 2013				
Balance at the beginning of the year	730	12,029	1,083	13,842
Acquisition of controlled entities	-	6,307	391	6,698
Additions during the year	-	1,113	421	1,534
Disposals during the year	-	(2,728)	(447)	(3,175)
Property, plant and equipment at cost	<u>730</u>	<u>16,721</u>	<u>1,448</u>	<u>18,899</u>
Depreciation				
Balance at the beginning of the year	83	8,296	405	8,784
Acquisition of controlled entities	-	3,588	141	3,729
Disposals during the year	-	(2,704)	(225)	(2,929)
Depreciation during year	<u>11</u>	<u>1,629</u>	<u>220</u>	<u>1,860</u>
Accumulated depreciation	<u>94</u>	<u>10,809</u>	<u>541</u>	<u>11,444</u>
Summary				
Net carrying amount at beginning of year	647	3,733	678	5,058
Net carrying amount at end of year	636	5,912	907	7,455
Year ended 30 June 2012				
Balance at the beginning of the year	703	10,845	1,180	12,728
Acquisition of controlled entities	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 entities	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

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	Consolidated		
	Goodwill	Insurance broking registers	Total
	\$'000	\$'000	\$'000
16. INTANGIBLE ASSETS AND GOODWILL			
Year ended 30 June 2013			
Balance at the beginning of the year	71,980	27,317	99,297
Additional businesses and portfolios acquired	65,385	17,036	82,421
Disposal of controlled entities	(2,050)	(570)	(2,620)
Disposals of broking portfolios	(543)	-	(543)
Total Intangibles	134,772	43,783	178,555
Amortisation			
Balance at the beginning of the year	-	16,461	16,461
Amortisation current year	-	3,531	3,531
Disposal of controlled entities	-	(76)	(76)
Accumulated amortisation	-	19,916	19,916
Summary			
Net carrying amount at beginning of year	71,980	10,856	82,836
Net carrying amount at end of year	134,772	23,867	158,639
Year ended 30 June 2012			
Balance at the beginning of the year	63,041	25,967	89,008
Additional businesses and portfolios acquired	8,939	1,350	10,289
Total Intangibles	71,980	27,317	99,297
Amortisation			
Balance at the beginning of the year	-	14,047	14,047
Amortisation current year	-	2,414	2,414
Accumulated amortisation	-	16,461	16,461
Summary			
Net carrying amount at beginning of year	63,041	11,920	74,961
Net carrying amount at end of year	71,980	10,856	82,836
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			
	Remaining amortisation period (years)		Consolidated
	2013	2012	
Adroit Holdings Pty Ltd			22,009
InterRISK Australia Pty Ltd and its controlled entity			16,448
Comsure Insurance Brokers Pty Ltd			5,876
Austbrokers Sydney Pty Ltd and its controlled entities			24,941
Austbrokers Central Coast Pty Ltd and its controlled entities			2,341
Austbrokers RWA Pty Ltd and its controlled entities			5,495
Aprikeesh Pty Ltd and its controlled entities			2,315
Austbrokers Financial Solutions (Syd) Pty Ltd and its controlled entities			7,330
Austagencies and its controlled entities			27,189
Austbrokers Premier Pty Ltd			3,407
	2013	2012	
(i) Insurance Broking Registers			
Adroit Holdings Pty Ltd	9.0	0.0	5,999
InterRISK Australia Pty Ltd and its controlled entity	10.0	0.0	4,943
Comsure Insurance Brokers Pty Ltd	9.5	0.0	1,662
Austbrokers Sydney Pty Ltd and its controlled entities	4.0	3.0	3,313
North Coast Insurance Brokers Pty Ltd and its controlled entities	6.5	7.5	536
Aprikeesh Pty Ltd and its controlled entities	5.5	6.5	1,564
MGIB insurance Brokers Pty Ltd	7.5	8.5	732
RWA Insurance Brokers Pty Ltd and its controlled entities	8.5	9.5	796

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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 9.92 to 11.53 times (2012: 10.65 to 12.20 times).

The profit multiples have been determined based on the cost of capital for each cash generating unit factoring in an assumed sustainable profit growth of 2.0% per annum (2012: 2.5%).

External expert advice has been sought in relation to the determination of the appropriate weighted average cost of capital (WACC) to be used in determining the profit multiples. The WACC is based on the cost of capital calculated for each cash generating unit after taking into account market risks, a risk loading recognising the size of the business, current borrowing interest rates, factoring in the borrowing capacity of the businesses and the risk free rate. As in the previous year, the 10 year average rate for 10 year bonds was used to reflect a sustainable risk free rate of 5.2% (2012: 5.33%).

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

When considered appropriate, a secondary measure is applied to determine directors' estimates of fair value. This measure applies a multiple of 1.8 times to broking revenue (2012: 1.8 times) for general insurance broking businesses and 2.5 times to life insurance renewal commissions (2012: 2.5 times). These valuation bases are commonly used in the market to determine value for acquisitions of similar businesses.

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

During the current year, an impairment loss relating to the carrying value of an associate of \$629,000 was recognised and included in the income statement as an expense. This was partly offset by a change in the estimated contingent consideration in respect of this associate where the contingent consideration was reduced by \$569,466 and this amount was included in the current year income statement. (see note 4 (vi),(vii),7(r)). The impact to the current year result relating to the adjustment to the carrying value of this associate was a net loss of \$59,534.

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	2013 No.	2012 No.	2013 WAEP (\$)	2012 WAEP (\$)
Outstanding at the beginning of the year	1,118,673	2,007,541	3.11	2.96
Granted during the period - Zero priced options	271,320	56,591	0.00	0.00
Exercised during the period: Options issued during 2005	-	(420,850)	0.00	2.00
Exercised during the period: Options issued during 2006	(298,200)	(318,150)	3.47	3.47
Exercised during the period: Options issued during 2007	(317,300)	(90,750)	4.20	4.20
Exercised during the period: Options issued during 2008	(20,159)	(16,524)	4.22	4.22
Exercised during the period: Options issued during 2008	(13,181)	(40,566)	0.00	0.00
Exercised during the period: Options issued during 2009	(49,655)	-	0.00	0.00
Lapsed/forfeited during the period: Options issued during 2008	-	(13,259)	0.00	4.22
Lapsed/forfeited during the period: Options issued during 2008	-	(24,636)	0.00	0.00
Lapsed/forfeited during the period: Options issued during 2009	(23,645)	(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	667,853	1,118,673	1.54	3.11

The outstanding balance as at 30 June 2013 is represented by:

- 49,350 (2012: 308,650) options granted on 25 September 2006, exercisable 3 years from the issue date at an exercise price of \$3.47.
- NIL (2012: 38,900) options granted on 29 January 2007, exercisable 3 years from 25 September 2006 at an exercise price of \$3.47.
- 202,900 (2012: 500,200) options granted on 14 September 2007, exercisable 3 years from the issue date at an exercise price of \$4.20.
- NIL (2012: 20,000) options granted on 29 January 2008, exercisable 3 years from 14 September 2007 at an exercise price of \$4.20.
- NIL (2012: 20,160) options granted on 29 September 2008, exercisable 3 years from 29 September 2008 at an exercise price of \$4.22.
- 14,404 (2012: 27,584) 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.
- 5,517 (2012: 78,817) 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 (2012: 67,771) 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 (2012: 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.
- 38,320 Share options were granted on 31 October 2012, exercisable 3 years from 31 October 2012 at an exercise price of \$NIL. The volume weighted average share price for the 5 business days prior to the date the options were issued was \$7.71.

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18. SHARE-BASED PAYMENT PLANS (continued)

The outstanding balance as at 30 June 2013 is represented by: (continued)

- 233,000 Share options were granted on 15 January 2013, exercisable 3 years from 1 January 2013 at an exercise price of \$NIL. The options were valued using the dividend yield method resulting in an option price of \$7.38.

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

During the year the following options were exercised or lapsed

- 36,100 Share options were exercised on 13 September 2012 at an exercise price of \$3.47. The volume weighted average price for the 5 business days prior to the date the options were exercised was \$7.8065.
- 223,200 Share options were exercised on 18 December 2012 at an exercise price of \$3.47. The volume weighted average price for the 5 business days prior to the date the options were exercised was \$8.27.
- 20,000 Share options were exercised on 13 September 2012 at an exercise price of \$4.20. The volume weighted average price for the 5 business days prior to the date the options were exercised was \$7.8065.
- 297,300 Share options were exercised on 18 December 2012 at an exercise price of \$4.20. The volume weighted average price for the 5 business days prior to the date the options were exercised was \$8.27.
- 8,307 Share options were exercised on 13 September 2012 at an exercise price of \$NIL. The volume weighted average price for 5 business days prior to the date the options were exercised was \$7.8065.
- 9,747 Share options were exercised on 18 December 2012 at an exercise price of \$4.22. The volume weighted average price for 5 business days prior to the date the options were exercised was \$8.27.
- 54,529 Share options were exercised on 18 December 2012 at an exercise price of \$NIL. The volume weighted average price for 5 business days prior to the date the options were exercised was \$8.27.
- 38,900 Share options were exercised on 2 April at an exercise price of \$3.47. The volume weighted average price for 5 business days prior to the date the options were exercised was \$9.80.
- 10,412 Share options were exercised on 2 April 2013 at an exercise price of \$4.22. The volume weighted average price for 5 business days prior to the date the options were exercised was \$9.80.
- 23,645 options lapse due to vesting conditions over the 4 years ended 30 June 2013, not being met.

During the previous year the following options were exercised or lapsed

- 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 lapse due to vesting conditions over the 4 years ended 30 June 2012, not being met.
- 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.

Share options were granted during the period on similar terms and conditions as options outstanding at 30 June 2012, as noted in the annual report.

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

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

The weighted average remaining contractual life for the share options outstanding at 30 June 2013 is 4.98 years. (2012: 2.50 years).

Option Exercise conditions

These option exercise conditions apply to all options except 233,000 options issued to the Chief Executive Officer (CEO) on 15 January 2013.

- (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%;

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18. SHARE-BASED PAYMENT PLANS (continued)

Option Exercise conditions (continued)

- (b) if the First Test Compound Earnings Per Share Growth (Compound Growth) is: (continued)
- (iv) 15% per annum or more, 100% of the Options will become exercisable in each case on the date on which the Company's audited financial statements for the third financial year ending after the grant are lodged with the Australian Securities Exchange (the "First Test Date");
- (c) if all of the Options do not become exercisable on the First Test Date and the Second Test Compound Growth is higher than the First Test Compound Growth then on the date on which the Company's audited financial statements for the fourth financial year ending after the grant are lodged with the Australian Securities Exchange (the "Second Test Date") an additional number of Options will become exercisable as is equal to the difference between the number of Options which became exercisable under paragraph (b) and the number of Options which would have become exercisable if paragraph (b) applied on the basis of the Second Test Compound Growth (rather than the First Test Compound Growth);
- (d) any Options which have not become exercisable by the Second Test Date lapse and are of no further force or effect.

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

19. TRADE AND OTHER PAYABLES

Current

	2013 \$'000	Consolidated 2012 \$'000
Trade payables	14,395	8,135
Amount payable on broking/underwriting agency operations	220,115	162,079
Other payables - non related	17,918	11,056
Other payables - related entities	967	150
Total trade and other payables	<u>253,395</u>	<u>181,420</u>

20. PROVISIONS

	Employee entitlements \$'000	Make good provision \$'000	Total \$'000
Year ended 30 June 2013			
Balance at the beginning of the year	9,549	740	10,289
Acquisition of controlled entity	1,827	-	1,827
Arising during the year	316	-	316
Balance at the end of the year	<u>11,692</u>	<u>740</u>	<u>12,432</u>
Current 2013	9,963	-	9,963
Non-current 2013	1,729	740	2,469
	<u>11,692</u>	<u>740</u>	<u>12,432</u>
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	<u>9,549</u>	<u>740</u>	<u>10,289</u>
Current 2012	8,309	109	8,418
Non-current 2012	1,240	631	1,871
	<u>9,549</u>	<u>740</u>	<u>10,289</u>

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20. PROVISIONS (continued)

Make good provision on leased premises

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

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

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

Employee entitlements

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

21. INTEREST BEARING LOANS AND BORROWINGS

Current

	Consolidated 2013 \$'000	2012 \$'000
Obligations under finance leases and hire purchase contracts (note 23)	567	266
Unsecured loan from other related parties	128	182
Secured bank loan *	9,437	682
	<u>10,132</u>	<u>1,130</u>

Non-current

Obligations under finance leases and hire purchase contracts (note 23)	596	482
Unsecured loan from other parties	51	68
Secured bank loan *	42,106	32,834
	<u>42,753</u>	<u>33,384</u>

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

Summary of secured bank loans

<i>St George Bank</i>	42,115	31,396
<i>Macquarie Bank</i>	337	282
<i>Commonwealth Bank</i>	1,312	1,428
<i>National Australia Bank</i>	2,588	410
<i>Hunter Premium Funding</i>	838	-
<i>Bendigo Bank</i>	4,353	-
<i>Total secured bank loans</i>	<u>51,543</u>	<u>33,516</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 \$40,000,000 plus a further \$600,000 in credit card facilities (2012: \$38,436,000). The facility expires on 30 May 2016.

Austbrokers Holdings Ltd facilities have been utilised to the amount of \$32,820,435 (2012: \$27,468,211) in bill acceptance/discount facilities totalling \$30,000,000 and bank guarantees/credit cards/overdraft facilities totalling \$2,820,435. The unutilised amount of the facility at 30 June 2013 was \$7,779,565 (2012: \$10,967,789)

- Austbrokers Holdings Ltd has utilised \$2,820,435 (2012: Austbrokers Services Pty Ltd \$2,468,211) in respect of bank guarantees, credit card and overdraft facilities.
- Austbrokers Holdings Ltd, has utilised \$25,000,000 (2012: Austbrokers Services Pty Ltd \$25,000,000) in commercial bill facilities at period end. Interest rates have been fixed at an effective rate of 5.35% (2012: 7.17%) until 31 August 2015. Bills are rolled over on quarterly intervals. Rollover of the bills is guaranteed for the duration of the facility as long as there are no breaches of the facility agreement.
- Austbrokers Holdings Ltd, has utilised \$5,000,000 (2012: \$NIL) in commercial bill facilities at 30 June 2013. The commercial bill has a variable rate of 4.79% (2012: NIL%). Bills are rolled over on monthly intervals. Rollover of the bills is guaranteed for the duration of the facility as long as there are no breaches of the facility agreement.
- The facilities are secured by registered fixed and floating charges over the assets and undertakings of the Group and cross guarantees and indemnities given by each of the wholly owned subsidiaries.

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21. INTEREST BEARING LOANS AND BORROWINGS (continued)

St George Bank Facilities (continued)

A controlled entity, Austbrokers AEI Transport Pty Ltd has negotiated a loan facility amounting to \$4,650,000 (2012: \$4,650,000). These facilities have been utilised to the amount of \$4,650,000 (2012:\$4,650,000) This facility expires on 15 May 2015.

- A commercial bill for \$650,000 has a variable interest rate of 4.97%. (2012: 5.79%)
- A commercial bill for \$4,000,000 has an interest rate of 5.75%. (2012: 5.75%) and the rate is fixed until 15 May 2015.
- The facility is secured by registered fixed and floating charges over the assets of Austbrokers AEI Transport Pty Ltd, a guarantee for 65% of the amount given by Austbrokers Holdings Ltd and guarantees and indemnities given by the shareholders with non controlling interests.

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

- The commercial bill for \$1,005,000 has an interest rate of 7.33% (2012: 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 is secured by registered fixed and floating charges over the assets of Austbrokers Central Coast Pty Ltd, a letter of comfort from Austbrokers Holdings Ltd and guarantees and indemnities given by the shareholders with non controlling interests.

A controlled entity, Austbrokers Financial Solutions (Syd) Pty Ltd has negotiated a commercial bill facility from St George Bank for \$2,700,000. (2012: \$NIL). The undrawn amount of this facility is \$1,361,282 (2012: \$NIL). The facility expires on 31 May 2016.

- The commercial bill for \$1,338,718 has an interest rate of 5.77% (2012: NIL%) and the rate is fixed until 29 May 2015 after which time it will revert to the variable rate prevailing at that time.
- The facility is secured by registered fixed and floating charges over the assets of Austbrokers Financial Solutions (Syd) Pty Ltd, a letter of comfort from Austbrokers Holdings Ltd and guarantees and indemnities given by the shareholders with non controlling interests.

A controlled entity, SPT Financial Services Pty Ltd, entered into an agreement with St George Bank to provide finance facilities amounting to \$480,974 (\$410,974 in loans and \$70,000 for bank overdraft facilities) (2012: \$304,000 including bank overdraft of \$70,000). At balance date these facilities have been utilised to the amount of \$480,974 (2012: \$234,000). The undrawn amount of this facility is \$70,000 (2012: \$70,000).

- The facility expires on 13 March 2018. The variable interest rate is renegotiated quarterly and the rate applicable at 30 June 2013 was 6.11%. (2012: 6.56%)
- The facilities are secured by registered fixed and floating charges over the assets of SPT Financial Services Pty Ltd, a letter of comfort given by Austbrokers Holdings Ltd, and guarantees and indemnities given by the shareholders with non controlling interests.

A controlled entity, Finsura Holdings Pty Ltd, has negotiated a loan facility amounting to \$750,000 (2012: \$750,000). At balance date these facilities have been utilised to the amount of \$506,805 (2012: \$506,805). The undrawn amount of the facility at 30 June 2013 was \$243,195 (2012: \$243,195). This facility will expire on 10 June 2019.

- A loan of \$260,000 (2012:\$260,000) has a variable interest rate of 5.3% (2012: 6.62%).
- A loan of \$247,000 (2012:\$247,000) has a variable interest rate of 5.3% which is renegotiated quarterly (2012: 6.6%).
- The facilities are secured by registered fixed and floating charges over the assets of Finsura Holdings Pty Ltd, a letter of comfort given by Austbrokers Holdings Ltd, and guarantees and indemnities given by the shareholders with non controlling interests.

A controlled entity, InterRISK Australia Pty Ltd, has negotiated a loan facility amounting to \$4,490,000 including bank guarantees totalling \$350,000 (2012: \$NIL).The drawn down amount of these facilities at 30 June 2013 was \$4,133,008 (2012: \$NIL). The undrawn amount of the facility at 30 June 2013 was \$6,992 (2012: \$NIL). The facility expires in 1 November 2015.

- A loan of \$4,133,008 (2012:\$NIL) has a variable interest rate of 4.57% (2012: NIL%).
- The facilities are secured by registered fixed and floating charges over the assets of InterRISK Australia Pty Ltd.

Macquarie Bank facilities

A controlled entity, Aprikeesh Pty Ltd, has negotiated a loan facility amounting to \$557,000 (2012: \$785,000). At 30 June 2013 these facilities have been utilised to the amount of \$337,000. (2012: \$282,000) The undrawn amount of the facility at 30 June 2013 was \$220,000 (2012: \$503,000). The loan facility matures in March 2014.

- 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 2013 was 6.02%. (2012: 7.41%)
- 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 \$1,312,353 (2012: \$1,644,338).The facilities were fully drawn down at 30 June 2013 (2012: \$1,428,170)

- A loan facility of \$472,337 (2012:\$475,000) has been fixed until 13 September 2014 at a rate of 6.6%. (2012: fixed at 8.6%). The facility expires in September 2014.
- A loan facility of \$76,708 (2012:\$300,000) has a variable rate of 6.85%. (2012: fixed at 8.59%). The facility expires in 13 September 2014.
- A loan facility of \$763,308 (2012:\$869,338) has a variable rate of 8.14%. (2012: 8.49%) The facility expires on 21 June 2018. Principal repayments of \$134,480 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.

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21. INTEREST BEARING LOANS AND BORROWINGS (continued)

National Australia Bank facilities

A controlled entity, Austbrokers Terrace Insurance Brokers Pty Ltd, negotiated a \$500,000 (30 June 2012: \$500,000) loan facility that expires on 29 July 2016. The undrawn amount of this facility at 30 June 2013 was \$330,000 (30 June 2012: 90,000).

- The interest rate on the loan of \$170,000 (2012: \$410,000) is renegotiated monthly and the variable rate applicable at 30 June 2013 was 6.42% (30 June 2012: 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.

A controlled entity, Austbrokers RWA Pty Ltd, negotiated a loan facility for \$3,047,620. The undrawn amount of this facility is \$629,276 (2012 \$NIL). The company has negotiated a further \$250,000 in credit card and overdraft facilities which have been drawn down to \$202,225 (2012:\$NIL). The loan facility expires in March 2018.

- A loan facility of \$3,047,620 (2012:\$NIL) has a variable rate of 6.62%. (2012: NIL%) The utilised amount of this facility is \$2,418,344
- The facilities are secured by registered fixed and floating charges over the assets of Austbrokers RWA Pty Ltd, its controlled entities and guarantees and indemnities given by the shareholders with non controlling interests.

Hunter Premium Funding

A controlled entity, Austbrokers Southern Pty Ltd, negotiated a \$837,669 (2012: \$NIL) loan facility that expires on 28 June 2018. The undrawn amount of this facility at 30 June 2013 was \$NIL (2012: NIL).

- The interest rate on the loan of \$837,669 (2012: \$NIL) is renegotiated six monthly and the rate applicable at 30 June 2013 was 5.53% (2012: NIL%)
- The facilities are secured by registered fixed and floating charges over the assets of Austbrokers Southern Pty Ltd, its controlled entities and guarantees and indemnities given by the shareholders with non controlling interests.

Bendigo Bank

A controlled entity, Adroit Holdings Pty Ltd, negotiated a loan facility for \$7,610,000 (30 June 2012: \$NIL). The undrawn amount of this facility at 30 June 2013 was \$3,257,325 (2012 \$NIL). The facility expires in December 2015.

- A loan facility of \$2,305,000 (2012:\$NIL) has been fixed until December 2015 at a rate of 8.58%. (2012: NIL%) The facility was fully drawn down at 30 June 2013.
- A loan facility of \$2,305,000 (2012:\$NIL) has a variable rate of 5.46%. (2012: NIL%) The utilised amount of this facility is \$1,180,000
- A loan facility of \$3,000,000 (2012:\$NIL) has a variable rate of 5.46%. (2012: NIL%) The utilised amount of this facility is \$867,675
- The facilities are secured by registered fixed and floating charges over the assets of Adroit Holdings Pty Ltd, its controlled entities and guarantees and indemnities given by the shareholders with non controlling interests.

22. ISSUED CAPITAL AND RESERVES

	Consolidated	
	2013	2012
	\$'000	\$'000
Issued Capital opening balance	76,036	70,750
On 13 September 2012 allotted 8,307 shares at an issue price of \$NIL	-	-
On 13 September 2012 allotted 36,100 shares at an issue price of \$3.47	125	-
On 13 September 2012 allotted 20,000 shares at an issue price of \$4.20	84	-
On 18 December 2012 allotted 54,529 shares at an issue price of \$NIL	-	-
On 18 December 2012 allotted 9,747 shares at an issue price of \$4.22	41	-
On 18 December 2012 allotted 223,200 shares at an issue price of \$3.47	775	-
On 18 December 2012 allotted 297,300 shares at an issue price of \$4.20	1,249	-
On 2 April 2013 allotted 38,900 shares at an issue price of \$3.47	135	-
On 2 April 2013 allotted 10,412, shares at an issue price of \$4.22	44	-
On 13 June 2013 allotted 193,348, shares at an issue price of \$10.692 (see note 7 (j))	2,067	-
Net Proceeds from Dividend Reinvestment Plan	10,069	2,906
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	(39)	(17)
Issued Capital	90,586	76,036

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22. ISSUED CAPITAL AND RESERVES (continued)

	Consolidated	
	Shares	Shares
	No.	No.
Number of Shares on Issue (ordinary shares fully paid)	58,148,980	55,999,095
Movements in number of shares on issue		
Beginning of the financial year	55,999,095	54,658,736
On 13 September 2012 allotted 8,307 shares at an issue price of \$NIL	8,307	-
On 13 September 2012 allotted 36,100 shares at an issue price of \$3.47	36,100	-
On 13 September 2012 allotted 20,000 shares at an issue price of \$4.20	20,000	-
On 18 December 2012 allotted 54,529 shares at an issue price of \$NIL	54,529	-
On 18 December 2012 allotted 9,747 shares at an issue price of \$4.22	9,747	-
On 18 December 2012 allotted 223,200 shares at an issue price of \$3.47	223,200	-
On 18 December 2012 allotted 297,300 shares at an issue price of \$4.20	297,300	-
On 2 April 2013 allotted 38,900 shares at an issue price of \$3.47	38,900	-
On 2 April 2013 allotted 10,412, shares at an issue price of \$4.22	10,412	-
On 13 June 2013 allotted 193,348, shares at an issue price of \$10.692 (see note 7 (j))	193,348	-
On 24 October 2012, 920,425 shares were issued at \$7.5008 as a result of a Dividend Reinvestment Plan.	920,425	-
On 26 April 2013, 337,617 shares were issued at \$9.7316 as a result of a Dividend Reinvestment Plan.	337,617	-
On 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	58,148,980	55,999,095

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

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

Of the total shares issued, 49,655 have restrictions whereby they cannot be disposed before 2 November 2014, except in the case where employees who own the shares, resign.

Of the total shares issued, 193,348 which were issued on 13 June 2013 as part of an acquisition, are in escrow and cannot be disposed for a period of 12 months from the date the shares were issued.

Nature and purpose of reserves

Asset revaluation reserve

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

Share based payment reserve

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

	Consolidated	
	2013	2012
	\$	\$
	\$'000	\$'000
<i>Non controlling Interests</i>		
Interest in: Ordinary shares	-	-
Retained earnings	32,749	13,255
	32,749	13,255

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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	611	309
-Later than one year and not later than five years	659	522
-Later than five years	-	-
Minimum lease and hire purchase payments	1,270	831
Deduct: Future finance charges	107	83
Present value of minimum lease and hire purchase payments (refer note 21)	1,163	748

Operating lease commitments - Group as lessee

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

Operating Lease Commitments: Non Cancellable

operating leases contracted for but not capitalised

in the financial statements

Payable

-Not later than one year	4,318	3,255
-Later than one year and not later than five years	8,569	8,099
-Later than five years	-	-
	12,887	11,354

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	3,211	2,300
-Later than one year and not later than five years	7,388	5,172
-Later than five years	125	560
	10,724	8,032

Contingent liabilities

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

Austbrokers Holdings Ltd has guaranteed loan facilities provided to associates in proportion to its shareholding.

2,081 2,050

Austbrokers Holdings Ltd has guaranteed lease facilities provided to associates in proportion to its shareholding.

205 205

2,286 2,255

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).

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	Consolidated	
	2013	2012
	\$	\$
	\$'000	\$'000
24. AUDITORS' REMUNERATION		
Amounts received or due to Ernst & Young (Australia) for:		
Audit of the financial statements	732,500	706,381
Other - including taxation services	101,014	163,958
Total	833,514	870,339
Amounts received or due to non Ernst & Young audit firms for:		
Audit of the financial statements	408,238	295,332
Other assurance related services	18,390	13,640
Other - taxation services	93,975	87,419
Total	520,603	396,391
Total auditors' remuneration	1,354,117	1,266,730

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 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 2013, the Group acquired 50% of the voting shares in WRI Insurance Brokers Pty Ltd for approximately \$4,500,000. The final purchase price includes a contingent consideration amount which is yet to be determined.

On 27 August 2013 the Directors of Austbrokers Holdings Ltd declared a final dividend on ordinary shares in respect of the 2013 financial year. The total amount of the dividend is \$14,246,500 which represents a fully franked dividend of 24.5 cents per share. The dividend has not been provided for in the 30 June 2013 financial statements.

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 \$3,523,586 (2012: \$1,601,050) 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.

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27. RELATED PARTY DISCLOSURES (continued)

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

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

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 \$915,840 (2012: \$586,607) and note 19 for payables to related parties \$967,027 (2012: \$149,613).

Entities within the wholly owned group have advanced funds to other related entities.	2013 \$	2012 \$
Hallman & Associates Pty Ltd	-	150,215
Hallman Family Trust	-	13,068
Howard Insurance Brokers Pty Ltd	524,062	31,919
Austbrokers Aviation Pty Ltd	3,664	123,601
A & I Member Services Pty Ltd	7,730	7,425
Paul Hogan Family Trust	8,000	10,000
Patglide Pty Ltd	-	231,044
Geebeejay Pty Ltd	23,470	16,660
Mishjola Pty Ltd	16,030	2,675
Longitude Insurance Pty Ltd	25,391	-
Angel Accident and Health Underwriting Agency Pty Ltd	234,601	-
Trinity Pacific underwriting Pty Ltd	39,527	-
Anthony Gallagher	28,115	-
Ammica Pty Ltd	5,250	-
	<u>915,840</u>	<u>586,607</u>
Other payables - related entities		
Fondalla Pty Ltd	-	8,276
Interprac General Insurance Pty Ltd	136,809	-
Aust Re Brokers Pty Ltd	10	-
James Wiechman Pty Ltd ATF Wiechman Family Trust	103,517	-
Peter Curtis Pty Ltd ATF Curtis Family Trust	94,807	-
Areten Pty Ltd	33,546	-
Tasman Underwriting Pty Ltd	31,025	-
The United Underwriting Unit Trust	442,739	-
SPFS Enterprises Pty Ltd ATF Salisbury Family Trust	124,574	141,337
	<u>967,027</u>	<u>149,613</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 \$244,463 (2012: \$201,147). The interest charged is on normal commercial terms and conditions.

Further loans have been advanced to members of the economic entity of \$300,000 (2012: 1,910,000). Members of the economic entity have repaid loans issued by Austbrokers Services Pty Ltd totalling \$30,000 (2012: \$1,300,122) during the year. The balance outstanding at 30 June 2013 was \$1,457,000 (2012: \$1,346,043).

(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)
Mark Peter Lister Searles (appointed 1 January 2013)	Director and Chief Executive Officer
William Lachlan McKeough (retired 31 December 2012)	Director and Chief Executive Officer

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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:

M.P.L. Searles	Director and Chief Executive Officer
S.S. Rouvray	Chief Financial Officer and Company Secretary
F. Gualtieri	National Manager - Group Services and Support
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 2013	Balance at 01-Jul-12	Shares acquired during year	Shares disposed during year	Balance at 30-Jun-13
Directors				
R. A. Longes	109,168	4,447	-	113,615
P. R. Shirriff	100,000	-	-	100,000
D. J. Harricks	27,000	-	-	27,000
R. J. Carless	12,516	3,957	-	16,473
M. P. L. Searles	-	-	-	-
W.L. McKeough (retired 31 December 2012)	86,260	403,514	400,000	89,774
Executives				
S.S. Rouvray	221,773	59,757	-	281,530
F. Gualtieri	50,000	90,415	85,121	55,294
F. Pasquini	30,229	41,742	36,100	35,871
G.J. Arms	92,249	16,067	17,500	90,816
Total	729,195	619,899	538,721	810,373

L McKeough exercised 400,000 options during the period. The shares acquired were sold on the same day as the options were exercised.

S Rouvray, F Gualtieri, F Pasquini and G Arms exercised 59,757, 90,415, 41,136 and 16,067 options respectively during the period. Of the shares acquired by F Gualtieri and F Pasquini 85,121 and 36,100 were sold on the same day as the options were exercised.

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.

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.

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27. RELATED PARTY DISCLOSURES (continued)

(d) Compensation of Key Management Personnel by Category

	Consolidated	
	2013	2012
	\$	\$
Short-Term	3,481,189	3,486,683
Post Employment	190,766	353,610
Other Long-Term	177,600	137,500
Termination Benefits	-	-
Share-based Payment	1,858,011	210,412
	<u>5,707,566</u>	<u>4,188,205</u>

(e) Options granted as part of remuneration

Year ended			Fair value per option at grant date (\$) (note 18)	Exercise price per option (\$) (note 18)	Expiry Date	First Exercise Date	Last Exercise Date
30 June 2013	Granted No.	Grant Date					
Executives							
M.P.L. Searles	233,000	15-Jan-13	7.38	0.00	31-Dec-19	31-Dec-15	31-Dec-19
S.S. Rouvray	-	31-Oct-12	7.71	0.00	31-Oct-19	31-Oct-15	31-Oct-19
F. Gualtieri	5,713	31-Oct-12	7.71	0.00	31-Oct-19	31-Oct-15	31-Oct-19
F. Pasquini	6,130	31-Oct-12	7.71	0.00	31-Oct-19	31-Oct-15	31-Oct-19
G.J. Arms	6,117	31-Oct-12	7.71	0.00	31-Oct-19	31-Oct-15	31-Oct-19
Total	<u>250,960</u>						

For options granted in the 2013, 2012 and 2011 financial years, where options are exercised within two years after the date the options vest, the shares cannot be disposed of prior to the expiry of the two year period from the date the options vested, except if employment is terminated.

The options issued to M. Searles were valued using the dividend yield method resulting in an option price of \$7.38. Options issued on 31 October 2012 were valued using the volume weighted average share price for the 5 business days prior to the date the options were issued.

Year ended			Fair value per option at grant date (\$) (note 18)	Exercise price per option (\$) (note 18)	Expiry Date	First Exercise Date	Last Exercise Date
30 June 2012	Granted No.	Grant 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.

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27. RELATED PARTY DISCLOSURES (continued)

(f) Option holdings of Key Management Personnel.

						Total options at year end		
Options held at 30 June 2013	Balance at beginning of period 01-Jul-12	Granted as Remuneration	Options Exercised	Options lapsed/forfeited	Balance at end of period 30-Jun-13	Vested / Exercisable	Not Vested / Not Exercisable	
Director								
W.L. McKeough	470,100		400,000		70,100	70,100		
M. Searles	-	233,000	-	-	233,000	-	233,000	
Executives								
S.S. Rouvray	176,346	-	59,757	4,646	111,943	84,284	27,659	
F. Gualtieri	108,588	5,713	90,415	2,521	21,365	588	20,777	
J. Howells	37,855	-	34,322	2,864	669	669	-	
F. Pasquini	94,353	6,130	41,136	2,398	56,949	36,012	20,937	
G.J. Arms	35,538	6,117	16,067	2,693	22,895	628	22,267	
Total	922,780	250,960	641,697	15,122	516,921	192,281	324,640	

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

During the current year a total of 271,320 zero priced options were issued (250,960 to Key Management Personnel).

W.L. McKeough, had 70,100 options outstanding at 30 June 2013. These are required to be exercised no later than 29 August 2013.

	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).

(g) No loans have been advanced to Key Management Personnel during the current year. (2012: NIL)

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FOR THE YEAR ENDED 30 JUNE 2013

28. PARENT ENTITY INFORMATION

	2013 \$'000	2012 \$'000
Information relation to Austbrokers Holdings Limited		
ASSETS		
Cash and cash equivalents	12,016	15,070
Current Assets	65,875	49,842
Non-current Assets	98,472	53,130
TOTAL ASSETS	<u>176,363</u>	<u>118,042</u>
LIABILITIES		
Current Liabilities	5,012	2,888
Non-current Liabilities		
Interest bearing loans and borrowings	30,000	-
	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>35,012</u>	<u>2,888</u>
NET ASSETS	<u>141,351</u>	<u>115,154</u>
EQUITY		
Issued capital	90,586	76,036
Share based payments	5,173	3,873
Retained earnings	45,592	35,245
TOTAL SHAREHOLDERS EQUITY	<u>141,351</u>	<u>115,154</u>
Profit for the year before income tax	28,670	15,463
Income tax (credit)	(69)	(271)
Net profit after tax for the period	28,739	15,734
Other comprehensive (expense) / income after income tax for the period	<u>-</u>	<u>-</u>
Total comprehensive income after tax for the period	<u>28,739</u>	<u>15,734</u>

Profit for the year includes fair value adjustments to the carrying value of associates of \$13,921,000 (\$12,630,000 for consolidated entity) on the day they became controlled entities.

OTHER INFORMATION

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

Austbrokers Holdings Ltd has guaranteed loan facilities provided to associates in proportion to its shareholding.	2,081	2,050
Austbrokers Holdings Ltd has guaranteed lease facilities provided to associates in proportion to its shareholding.	205	205
	<u>2,286</u>	<u>2,255</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).

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NOTES TO THE FINANCIAL STATEMENTS
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29. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

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

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

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

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

Risk exposures and Responses

(a) Credit Risk

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

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

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

Insurance Broking Account receivables

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

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

	Consolidated	
	2013	2012
	\$'000	\$'000
Assets and liabilities relating to Insurance Broking Account.		
Amounts due from customers on broking/ underwriting agency operations.	137,664	106,917
Cash held on trust	112,610	74,859
Amounts payable on broking/underwriting agency operations.	(220,115)	(162,079)
Undrawn income	(30,159)	(19,697)
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.

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NOTES TO THE FINANCIAL STATEMENTS
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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 2013, all financial assets were neither past due nor impaired.

Financial assets	Consolidated	
	2013	2012
	\$'000	\$'000
Cash and cash equivalents	38,083	40,743
Trade and other receivables	18,382	9,791
Related party receivables	916	587
Mortgages - related entities	1,457	1,346
Mortgages - other	259	-
Other receivables	424	255
	59,521	52,722

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 2013 there were \$9,437,000 of borrowings that are due to be repaid within 12 months (2012: \$682,000) which relate to finance facilities in respect of recently acquired controlled entities which were negotiated before these entities were acquired. These finance facilities are in the process of being renegotiated to extend their terms.

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 2013 with comparatives based on conditions existing at 30 June 2012.

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

Financial Assets	Consolidated	
	2013	2012
	\$'000	\$'000
Due not later than 6 months	308,248	233,427
6 months to not later than one year	859	658
Later than one year and not later than five years	688	413
Later than five years	-	-
	309,795	234,498
Financial Liabilities		
Due not later than 12 months	(263,527)	(182,550)
Later than one year and not later than five years	(42,753)	(33,384)
Later than five years	-	-
	(306,280)	(215,934)

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.

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NOTES TO THE FINANCIAL STATEMENTS
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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	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	150,693	115,602	150,693	115,602
Trade and other receivables	156,046	116,841	156,046	116,841
Related party receivables	916	587	916	587
Mortgages - related entities	1,457	1,346	1,457	1,346
Mortgages - other	259	-	259	-
Loan with associated entities	424	122	424	122
Total financial assets	309,795	234,498	309,795	234,498
Financial liabilities				
Loans and other borrowings	(52,885)	(34,514)	(52,932)	(34,948)
Trade and other payables and accruals	(253,395)	(181,420)	(253,395)	(181,420)
Total financial liabilities	(306,280)	(215,934)	(306,327)	(216,368)

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	
	2013	2012
	\$'000	\$'000
Financial assets		
Cash and cash equivalents (including trust account balance)	150,693	115,602
Mortgages - related entities	1,457	1,346
Mortgages - other	259	-
Total financial assets	152,409	116,948
Financial liabilities		
Loans and other borrowings	(22,074)	(3,309)
Net exposure to interest rate movements	130,335	113,639

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 \$52.9 million (2012:\$34.5 million), \$30.8 million (2012: \$30.7 million) have been fixed for periods greater than 12 months at rates ranging from 5.35% to 6.6%. See note 21 for full details of terms and conditions.

AUSTBROKERS HOLDINGS LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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 2012 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)	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Judgements of reasonably possible movements.				
Consolidated				
+1.0% (100 basis points) (2012 +1.5% (150 basis points))	912	1,194	-	-
-0.75% (75 basis points) (2012 -0.75% (75 basis points))	(685)	(596)	-	-

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.

Equity securities price risk

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

At year end, the Group had no material exposure to equities other than to shares in associated entities and controlled entities and therefore has no exposure to price risk that has not already been reflected in the financial statements. The Group tests for impairment annually and reviews all investments at least half yearly. The methodology for testing for impairment is shown in note 17. Other than shown below, there were no impaired investments at balance date (2012 : NIL). At 30 June 2013, an impairment charge totalling \$629,000 relating to the carrying value of an associate was recognised and was shown as an expense in the income statement. This amount was partly offset against a reduction in a contingent consideration payment for the same associate totalling \$569,466, that was no longer required and was credited to the income statement.

(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 2013, the Group's strategy was to maintain a gearing ratio of not greater than 30% which was unchanged from 2012. The gearing ratio has changed marginally due to the increase in borrowings resulting from the consolidation of newly acquired entities. These entities had borrowing totalling \$8.5 million which are now included in the total borrowing of the consolidated entity.

	Consolidated	
	2013 \$'000	2012 \$'000
The gearing ratios at 30 June were as follows;		
Debt to equity ratio		
Interest bearing loans and borrowings (see note 21)	52,885	34,514
Total equity	230,398	172,290
Total equity and borrowings	283,283	206,804
Debt / Equity plus Borrowings Ratio	18.7%	16.7%

(f) Put Option

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

AUSTBROKERS HOLDINGS LIMITED
ABN 60 000 000 715
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2013

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 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.2; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2013.

On behalf of the Board



M P L Searles
Director

Sydney, 27 August 2013

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 2013, 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 2013 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 8 to 16 of the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Paul Harris
Partner
Sydney
27 August 2013

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 - 6.

Directors

R.A. Longes (Chairman)
M. P. L. Searles (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)

Auditors

Ernst & Young
680 George Street
Sydney, NSW 2000

Annual General Meeting

The Annual General Meeting of Austbrokers Holdings Limited will be held at the Sofitel Sydney Wentworth 61-101 Phillip Street Sydney NSW 2000 on Wednesday 20th November 2013 at 10.00am.